



eldorado gold

**March 31, 2012**

**Unaudited Condensed Consolidated Financial Statements**

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# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	<i>Note</i>	<b>March 31, 2012</b>	<b>December 31, 2011</b>
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		386,896	393,763
Restricted cash	6	56,663	55,390
Marketable securities		4,190	2,640
Accounts receivable and other		58,045	42,309
Inventories		200,489	164,057
		<hr/>	<hr/>
		706,283	658,159
Non-current inventories		22,647	26,911
Investments in significantly influenced companies		18,942	18,808
Deferred income tax assets		4,727	4,259
Restricted assets and other		52,640	38,430
Property, plant and equipment		5,847,075	2,847,910
Goodwill		640,479	365,928
		<hr/>	<hr/>
		7,292,793	3,960,405
<b>LIABILITIES &amp; EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		231,675	168,367
Debt	7	75,732	81,031
		<hr/>	<hr/>
		307,407	249,398
Asset retirement obligations		50,443	43,213
Defined benefit plan		20,821	19,969
Deferred income tax liabilities		870,313	336,579
		<hr/>	<hr/>
		1,248,984	649,159
<b>Equity</b>			
Share capital	8	5,258,949	2,855,689
Treasury stock		(8,457)	(4,018)
Contributed surplus		80,289	30,441
Accumulated other comprehensive loss		(10,206)	(10,069)
Retained earnings		400,687	382,716
		<hr/>	<hr/>
<b>Total equity attributable to shareholders of the Company</b>		5,721,262	3,254,759
<b>Attributable to non-controlling interests</b>		322,547	56,487
		<hr/>	<hr/>
		6,043,809	3,311,246
		<hr/>	<hr/>
		7,292,793	3,960,405
		<hr/>	<hr/>

**Approved on behalf of the Board of Directors**

*(Signed) Robert R. Gilmore*      Director

*(Signed) Paul N. Wright*      Director

The accompanying notes are an integral part of these consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Income Statements

(Expressed in thousands of U.S. dollars except per share amounts)

<b>For the quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Metal sales	271,549	219,169
<b>Cost of sales</b>		
Production costs	91,239	74,311
Depreciation and amortization	27,408	31,217
<b>Total cost of sales</b>	<u>118,647</u>	<u>105,528</u>
<b>Gross profit</b>	152,902	113,641
Exploration expenses	8,696	3,841
General and administrative expenses	16,162	21,034
Defined benefit plan expense	635	423
Share based payments	9,023	7,352
Transaction costs	17,804	-
Foreign exchange (gain) loss	(1,107)	647
<b>Operating profit</b>	<u>101,689</u>	<u>80,344</u>
Gain on disposal of assets	(213)	-
Gain on marketable securities and other investments	(1,032)	(635)
Loss on investments in significantly influenced companies	1,281	1,196
Other income	(946)	(1,497)
Asset retirement obligation accretion	368	366
Interest and financing costs	688	1,589
<b>Profit before income tax</b>	<u>101,543</u>	<u>79,325</u>
Income tax expense	27,725	20,625
<b>Profit for the period</b>	<u>73,818</u>	<u>58,700</u>
<b>Attributable to:</b>		
Shareholders of the Company	67,851	52,473
Non-controlling interests	5,967	6,227
<b>Profit for the period</b>	<u>73,818</u>	<u>58,700</u>
Weighted average number of shares outstanding		
Basic	615,147	548,320
Diluted	617,851	551,500
<b>Earnings per share attributable to shareholders of the Company:</b>		
Basic earnings per share	0.11	0.10
Diluted earnings per share	0.11	0.10

The accompanying notes are an integral part of these consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of U.S. dollars)

<b>For the quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Profit for the period</b>	<b>73,818</b>	<b>58,700</b>
<b>Other comprehensive income loss:</b>		
Change in fair value of available-for-sale financial assets	(113)	(414)
Realized gains on disposal of available-for-sale financial assets transferred to net income	(24)	(162)
<b>Total other comprehensive loss for the period</b>	<b>(137)</b>	<b>(576)</b>
<b>Total comprehensive income for the period</b>	<b>73,681</b>	<b>58,124</b>
<b>Attributable to:</b>		
Shareholders of the Company	67,714	51,897
Non-controlling interests	5,967	6,227
<b>Total comprehensive income for the period</b>	<b>73,681</b>	<b>58,124</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

