Hecla Mining(Q1 2018 Earnings)

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Corporate Speakers:

- Michael Westerlund, Hecla Mining Company, VP of IR - Hecla Canada Ltd
- Phillips S. Baker, Hecla Mining Company, President, CEO & Director
- Lindsay A. Hall, Hecla Mining Company, Senior VP, CFO & Treasurer
- Dean W. A. McDonald, Hecla Mining Company, SVP of Exploration

Participants:

- Heiko Felix Ihle, H.C. Wainwright & Co, LLC, Analyst
- Laura Engel, Stonegate Capital, Analyst
- Anthony Sorrentino, Sorrentino Metals, Analyst
- Eliot Ira Glazer, Wm Smith & Co., Analyst
- Lucas Nathaniel Pipes, B. Riley FBR, Inc., Analyst
- John Tumazos, John Tumazos Very Independent Research, Analyst

PRESENTATION

Operator: Welcome to the First Quarter 2018 Hecla Mining Company Earnings Conference Call.

(Operator Instructions)

I would now like to turn the conference over to your host, Vice President of Investor Relations, Mr. Mike Westerlund.

Michael Westerlund: Welcome, everyone, and thank you for joining us for Hecla's First Quarter 2018 Financial and Operations Results conference call.

Our financial results news release that was issued this morning before market open, along with today's presentation, are available on Hecla's Web Site. On today's call, we have Phil Baker, President CEO; Lindsay Hall, Senior Vice President and Chief Financial Officer; Larry Radford, Senior Vice President, Operations and Dean McDonald, Senior Vice President, Exploration.

Any forward-looking statements made today by the management team come under the Private Securities Litigation Reform Act and constitute forward-looking information under Canadian securities law, as shown on Slide 2. Such statements include projections and goals which are likely to involve risks detailed in our Form 10-K, Form 10-Q, and in the forward-looking disclaimer included in the earnings releases and at the beginning of the presentation. These risks could cause results to differ from those projected in the forward-looking statements.

In addition, during this call we may disclose non-GAAP financial measurements. You can find reconciliations of these measurements to the nearest GAAP measurement in the accompanying presentation which is available on our Web Site at www.hecla-mining.com.

Finally, in our filings with the SEC, we are only allowed to disclose mineral deposits that we can reasonably expect to economically and legally extract or produce. Investors are cautioned about our use of terms such as measured, indicated and inferred resources, which are not reserves, and we urge you to consider the disclosures that we make in the SEC filings.

With that, I will pass the call to Phil Baker.

Phillips S. Baker: I'll start with Slide 3. This was a good quarter starting in a similar fashion to what you've seen Hecla do for the past few years, consistently yet improving performance, which I think is in part a function of our strategy and culture, a strategy of focusing on long-live low-cost mines. And I'll talk about culture in a moment.

At Greens Creek, this quarter was an near-record throughput where they processed about 30% more tons than when we first acquired it in 2008. And since most of the costs are fixed, units cost are driven down. And in this base metals price and treatment charge environment, we get negative cash cost.

At Casa Berardi, we're doing the same thing but have an even greater increase in throughput because of the ability to mine open pits there and the fact the mill was oversized for the underground production.

We have ideas that San Sebastian did the same as we start the development for the sulfide bulk sample. All is consistent with our strategy of large geologically prospected land packages with long-live, low-cost operations. And I'm more convinced that if our talented people have assets that have margin in a long enough future, they're going to figure out how to make them more consistent and generate even better returns.

It's clear to me that in our Company's culture, there is a desire to figure out how to do things better. For the past 4 years, Hecla has been talking about the opportunity to innovate the mines to solve problems and take advantage of the opportunities that our teams identify. We're still doing that and still making improvements to our operations, and [Larry’s] going to talk about some of the things we're doing.

