

What Will Happen to Eldorado Gold Corp in Greece?

Description

We could have seen this coming from a million miles away, but it still comes as a shock.

On Monday, Greece's new government revoked the approval for final construction of a processing plant at the Skouries project. This is very bad news for project operator **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)). In response, the gold miner's shares have declined by about 4% as of this writing.

So, how did we get to this point? More importantly, what does the future hold for this mine? Finally, should you take advantage of this price weakness by buying Eldorado shares? We take a look below.

Absolutely opposed

Once Greece's left-wing Syriza was elected, the Skouries project was in serious jeopardy. Syriza has made its opposition to the mine very clear, with new Energy Minister Panagiotis Lafazanis saying "we are absolutely against it and we will examine our next moves on it."

Syriza is not alone in its opposition to the project, which has seen some violent protests from activists. The main concern is the mine's environmental impact on surrounding forests and beaches. Another concern is that it will negatively affect tourism. That said, it is Syriza's opposition that really matters at this point.

The future doesn't look good

There are some reasons to believe this project will go ahead after all. The Greek government has indicated it may reverse the decision after completing a review. In the meantime, Eldorado has claimed the decision "has no legal basis and will, if necessary, act to protect the legal rights of the Company, employees and stakeholders."

Furthermore, the Skouries mine appears to be in Greece's best interest. Since 2012, Eldorado has invested US\$450 million in Greece, money that has gone to employees, contractors, suppliers, and the government. Of course, more money would have to be spent to complete development. Once the mine is completed, it would be one of the country's top exporters. For a country with a struggling economy, Skouries appears to be badly needed.

Still, I wouldn't bank on a positive outcome here. The government has made its opposition very clear, and even if the mine is built, it could come with bigger royalties and taxes. Dan Rollins of RBC Capital Markets called this latter scenario "the most rational outcome."

Why buy this stock when you don't have to?

With all that in mind, I wouldn't buy Eldorado at this point, even after the price decline. There is simply too much uncertainty going on in Greece, and the shares aren't cheap enough to make up for this. If you're looking to bet on the price of gold, there are much better options.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. TSX:ELD (Eldorado Gold Corporation)

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