<b>For the quarter ended March 31,</b>	<i>Note</i>	<b>2012</b>	<b>2011</b>
		\$	\$
Cash flows generated from (used in):			
<b>Operating activities</b>			
Profit for the period		73,818	58,700
Items not affecting cash			
Asset retirement obligation accretion		368	366
Depreciation and amortization		27,408	31,217
Unrealized foreign exchange loss		514	1,733
Deferred income tax recovery		(8,986)	(7,494)
Gain on disposal of assets		(213)	-
Loss on investment in significantly influenced companies		1,281	1,196
Gain on marketable securities		(1,032)	(635)
Share based payments		9,023	7,352
Defined benefit plan expense		635	423
		<u>102,816</u>	<u>92,858</u>
Changes in non-cash working capital	<i>10</i>	<u>(19,541)</u>	<u>17,523</u>
		83,275	110,381
<b>Investing activities</b>			
Net cash received on acquisition of subsidiary	<i>5</i>	18,789	-
Purchase of property, plant and equipment		(52,514)	(78,338)
Proceeds from the sale of property, plant and equipment		659	17
Proceeds on pre-production sales		6,064	-
Proceeds from the sale of marketable securities		230	938
Funding of non-registered supplemental retirement plan investments, net		(6,023)	-
Investments in significantly influenced companies		(696)	(1,318)
Increase in restricted cash		(1,287)	(3,000)
		<u>(34,778)</u>	<u>(81,701)</u>
<b>Financing activities</b>			
Issuance of common shares for cash		6,090	2,746
Dividend paid to non-controlling interests		-	(6,873)
Dividend paid to shareholders		(49,880)	(27,741)
Purchase of treasury stock		(6,011)	(5,870)
Long-term and bank debt proceeds		-	1,757
Long-term and bank debt repayments		(5,563)	(12,927)
		<u>(55,364)</u>	<u>(48,908)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(6,867)</u>	<u>(20,228)</u>
<b>Cash and cash equivalents - beginning of period</b>		<u>393,763</u>	<u>314,344</u>
<b>Cash and cash equivalents - end of period</b>		<u>386,896</u>	<u>294,116</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. dollars)

<b>For the quarter ended March 31,</b>	<i>Note</i>	<b>2012</b>	<b>2011</b>
		\$	\$
<b>Share capital</b>			
Balance beginning of period		2,855,689	2,814,679
Shares issued upon exercise of share options, for cash		6,090	2,080
Transfer of contributed surplus on exercise of options		6,508	813
Shares issued on acquisition of European Goldfields Ltd.	5	2,380,140	-
Shares issued for deferred phantom units		10,522	-
Shares issued upon exercise of warrants, for cash		-	666
Balance end of period		<u>5,258,949</u>	<u>2,818,238</u>
<b>Treasury stock</b>			
Balance beginning of period		(4,018)	-
Purchase of treasury stock		(6,011)	(5,870)
Shares redeemed upon exercise of restricted share units		1,572	-
Balance end of period		<u>(8,457)</u>	<u>(5,870)</u>
<b>Contributed surplus</b>			
Balance beginning of period		30,441	22,967
Share based payments		8,215	6,172
Shares redeemed upon exercise of restricted share units		(1,572)	-
Options issued on acquisition of European Goldfields Ltd.	5	31,130	-
Deferred phantom units granted on acquisition of European Goldfields Ltd.		29,105	-
Transfer to share capital on exercise of options and deferred phantom units		(17,030)	(813)
Balance end of period		<u>80,289</u>	<u>28,326</u>
<b>Accumulated other comprehensive loss</b>			
Balance beginning of period		(10,069)	(1,637)
Other comprehensive loss for the period		(137)	(576)
Balance end of period		<u>(10,206)</u>	<u>(2,213)</u>
<b>Retained earnings</b>			
Balance beginning of period		382,716	125,221
Dividends paid		(49,880)	(27,741)
Profit attributable to shareholders of the Company		67,851	52,473
Balance end of period		<u>400,687</u>	<u>149,953</u>
<b>Total equity attributable to shareholders of the Company</b>		<u>5,721,262</u>	<u>2,988,434</u>
<b>Non-controlling interests</b>			
Balance beginning of period		56,487	36,021
Profit attributable to non-controlling interests		5,967	6,227
Dividends paid		-	(3,622)
Acquired non-controlling interest	5	260,093	-
Balance end of period		<u>322,547</u>	<u>38,626</u>
<b>Total equity</b>		<u>6,043,809</u>	<u>3,027,060</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 1. General Information

Eldorado Gold Corporation (“Eldorado” or the “Company”) is a gold exploration, development, mining and production company. The Company has ongoing exploration and development projects in Turkey, China, Greece, Brazil and Romania. The Company acquired control of European Goldfields Ltd. (“EGU”) in February 2012, including its producing mine, Stratoni, and development projects, Olympias and Skouries, in Greece and its development project, Certej, in Romania.