But it's not just operations that benefit from having this long-live, low-cost properties. On Tuesday, we issued our exploration update, which shows that even a property like Greens Creek, where we have explored for 30 years, we're still finding more, specifically the upper plate, which we mentioned last year and now appears to be growing. It's still not large, but it's very high in the mine so it provides good balance for deeper discoveries. Casa has a wealth of discoveries, some in the mines, some near surface and some like Lac Germain, 4.5 miles away. [Dean’s] is going to have more to say about these and on San

Sebastian. And in the second half of the year, we expect to be talking about exploration that is not in our current operations.

In this, understanding of the importance of having the right ground, and a lot of it, that's what led us to Klondex. When we looked at Klondex, we things similar to what we see Greens Creek and Casa. We see 3 large, in this case, Nevada properties, as big as those that we already have and we saw extraordinary grades, similar to what we see at Greens Creek.

We saw the likelihood of converting the Fire Creek resources that are identified at a higher grade as we develop it, and we saw numerous operational improvement possibilities. And we saw properties where the exploration team at Klondex seems to have cracked the code geologically for making further discoveries.

But there's still a lot to learn. And we expect the deal to close around the end of June; everything is on track so we will revise our guidance for the Company for Hecla, incorporating these assets and taking into account the lower cost-per-ounce that we've seen in the first quarter as a result of the throughput and the higher base metals prices. We'll do that in the second half of the year.

Now, I'll pass the ball over to Lindsay for a review of our financial performance.

Lindsay A. Hall: We're really pleased with the first quarter financial results. Our revenues and sales and products was hundred $139.7 million, in line with revenue over the same period of 2017, while gross profit increased 11% due to lower cost of sales of $5.8 million. All in all, very good and consistent results for our mines.

We reported net income of $8.2 million for the quarter, which was some $18.6 million less than 2017. You will recall in 2017, we were under a different cash tax regime in the United States and we booked a noncash income tax recovery amount of about $20 million in the quarter. That accounts for most of the difference in the reported net income quarter-over-quarter.

Company-wide cash cost after by-product credits per silver ounce improved to a negative $3.35 and the all-in sustaining cost after by-product credits also improved to $5.66 from $7.60 in the same period of 2017. The majority of the favorable variance due to higher pricing this quarter for our by-products from lead and zinc, resulting in industry leading margins.

Cash, cash equivalents and short-term investments totaled $247 million for the quarter ended March 31, which included the proceeds from Ressources Quebec loan of some $31 million. With the cash and the undrawn revolver, we're in good shape to finance the cash portion of the pending Klondex transaction.

Turning to Slide 6. The first quarter provided operating cash flow of $16.4 million, 57% lower than the first quarter of 2017 due to several one-time items. The actual cash flow from the mines was right where we thought it should be. The nonoperational cash items that negatively impacted our operating cash flow have not nothing to do with cash flows coming from the mining operations themselves.

These items include timing of incentive compensation; last year we made the payments in April whereas this year we made the payment in late March. It was about 10 of a variance. Unrealized hedging losses resulting from our normal base metals of foreign exchange hedging programs basically offset the difference of deferred taxes, and $3.4 million of higher working capital due to higher product inventory of lead at Greens Creek awaiting shipping.

In addition, we have Lucky Friday suspension cost of $2.9 million, higher than last year given the strike was for a full quarter this year. Also our higher exploration cost of $2.8 million are greater this year as we put our cash to work at increasing our reserves and resources. Plus we incurred $2.5 million of cost in connection with the pending Klondex acquisition. Adding these items together, they account for the difference in the cash provided by our operating activities this quarter compared to last quarters.

Turning to Slide 7. Silver operations continued to deliver one of the highest silver cash margins in the industry. It was about 120% of sales or $20.19 per silver ounce through the first quarter. The gold cash margin was 38% of sales of $505 per gold ounce.

On Slide 8, you can see we maintain a diversified revenue stream, with gold at 49%, silver at 24% and lead and zinc at a combined 26%. Greens Creek continues to be the dominant supplier of revenue as you would expect.

In summary, the operations are performing well, cash costs and all-in sustaining costs after by-product credits are much lower and margins and liquidity are strong. We're optimistic about the potential for 2018 and beyond as we turn our attention to the acquisition and integration of Klondex Nevada mines.

I will now pass the call on Larry to talk about the operations.

Lawrence P. Radford: On Slide 10, you can see Greens Creek had another excellent quarter. The silver production was about the same as the first quarter of 2017, with 11% higher throughput offsetting lower grade, higher by-product production and prices improved the cost per ounce after by-product credits. The mine did an excellent job of increasing the number of cut-and-fill stopes, development phases, equipment and mill availability.

The tele-remote LHD you can see on Slide 11 is now in operation, allowing mucking to continue during what would in the past have been idle time during shift change. The ventilation on demand study is progressing. We have installed variable frequency drives on 14 of 54 fans. We estimate a savings of $23,000 per fan, and we are in the process of confirming this estimate. Once confirmed, we expect to continue with the installations in anticipation of annual savings of about $1 million a year.

On Slide 12, Casa Berardi gold production increased 12% over prior year period, and cash cost and all-in sustaining cost after by-product credits are coming down as well.

Why the stronger performance? As you see on Slide 13, at first, big story at Casa was the improved consistency and operations after we acquired it. And now it is increased throughput that has been made possible by introducing open pit material, making an increase of over 100% in throughput since we acquired the mine in 2013. But we're not stopping there; the team continues to look increasing the throughput further being mindful that recoveries don't fall.

Something that we're really proud of is the success we're having with the automated truck at Casa as shown on Slide 14. The truck is running great, although we've had to do a little more slashing work on the rigs of the principal drift in a couple of areas. Now the truck can operate even faster. In total, there is more than 2 kilometers of fully automated travel. In fact, it's working so well we expect the second automated truck to arrive in late summer, which should enable annual operating savings of several million dollars per year in operating, maintenance and personnel costs.

Moving on to San Sebastian on Slide 15. Production from underground oxide ore is progressing well. We did have ramp-up issues in the first quarter related to contractor performance, insufficient power in the mine and variance in our ore block model. We anticipated that there could be a slower ramp-up than projected, and we started the year with a healthy stockpile of ore for multi-tenant operations. Additionally, we restarted open pit production in the North Vein pit earlier in the first quarter, a few months earlier than we planned.

With our underground contractor we have addressed this insufficient manpower and equipment; we have fixed the power supply shortfall; our underground ore reserve model is generally showing lower tons at a higher grade with the metal content slightly higher than projected.

In summary, we ramped up slower but we are approaching our design tonnage output, we maintain our 2018 guidance for San Sebastian.

Moving to Lucky Friday on Slide 16. Production at Lucky Friday was down due to the strike of United Steel Workers since March 13, 2017. We continue to do necessary maintenance and limited production while we do necessarily development work in preparation for the arrival of the remote Vein Mine.

Before I pass the call to Dean, I would like to talk about the Klondex transaction and share with you some of the strengths and opportunities from my perspective. Having worked 14 years at Goldstrike, I can assure you that Nevada is a great place to have an operation and to conduct exploration.

To start with, I was very pleased with the quality of the teams at the mines; they are very good miners who were focused on productivity measures and safety. We can add value by putting together a comprehensive life-of-mine plans and unite the 3 operating mines, the 1 mill and the [underground] project. I see opportunities to improve recoveries of Hollister ore with the completion of the CIL installation.

In concert with the Fire Creek management team, I believe that the tonnage at Fire Creek we [ramped-up might] deplete the existing reserve. The Fire Creek reserve was running on a cut-off grade of 0.288 ounces per ton, which implies a cost of about $320 per ton. There's likely opportunity to improve cost and reduce the cutoff grade. It is also important that we maintain a good relationship with the Shoshone tribe, which Klondex has done a good job with. We will push the construction of a new tailings facility this season as there is little overlap between the filling of the old facility and the commissioning of the new facility.

I will now pass the call over to Dean.