Eldorado is a public company which is listed on the Toronto Stock Exchange, New York Stock Exchange and the Australian Stock Exchange and is incorporated and domiciled in Canada.

### 2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’. They do not include all of the information and footnotes required by the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board for full annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2011.

Other than the adoption of new accounting policies described in note 3, the same accounting policies are used in the preparation of these condensed consolidated interim financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with IFRS of the results for the interim periods presented.

### 3. Adoption of new accounting policies and new accounting developments

#### (a) Revenue recognition of other metals concentrate

Revenues from the sale of concentrate are recognised when the risks and rewards of ownership have been transferred to the customer and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

A number of the Company’s concentrate products are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. These concentrates are provisionally priced at the time of sale based on forward prices for the expected date of the final settlement. The provisionally priced sales of concentrate contain an embedded derivative, which does not qualify for hedge accounting. These embedded derivatives are recognized at fair value through revenue until the date of final price determination. Subsequent variations in the price are recognized as revenue adjustments as they occur until the price is finalized.

#### (b) Upcoming changes in accounting standards

The following standards and amendments to existing standards have been published and are mandatory for Eldorado’s annual accounting periods beginning January 1, 2013, or later periods:

- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ – This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, ‘Financial Instruments: Recognition and Measurement’. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is effective for years beginning on or after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.
- IFRS 11 ‘*Joint Arrangements*’ – This standard replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Joint venture entities are now accounted for using the equity method.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 3. Adoption of new accounting policies and new accounting developments (continued)

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36 '*Impairment of Assets*'.

Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the consolidated financial statements.

- IFRS 12 '*Disclosure of Interests in Other Entities*' – This IFRS shall be applied by companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature of and risks associated with its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies will be required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. This standard is effective for years beginning on or after January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the consolidated financial statements.
- IFRS 13 '*Fair value measurement*' – This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.
- IFRIC 20 '*Stripping costs in the production phase of a surface mine*' – This interpretation applies to waste removal costs that are incurred in open pit mining activity during the production phase of the mine. Recognition of a stripping activity asset requires the asset to be related to an identifiable component of the ore body. Stripping costs that relate to inventory produced should be accounted for as a current production cost in accordance with IAS 2, '*Inventories*'. Stripping costs that generate a benefit of improved access and meet the definition of an asset should be accounted for as an addition to an existing asset. Existing stripping costs on the balance sheet at transition that do not relate to a specific ore body should be written off to opening retained earnings. The stripping activity asset shall be depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. This interpretation is effective for years beginning on or after January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the consolidated financial statements as the Company currently applies comparable principles to those found in this interpretation.
- There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.



# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates include assumptions and estimates relating to determining defined proven and probable reserves, value beyond proven and probable reserves, fair values for purposes of purchase price allocations for business acquisitions, asset impairment analysis, determination of recoverable metal on leach pads, reclamation obligations, share-based payments and warrants, pension benefits, valuation allowances for deferred income tax assets, the provision for income tax liabilities, deferred income taxes and assessing and evaluating contingencies. Actual results could differ from these estimates. Outlined below are some of the areas which require management to make judgments, estimates and assumptions in determining carrying values.

#### **Purchase price allocation**

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining assets and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities.

In respect of mining company acquisitions, such as the acquisition of EGU in February 2012, excess purchase consideration is typically allocated to the mineral reserves and resources being acquired. The estimate of reserves and resources is subject to assumptions relating to life of the mine and may change when new information becomes available. Changes in reserves and resources as a result of factors such as production costs, recovery rates, grade or reserves or commodity prices could impact depreciation rates, asset carrying values and environmental and restoration provisions. Changes in assumptions over long-term commodity prices, market demand and supply, and economic and regulatory climates could also impact the carrying value of assets, including goodwill.

#### **Estimated recoverable reserves and resources**

Mineral reserve and resource estimates are based on various assumptions relating to operating matters, including, with respect to production costs, mining and processing recoveries, cut-off grades, as well as assumptions relating to long-term commodity prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be impacted by forecasted commodity prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Estimated recoverable reserves and resources are used to determine the depreciation of property, plant and equipment at operating mine sites, in accounting for deferred stripping costs, in performing impairment testing and for forecasting the timing of the payment of decommissioning and restoration costs. Therefore, changes in the assumptions used could impact the carrying value of assets, depreciation and impairment charges recorded in the income statement and the carrying value of the decommissioning and restoration provision.

#### **Decommissioning and restoration provisions**

The decommissioning and restoration provision is based on future cost estimates using information available at the balance sheet date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework, and the timing, extent and costs of required decommissioning and restoration activities. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 4. Critical accounting estimates and judgements *(continued)*

#### **Current and deferred taxes**

The Company calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of financial statements. Therefore, profit in subsequent periods will be affected by the amount that estimates differ from the final tax return.

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. The Company also evaluates the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. Deferred tax liabilities arising from temporary differences on investments in subsidiaries, joint ventures and associates are recognized unless the reversal of the temporary differences are not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future production and sales volumes, commodity prices, reserves, operating costs, decommissioning and restoration costs, capital expenditures, dividends and other capital management transactions. Judgment is also required about the application of income tax legislation. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

### 5. Acquisition of European Goldfields Ltd.

On February 24, 2012 the Company acquired 100% of the issued and outstanding shares of EGU. Under the terms of the Arrangement former EGU shareholders received 0.85 of an Eldorado common share and C\$0.0001 in cash for each EGU share. Eldorado issued 157,959,316 common shares pursuant to the Arrangement. EGU holds a 95% stake in the Kassandra Mines district in Greece, which is comprised of the Stratoni Mine, and the Olympias and Skouries development projects, and an 80% stake in the Certej development project in Romania.

The Company acquired EGU to increase its presence in the Aegean region and leverage local operating knowledge and expertise.

The goodwill of \$274,551 resulting from the acquisition arises mainly on the recognition of deferred income tax liabilities and non-controlling interests and represents, among other things, the exploration potential within the assets acquired and future variability in the price of minerals. None of the goodwill is deductible for tax purposes.

In April 2007, Hellas Gold, a subsidiary of EGU, agreed to sell to Silver Wheaton (Caymans) Ltd. ("Silver Wheaton") all of the silver metal to be produced from ore extracted during the mine-life within an area of approximately seven square kilometres around the Stratoni mine up to 15 million ounces, or 20 million ounces if additional silver is processed through the Stratoni mill from areas other than the current producing mine. The sale was made in consideration of a prepayment to Hellas Gold of \$57.5 million in cash, plus a fee per ounce of payable silver to be delivered to Silver Wheaton of the lesser of \$3.90 and the prevailing market price per ounce. The expected cash flows associated with the sale of the silver to Silver Wheaton at a price lower than market price have been reflected in the fair value of the mining interest recorded upon acquisition of EGU. The Company has presented the value of any expected future cash flows from the sale of any future silver production to Silver Wheaton as part of the mining interest, as the Company did not receive any of the original upfront payment. Further, the Company does not believe that the agreement to sell to Silver Wheaton meets the definition of an onerous contract or other liability as the obligation only arises upon production of the silver.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 5. Acquisition of European Goldfields Ltd. (continued)

A preliminary allocation of the purchase price, which is subject to final adjustments, is as follows:

Preliminary purchase price:	
157,959,316 common shares of shares of Eldorado at C\$15.05/share	\$ 2,380,140
4,713,248 replacement options	31,130
1,931,542 equity settled deferred phantom units	29,105
Cash consideration	19
Total Consideration	<u>\$ 2,440,394</u>
Net assets acquired:	
Cash	\$ 18,808
Accounts receivable	20,844
Inventory	9,689
Other assets	9,951
Mining interests	2,990,047
Goodwill	274,551
Accounts payable	(71,944)
Non-current liabilities	(9,242)
Deferred income taxes	(542,217)
Non-controlling interest	(260,093)
	<u>\$ 2,440,394</u>

For the purpose of these condensed consolidated financial statements, the purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time these condensed consolidated financial statements were prepared. The Company will continue to review information and perform further analysis with respect to these assets, prior to finalizing the allocation of the purchase price.

Eldorado has conducted a preliminary assessment of contingent liabilities identified during its due diligence and has recognized certain contingent liabilities in its initial accounting for the acquisition. However, the Company is continuing its review to determine whether additional contingent liabilities exist. If during the measurement period new information is found that identifies adjustments to the amount of contingent liabilities recognized initially, or additional contingent liabilities that existed at the acquisition date, then the acquisition accounting will be revised to reflect the resulting adjustments to the amounts initially recognize.

The fair value of the common shares and replacement options issued and the equity settled deferred phantom units ("DPUs") as part of the consideration paid for EGU was based on the closing share price on February 24, 2012 on the Toronto Stock Exchange. The value of the replacement options was calculated using the Black-Scholes model. The following inputs were used to value the replacement options:

Risk-free interest rate	1.28%
Expected volatility (range)	39% – 44%
Expected life (range)	0.7 – 1.7 years
Expected dividends per share	Cdn \$0.09
Forfeiture rate	0%

Acquisition related costs of \$17,804 have been charged to transaction costs in the consolidated income statement for the quarter ended March 31, 2012.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 5. Acquisition of European Goldfields Ltd. (continued)

These consolidated financial statements include EGU's results from February 24, 2012 to March 31, 2012. The revenue included in the consolidated income statement since February 24, 2012 contributed by EGU was \$5,695. This is from the sales of zinc, lead and silver concentrates produced at the Stratoni Mine in Greece.