Dean W. A. McDonald: Thanks, Larry. Following on the highest levels of silver, gold and lead reserves in our 127 years history, Hecla continued with aggressive drill programs in the first quarter at San Sebastian, Casa Berardi and Greens Creek. A list of drilling sections is provided in the appendix of the exploration release, which was issued on Tuesday. This will give insights into the high-grade resources we are confirming and expanding. We're getting a good start in replacing reserves and resources.

At San Sebastian, as shown in Slide 19, we've clearly defined mineralized structural trends providing multiple opportunities to find new high-grade resources to extend both cyanide circuit milling and the separate recently leased sulfide flotation circuit. You can see the current Middle, North and Francine Vein pits in the yellow outlines, the surface projection of the new Middle Vein reserve, the new underground ramp under development in black, and the green ellipsis we're drilling is defining new reserves and resources.

Let's highlight some of the recent ruling successes. Slide 20 shows the longitudinal section of the Francine Vein. Drilling has now defined polymetallic mineralization containing precious metals and substantial quantities of base metals, zinc, lead and copper, for over 5,000 feet of strike length. Interesting new intersections include 35 ounces per ton silver, 7% copper, 23% lead and 17% zinc over 4.5 feet. Infill drilling, in an effort to upgrade shallower portions of the resource to indicate the category has begun, an underground development for above example is expected later this year. As substantial oxide resource is being defined to the east of the San Ricardo Fault, on the right of the image, has drilling and evaluates large gaps between the high-grade pods of mineralization. Interesting intersections on the East Francine Vein include 38 ounces per ton silver over 5 feet.

The longitudinal section of the Middle Vein in Slide 21 shows the new high-grade polymetallic resources of the 97 zone that have been defined to the west and below oxide mineralization that is currently being mine. Drilling is defined high-grade areas below the underground ramp development, and there's a good chance that step-out drilling will continue to expand at this resource in several directions. Drilling at San Sebastian is land to expand these targets and additional drilling is also planned for the Professor, Esperanza and North Veins. At Casa Berardi, with considerable drilling success again along the main trends, particularly near surface as shown on Slide 22.

Underground drilling along multiple high-grade lenses of the 118 and 123 zones expanded reserves and resources down plunge and extend the resources below the current workings. The red arrows and the longitudinal project extension of many mineralized zones and down-plunge throughout the mine and showed the significant potential to extend the mine life.

The plan view of the Casa Berardi mine shown Slide 23 shows at the current and proposed open pits and the areas of recent surface drilling where expanded near surface mineralization of the West Peller, Principal, East Mine crown pillar and 160 zones to delineate their open pit potential. I would like to draw your attention to the large (inaudible) prospect about 4.5 miles east of the Casa Berardi mine lease on the right of the image. This appears to occur north of the projection of the Casa Berardi deformation zone.

Recent drilling is confirmed mineralization in sheer zones that look very promising. Assay results are pending and will be released once the information has been assessed and put in context.

At Greens Creek, as shown on Slide 24, definition and exploration drilling continued to have success at the east ore and upper plate zones, which are higher in the mine and in time are expected to become part of the life-of-mine plan. Lower in the mine, we are adding 2 resources along some existing trends in the Gallagher and Deep 200 South zones.

I'm very excited about the exploration opportunities in northern Nevada once the acquisition of Klondex is concluded. As shown in Slide 25, it is rare that you can acquire 110 square miles of exploration ground in northern Nevada that lies within or at the intersection of prolific trends or rifts. They have a great event geologist with a significant understanding of the properties, and we look forward to working together to realize the potential of this ground. Elsewhere in the Company, we are preparing exploration programs at Kinskuch in northern British Columbia, Little Baldy in northern Idaho, and Heva and Opinaca-Wildcat in Quebec. We're going to have a busy summer.

And with that, I'll pass the call back to Phil.

Phillips S. Baker: It's good quarter across-the-board and we're well-positioned for the rest of the year.

With that, why don't we, operator, open the line for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

Heiko Ihle from H.C. Wainwright & Co.