Had EGU been consolidated from January 1, 2012, the consolidated income statement would include revenue of \$13,473 and a net loss of \$35,009 from EGU.

Eldorado received net cash of \$18,789 as a result of the EGU transaction. This net increase of cash was a result of an acquired cash balance of \$18,808 less cash consideration of \$19.

### 6. Restricted cash

Restricted cash represents short-term interest-bearing money market securities and funds held on deposit as collateral for the following loans:

	March 31, 2012	December 31, 2011
	\$	\$
Eastern Dragon CMB standby letter of credit loan (note 7(b))	56,663	52,390
Unamgen deposit security HSBC letter of credit	-	3,000
	<u>56,663</u>	<u>55,390</u>

### 7. Debt

	March 31, 2012	December 31, 2011
	\$	\$
Jinfeng construction loan (a)	14,566	19,929
Eastern Dragon CMB standby letter of credit loan (b)	50,840	50,786
Eastern Dragon HSBC revolving loan facility (c)	10,326	10,316
	<u>75,732</u>	<u>81,031</u>

#### (a) Jinfeng construction loan

In 2009, Guizhou Jinfeng Mining Ltd. ("Jinfeng"), our 82% owned subsidiary entered into a RMB 680.0 million (\$108,034) construction loan facility ("the construction loan") with China Construction Bank ("CCB"). The construction loan has a term of 6 years commencing on February 27, 2009 and is subject to a floating interest rate adjusted annually at 95% of the prevailing lending rate stipulated by the People's Bank of China for similar loans. The effective interest as at March 31, 2012 was 6.70%.

Scheduled quarterly payments of RMB 35.0 million (\$5,561) are anticipated to repay the principle loan balance in full by the end of 2012. Any pre-payments are applied to reduce future payments starting from the final payment.

Jinfeng made its quarterly scheduled payment of RMB 35.0 million (\$5,561) in March of 2012, reducing the balance remaining to RMB 95,000 (\$15,093) at March 31, 2012.

Net deferred financing costs in the amount of \$527 have been included as an offset in the balance of the loan in the financial statements and are being amortized using the effective interest method.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 7. Debt (continued)

#### **(b) Eastern Dragon CMB standby letter of credit loan**

In January 2010, Rock Mining Industry Development Company Limited ("Eastern Dragon"), our 95% owned subsidiary, entered into a RMB 320.0 million (\$50,840) standby letter of credit loan with CMB. This loan has a one year term. In January 2012, the term was extended for a second year term to January 2013 and the annual management fee of 10% of the interest accrued on the outstanding amount paid quarterly was removed. In addition, the floating interest rate is now adjusted monthly at the prevailing lending rate stipulated by the People's Bank of China for working capital loans. This loan is collateralized by way of a restricted cash deposit as funding of the irrevocable letter of credit issued by Sino Gold to CMB. The collateral was increased in January 2012 from \$52,300 to \$56,500. The interest rate on this loan as at March 31, 2012 was 6.56%.

As at March 31, 2012, RMB 320.0 million (\$50,840) was outstanding on this loan.

This loan is to be repaid when Eastern Dragon obtains the required project approval that will allow it to complete the first drawdown on its project-financing loan.

#### **(c) Eastern Dragon HSBC revolving loan facility**

In May 2010, Eastern Dragon entered into a RMB 80.0 million (\$12,710) revolving facility ("the facility") with HSBC Bank (China). The facility can be drawn down in minimum tranches of RMB 1.0 million (\$159) or its multiples. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown. The Facility has a term of up to one year. In February, 2012, the Facility was reviewed by the bank and was extended to November 30, 2012. The interest rate on this loan as at March 31, 2012 was 6.71%.

As at March 31, 2012, RMB 65.0 million (\$10,326) was outstanding on this loan.

The Facility is secured by a letter of guarantee issued by Eldorado. Eldorado must maintain at all times a security coverage ratio of 110% of the amounts drawn down. As at March 31, 2012, the security coverage is \$11,359.

This Facility is to be repaid in full when Eastern Dragon obtains the required project approval that will allow it to complete the second drawdown on the project-financing loan.

#### **(d) HSBC revolving credit facility**

In October 2011, the Company entered into a \$280.0 million revolving credit facility with HSBC ("the credit facility") and a syndicate of four other banks. The credit facility matures on October 12, 2015 and is secured by the shares of SG Resources and Tuprag, wholly owned subsidiaries of the Company.

As at March 31, 2012, the prepaid loan cost on the balance sheet relating to the credit facility was \$2,699.

No amounts were drawn on the credit facility as at March 31, 2012.

#### **(e) Entrusted loan**

In November 2010, Eastern Dragon, HSBC Bank (China) and Qinghai Dachaidan Mining Ltd ("QDML"), our 90% owned subsidiary, entered into a RMB 12.0 million (\$1,906) entrusted loan agreement, which was subsequently increased to RMB 180.0 million (\$28,597) in June 2011.

Under the terms of the entrusted loan, QDML with its own funds entrusts HSBC Bank (China) to provide a loan facility in the name of QDML to Eastern Dragon.

The entrusted loan can be drawn down in tranches. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown. Each draw down has a term of three months and can be rolled forward at the discretion of QDML. The interest rate on this loan as at March 31, 2012 was 4.59%.

As at March 31, 2012, RMB 140.0 million (\$22,242) had been drawn under the entrusted loan.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 7. Debt (continued)

Subsequent to March 31, 2012, RMB7.0 million (\$1,112) was drawn under this loan.

The entrusted loan has been recorded on a net settlement basis.

### 8. Share capital

Eldorado's authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of non-voting common shares without par value. At March 31, 2012 there were no non-voting common shares outstanding (December 31, 2011 – none).

Voting common shares	Number of Shares	Total \$
<b>At January 1, 2011</b>	551,682,917	2,855,689
Shares issued upon exercise of share options, for cash	956,834	6,090
Estimated fair value of share options exercised	-	6,508
Shares issued on acquisition of European Goldfields Ltd. (note 5)	157,959,316	2,380,140
Common shares issued for deferred phantom units	776,552	10,522
<b>At March 31, 2012</b>	<b>711,375,619</b>	<b>5,258,949</b>

### 9. Share-based payments

#### (a) Share option plans

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012	
	Weighted average exercise price Cdn\$	Number of options
<b>At January 1,</b>	12.60	8,616,113
Regular options granted	15.22	4,889,972
Replacement options granted on acquisition of European Goldfields Ltd. (note 5)	9.73	4,713,248
Exercised	6.31	(956,834)
Forfeited	13.61	(90,000)
<b>At March 31,</b>	<b>12.90</b>	<b>17,172,499</b>

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 9. Share-based payments (continued)

At March 31, 2012, 12,676,867 share options (March 31, 2011 – 7,941,117) with a weighted average exercise price of Cdn\$11.95 (March 31, 2011 – Cdn\$9.83) had vested and were exercisable. Options outstanding are as follows:

Range of exercise price Cdn\$	March 31, 2012					
	Total options outstanding			Exercisable options		
	Shares	Weighted average remaining contractual life (years)	Weighted average exercise price Cdn\$	Shares	Weighted average exercise price Cdn\$	
\$4.00 to \$4.99	1,519,686	1.6	4.74	1,519,686	4.74	
\$5.00 to \$5.99	146,250	0.7	5.59	146,250	5.59	
\$6.00 to \$6.99	583,500	0.7	6.41	583,500	6.59	
\$7.00 to \$7.99	1,968,125	2.6	7.07	1,968,125	7.09	
\$8.00 to \$8.99	79,332	2.8	8.42	79,332	8.42	
\$9.00 to \$9.99	302,900	2.0	9.64	302,900	9.64	
\$11.00 to \$11.99	10,000	2.0	11.40	10,000	11.40	
\$12.00 to \$12.99	183,500	2.9	12.60	183,500	12.60	
\$13.00 to \$13.99	2,508,790	2.9	13.24	2,508,790	13.24	
\$14.00 to \$14.99	113,333	4.1	14.88	113,333	14.88	
\$15.00 to \$15.99	5,343,618	4.8	15.25	1,911,205	15.27	
\$16.00 to \$16.99	4,339,859	3.8	16.58	3,314,510	16.55	
\$18.00 to \$18.99	24,000	3.7	18.81	16,000	18.81	
\$19.00 to \$20.02	49,606	4.1	19.35	19,736	19.46	
	<u>17,172,499</u>	3.5	12.90	<u>12,676,867</u>	11.95	

Share based compensation expense related to share options for the quarter ended March 31, 2012 was \$5,444.

#### (b) Restricted share unit plan

In March 2011, the Company commenced a Restricted Share Unit (“RSU”) plan whereby restricted share units may be granted to senior management of the Company. Once vested, an RSU is exercisable into one common share entitling the holder to receive the common share for no additional consideration. A portion of the RSUs granted have a vesting schedule where half vest immediately and the remaining half vest on the first anniversary of the grant. The remaining portion of the RSUs granted vest over two years with one third of the RSUs vesting immediately.