Heiko Felix Ihle: You've made what I still think is a very good transaction with that Klondex acquisition decision. I mean, the deals will probably close some time next month. At that time, is it fair to say that you are willing and able to put your war chest back to use and look for another target? I mean on the one hand side, I guess that Klondex Nevada assets are between hard and impossible to replicate. But is it fair to say that if you find something comparable in size and grade, et cetera, that you'd be willing to do it? Or would even be willing to venture outside and look through Mexico, for example?

Phillips S. Baker: Heiko, the first order of business will be to bring this asset in and have it realize its potential. We'll be focusing on that. Having said that, we certainly have teams of people that are looking at assets outside, and they look for things that are consistent with the strategy of large land packages with reserves, with the potential for long-lived mines and low costs. If we find those things, then, yes, we will act on them. But first order of business is going to be focusing on these Nevada assets.

Heiko Felix Ihle: Well, I mean, given what you guys did integrating Aurizon into the Company and making it just a cornerstone of the operations today, I'm not so worried about the integration cost.

You spent $4.1 million on the suspension for Lucky Friday. I mean, no one likes what's going on there including the unions, myself, yourself, anybody. I hope that the unions will see the light sometime soon and that the mine will be reopened properly. But ignoring all that, assuming the strike does continue, which, again, I am not rooting for it, can we trendline that $4 million figure for the rest of the year?

Phillips S. Baker: From a cash standpoint, it's about $1 million to $1.5 million. The difference between that is depreciation. The answer is, yes, you can just assume we’re at that level. We will spend money on capital to position the mine to be able to bring the remote vein miner in to test, and that will happen toward the end of 2019. The focus for '18 for the team of people that we have there is the development necessary to bring that machine in to test it.

Operator: And our next question comes from Laura Engel from Stonegate Capital.

Laura Engel: Just a follow-up to a previous question. Do you have any outlook on when the next meeting might take place related to Lucky Friday? And then once it is resolved, how quickly can that mine be back up and running 100%?

Phillips S. Baker: Yes. There's an attempt to schedule another meeting. There actually has been a meeting recently; there will be an attempt to schedule another meeting in the course of the next few weeks. As far as the restart, it's about a 6-month process to get the thing up and running.

Larry, anything to add to that?

Lawrence P. Radford: The mine's in good shape. The salaried staff's done a good job of keeping it in good condition. It's really just the recall process and the retraining that will take time.

Laura Engel: And then just one last one, any update on the timing of the permitting and development work at Montanore and Rock Creek?

Phillips S. Baker: Yes. There is no update; we're still waiting to get the permit for Rock Creek and then there's the process in the Court with Montanore. And then, of course, we have the issue of dealing with the state of Montana calling into question our ability to operate in Montana and I'll have a meeting with the state later this month. And I suspect that will take a period of time for that to all resolve. But I don't know how long that might be.

Operator: Anthony Sorrentino from Sorrentino Metals.

Anthony Sorrentino: Continuing with Lucky Friday, you've mentioned about the remote vein miner arriving late in 2019 or those are the plans. Would you intend to offer training to the union employees using that remote vein miner?

Phillips S. Baker: The answer is yes, we certainly would. And it's going to be a process for us to figure out exactly how to properly deploy that if it operates successfully. Remember, it's in the construction process now. I think in the month of June, we've got some people that are going to go over and take a look at where it is. We would expect next quarterly call to be able to maybe show some pictures of it under construction.

But then once it's built, it will be tested in Epiroc's test mine and make sure it works as expected. Then we'll bring it, disassemble it, bring it over here and test it again. And then after that is when you go through the process of bringing people in to operate.

Anthony Sorrentino: And with regard to San Sebastian, I believe also, you're testing Exelon's mill and you want to see how well that goes. And would that be used to process sulfide ore at San Sebastian?

Phillips S. Baker: Yes, that's right. We'll be starting the development to access that ore later this quarter, and we'll actually be in position to access it in the fourth quarter. And we'll then test it going to that mill.

And what we are hopeful for is that we have the same thing continue to happen at San Sebastian that's happened over the last couple of years where we've had this very short mine life. We are hopeful that with success both exploration-wise and with the success of the tests that we'll actually have both oxide material as well as sulfide materials being processed at 2 different means.

Operator: Eliot Glazer, a private investor.

Eliot Ira Glazer: This is Eliot Glazer. Up until recently I was a mining analyst for 49 years. Could you give us a little bit of color on the RVM, the remote vein miner? What is your long-term guesstimates on its effect on production levels and costs?

Phillips S. Baker: The view we have is that or the assumption that we've made is that we're not going to see any real benefits relative to our current production cost and rate of production. However, theoretically, there is a huge upside when you're running this thing continuously it'd be a 24/7 operation. We're hopeful that it will materially improve the economics of the Lucky Friday, but we've not assumed that in making the investment in developing this.

Larry, anything to add to that?

Lawrence P. Radford: Yes. The real principal goal of the remote vein miner is to get miner out off the stopes as they're called. And we are not relying on a productivity gain to justify the fabrication of the machines. However, we will probably see one. And this is cutting edge stuff; this will be the second machine in the world to go to work. There's one machine running now in South Africa. We're keeping tabs on that machine. And we think our machine will be successful, but we have to make some assumptions.

For instance, of the 24-hour-day, how many of those hours will the remote vein miner actually be operating. We've taken a very conservative, I think it's 40%, view of how many hours it will operate. But we see a lot of upside in that. And should we see upside, that's when the machine really starts to payback. The first machine is one of two that we intend to order. But obviously, the second machine we'll order with any success of the first machine.

Eliot Ira Glazer: Next and final question is Lucky Friday. When the strike first started 14 months ago, I believe the miners didn't have deep rock pockets, how did they survive? How are they putting food on the table after 14 months?

Phillips S. Baker: Well certainly, miners are very capable people and hard-working people. And so most of them are working elsewhere, some working at other mines, some in other industries waiting for the strike to end. And then there's also support that's being provided by the steelworkers to pay for some expenses.

Operator: Lucas Pipes from B. Riley FBR.

Lucas Nathaniel Pipes: You were very complimentary of the Klondex assets in the prepared remarks and the release. And at the same time on Slide 17 of the presentation today, you identified a long list of optimization opportunities. I wondered if you could maybe elaborate on maybe the 3 or 4 greatest ones off that list, and maybe put some numbers around it? And then also how quickly we could see those benefits flow through? I would appreciate your perspective.

Phillips S. Baker: Look, I think I'll let Larry delve into that. But let me just say a couple of things.

I mean, I think that the first one is when we look at the resource grade, it's lower than what the reserve grade is. And when we look back historically what's happened is as they do the development, as they mine it, the grade actually increases and increases in a range of roughly 100% to 300%, 400%. It's a dramatic change that happens, and we don't see anything that would suggest that will not happen going forward. And when we've done our assumptions on what would happen, we're quite conservative relative to what they've done in the past.

We also just see the ability to take our team of people that do an excellent job of planning and being able to help these guys do more short and long-range planning. And then when you look at the cutoff grade and you think, okay, you got a cut-off grade that's a quarter of an ounce, 1/3 of an ounce, is there the opportunity through better planning, through better materials handling to actually lower that cutoff grade and make even more material economic and/or improve the margins on what you do mine. In my mind, those are the things that sort of strike me.

Larry what else will amplify those?

Lawrence P. Radford: Yes. I'm trying to highlight out of the strengths and opportunities list, the things that really stand out for me, as you suggest. On the strength side, I think there are good teams at the mines, they are very expert at very narrow vein, long-haul mining and a few other stoping techniques that aren't used commonly because most mines just don't have these super narrow high-grade veins. These guys are really good at it, they have great safety record, good teams.

Other thing on the strength side is obviously, the assets themselves, the grade, the exploration potential. It's just I think somebody said it earlier in the call that you can't carbon copy this stuff. It's kind of a one-of-a-kind opportunity to pick up these assets.

Going over the opportunities, I think couple of things that really stand out for me. The development of the comprehensive life-of-mine plan is our first order business, and we hope to have it done before closing. There's 3 mines here, they're very different in terms of how many years of life they have left. And then there's the [Hader-Grobbin] project, which is a very long-term, very prospective project.