The current maximum number of common shares authorized for issue under the RSU plan is 1,500,000. A total of 416,454 restricted share units with a weighted average grant-date fair value of Cdn\$15.69 per unit were granted during the year ended December 31, 2011. A total of 401,307 restricted share units at a grant-date fair value of Cdn\$15.22 were granted in February 2012. A total of 133,769 of the February 2012 grants were exercisable as at March 31, 2012.

The fair value of each RSU issued is determined as the closing share price at grant date.

A summary of the status of the restricted share unit plan and changes during the quarter ended March 31, 2012 is as follows:

	Total RSUs
Balance at December 31, 2011	253,587
RSUs Granted	401,307
Redeemed	(118,676)
Forfeited	-
Balance at March 31, 2012	<u>536,218</u>

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 9. Share-based payments *(continued)*

As at March 31, 2012, 536,218 common shares purchased by the Company remain held in trust in connection with this plan. At the end of the period, 182,520 restricted share units are fully vested and exercisable. These shares purchased and held in trust have been included in treasury stock in the balance sheet.

Restricted share units expense for the period ended March 31, 2012 was \$2,771.

#### *(c) Deferred share units plan*

In July 15, 2010 the Company adopted the Independent Directors Deferred Share Unit (“DSU”) Plan under which DSUs will be granted by the Board from time to time to independent directors (“participants”). The performance period of each DSU commences on the Grant Date and expires on the Termination Date of the participant. The Termination Date is when the participant ceases to be a Director of the Company. On redemption each unit entitles the participant to receive a cash payment equal to the market value of the Company’s shares on the date of redemption. At March 31, 2012, 126,406 DSUs were outstanding with a value of \$1,736, which is included in accounts payable and accrued liabilities.

Compensation expense related to the DSUs was \$808 for the period ended March 31, 2012.

#### *(d) Deferred phantom units*

In accordance with the acquisition agreement of EGU (note 5), the former EGU DPUs were converted to Eldorado DPUs using the 85% share exchange ratio as indicated within the plan of Arrangement. The DPU plan was amended to allow for share settlement only. Each DPU is exercisable into one common share entitling the holder to receive the common share for no additional consideration. During the quarter, 776,552 DPUs were exercised. The remaining 1,154,990 DPUs are expected to be exercised during 2012.

### 10. Supplementary cash flow information

	March 31, 2012	March 31, 2011
	\$	\$
Changes in non-cash working capital		
Accounts receivable and other	5,447	10,215
Inventories	(18,210)	(1,547)
Accounts payable and accrued liabilities	(6,777)	8,855
Total	(19,540)	17,523
Supplementary cash flow information		
Income taxes paid	36,999	22,145
Interest paid	1,323	2,253
Non-cash investing and financing activities		
Shares, options and DPUs issued on acquisition of European Goldfields Ltd.	2,440,375	-

### 11. Segment information

#### Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management (the chief operating decision makers or CODM) in assessing performance and in determining the allocation of resources.



# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 11. Segment information (continued)

The CODM considers the business from both a geographic and product perspective and assesses the performance of the operating segments based on measures of profit and loss as well as assets and liabilities. These measures include operating profit, expenditures on exploration, property, plant and equipment and non-current assets, as well as total debt. During the quarter ended March 31, 2012, Eldorado had six reporting segments based on the geographical location of mining and exploration and development activities.

#### 11.1 Geographical segments

Geographically, the operating segments are identified by country and by operating mine or mine under construction. The Brazil reporting segment includes the Vila Nova mine, development activities of Tocantinzinho and exploration activities in Brazil. The Turkey reporting segment includes the Kışladağ and the Efemçukuru mines and exploration activities in Turkey. The China reporting segment includes the TJS, Jinfeng and White Mountain mines, the Eastern Dragon development project and exploration activities in China. The Greece reporting segment includes the Stratoni mine and the Olympias, Skouries and Perama Hill development projects. The Romania reporting segment includes the Certej development project. Other reporting segment includes operations of Eldorado's corporate office and exploration activities in other countries. Financial information about each of these operating segments is reported to the CODM on at least a monthly basis.