And all of this has to be tied into development plan that makes sense. So I see that as a job one, I see it as a huge opportunity. It may very well lead us to development. A development of Hader-Grobbin, further development of Fire Creek so that we can ramp-up tonnage at Fire Creek and ensure that it's a long-lived operation. Those are the things really stand out for me.

Lucas Nathaniel Pipes: In terms of capital allocation, there was a question earlier on more M&A, how does that compare to maybe reducing leverage a little bit or also a capital return in the forms of dividends or buybacks?

Phillips S. Baker: Look, first order of business is making these assets operate like we've been able to make Greens Creek and Casa. If there's anything we been trying to do is in our discussions with people, it's been to emphasize the process that we've gone through with Greens Creek and with Casa and the belief that we can apply that to these Nevada assets. And so when we think about capital allocation, it's going to be to our Greens Creek Casa, San Sebastian and to the Nevada assets; that's job one.

Going beyond that, as far as the balance sheet, we're comfortable with the level of indebtedness that we have. I think you can anticipate in the next few years that we will refinance the indebtedness that we have. Remember it comes due in 2021; we won't wait till the very last minute to do that. We're talking to rating agencies to make sure they understand what Hecla looks like with these assets.

And then next would come bringing new assets into the fold. That in my mind when I have the prioritization. With respect to doing stock buybacks and special dividends, that' really becomes a question for the board; from my perspective while there's times that I would do that, that wouldn't be my first priority, Lucas.

Operator: John Tumazos from John Tumazos Very Independent Research.

John Tumazos: The many gold occurrences you're describing in Casa Berardi underground and on surface are very exciting. The mill throughput last year, I guess, was around 3,800 tons a day and you're probably a portion some of it for the underground, some of it for the surface. The reserve life is around 9 years and the various other resources are about 14 more. Will you be incrementing the mill capacity? How will the balance between underground and surface ores go? Or will you just enjoy a much longer mine life where you put some of the higher grade first-to-produce more gold?

Phillips S. Baker: Well, John, I appreciate your recognition of what's happening at Casa and all that's true where we've been able to increase the throughput and we've been able to make this mine really be a different mine than what it was prior.

When we think about further increases in throughput, we're going to continue to push that and we'll push that until we see the recoveries declining, or we see the capital investment that we need to make to not have it make sense. Realize that, that mill already had certain overcapacity. Debate internally is to exactly what that overcapacity was, but we're clearly filling that mill up and at some point, we're going to get to where we have to put more capital into it in order to increase it even further.

But to the extent that, that makes sense to do that, we will certainly do that because we believe that we're going to find a lot more beyond the mine life that you indicated.

Larry, anything to add?

Lawrence P. Radford: The mill at Casa Berardi right now is permitted. It does have a permit limit on it at 1.4 million tons a year. We can obviously solicit a higher throughput if we think it's necessary.

As far as the economics and the practicality of ramping up further, we've been running very high tonnage. And for reference, John, last year the open pit feed was about 1/3 of the total feed. But we've been ramped up for quite a while now, and we're starting to understand what the back-end losses are as tonnage increases. And so we're really running the math right now with what our cutoff grade should be both the open pit and the underground, and it's dynamic because it floats with the throughput. We're trying to understand that right now before we wrap up further.

That said, what would allow us to ramp-up even more, 2 pits running simultaneously. And we believe once the 1.34 is permitted, we believe we'll have the permit for the 1.34 pit this year. If we can run 2 pits simultaneously, then we can ramp-up [even more].

Operator: And that concludes today's Q&A session. I would now like to turn the call back over for any closing remarks to Mr. Phil Baker.

Phillips S. Baker: Thanks very much. Appreciate everyone being on the call. As usual, if there's any questions, please feel free to give Mike Westerlund or myself a call.

Have a good, safe day. Thanks very much.

Operator: Thank you, ladies and gentlemen. This does conclude the program. You may all disconnect.