	March 31, 2012						
	Turkey	China	Brazil	Greece	Romania	Other	Total
<b>Information about profit and loss</b>							
Metal sales from external customers	111,556	146,850	7,448	5,695	-	-	271,549
Production costs	25,379	55,632	5,791	4,437	-	-	91,239
Depreciation	2,726	22,804	742	756	-	380	27,408
Operating profit	83,451	68,414	915	502	-	(380)	152,902
<b>Other material items of income and expense</b>							
Exploration costs	1,905	3,302	2,282	-	-	1,207	8,696
Income tax expense	13,270	14,795	(467)	95	-	32	27,725
Additions to property, plant and equipment during the year	18,858	17,989	5,043	4,466	421	870	47,647
<b>Information about assets and liabilities</b>							
Property, plant and equipment	598,780	1,898,211	189,312	2,420,342	737,166	3,264	5,847,075
Goodwill	-	365,928	-	274,551	-	-	640,479
	598,780	2,264,139	189,312	2,694,893	737,166	3,264	6,487,554
Debt	-	75,732	-	-	-	-	75,732

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

(Expressed in thousands of U.S. dollars, unless otherwise stated)

### 11. Segment information (continued)

	<b>March 31, 2011</b>					<b>Total</b>
	<b>Turkey</b>	<b>China</b>	<b>Brazil</b>	<b>Greece</b>	<b>Other</b>	
<b>Information about profit and loss</b>						
Metal sales from external customers	71,617	136,933	10,619	-	-	219,169
Production costs	21,605	48,251	4,455	-	-	74,311
Depreciation	2,407	27,481	829	-	500	31,217
Operating profit	47,605	61,201	5,335	-	(500)	113,641
<b>Other material items of income and expense</b>						
Exploration costs	2,291	375	547	-	628	3,841
Income tax expense	11,332	14,885	(5,595)	-	3	20,625
Additions to property, plant and equipment during the year	51,728	15,960	3,062	687	760	72,197
<b>December 31, 2011</b>						
	<b>Turkey</b>	<b>China</b>	<b>Brazil</b>	<b>Greece</b>	<b>Other</b>	<b>Total</b>
<b>Information about assets and liabilities</b>						
Property, plant and equipment	591,896	1,903,793	85,667	163,239	3,315	2,747,910
Goodwill	-	365,928	-	-	-	365,928
	591,896	2,269,721	85,667	163,239	3,315	3,113,838
Debt	-	81,031	-	-	-	81,031

The Turkey and China segments derive their revenues from sales of gold and silver. The Brazil segment derives its revenue from sales of iron ore. The Greece segment derives its revenue from sales of zinc, lead and silver concentrates.

#### 11.2 Economic dependence

At December 31, 2011, each of our Chinese mines had one major customer, to whom each sells its entire production, as follows:

TJS Mine	Henan Zhongyuan Gold Smelter Factory Co. Ltd. of Zhongjin Gold Holding Co. Ltd.
Jinfeng Mine	China National Gold Group Corporation
White Mountain Mine	Refinery of Shandong Humon Smelting Co. Ltd.

#### 11.3 Seasonality/cyclicality of operations

Management does not consider operations to be of a significant seasonal or cyclical nature.

**MANAGEMENT’S DISCUSSION and ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)  
for the three-month period ended March 31, 2012**

Throughout this MD&A, *Eldorado, we, us, our* and *the Company* mean Eldorado Gold Corporation. *This quarter* means the first quarter of 2012. All dollar amounts are in United States dollars unless stated otherwise.

The information in this MD&A is as of May 2, 2012. You should also read our audited consolidated financial statements for the year ended December 31, 2011 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2012 prepared in accordance with International Accounting Standard (IAS) 34 – “Interim Financial Reporting”. We file our financial statements and MD&A with appropriate regulatory authorities in Canada and the United States. You can find more information about Eldorado, including our annual information form, on SEDAR at [www.sedar.com](http://www.sedar.com).

Except for those related to our acquisition of European Goldfields Limited (EGU) discussed below, there have been no changes to the following since we published our 2011 MD&A: critical accounting estimates, financial related risks and other risks and uncertainties. There has also been no material change in the legal status of our worldwide projects and operations since that time.

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## About Eldorado

Based in Vancouver, Canada, Eldorado owns and operates gold mines around the world. Its activities involve all facets of the gold mining industry including exploration, development, production and reclamation.

Operating gold mines:

- Kisladag, in Turkey (100%)
- Tanjianshan, in China (90%)
- Jinfeng, in China (82%)
- White Mountain, in China (95%)
- Efemcukuru, in Turkey (100%)

Development gold projects:

- Eastern Dragon, in China (95%)
- Tocantinzinho, in Brazil (100%)
- Perama Hill, in Greece (100%)
- Olympias, in Greece (95%)
- Skouries, in Greece (95%)
- Certej, in Romania (80%)

Other mines:

- Vila Nova – iron ore, in Brazil (100%)
- Stratoni – silver, lead, zinc, in Greece (95%)

Eldorado's common shares are listed on the following exchanges:

- Toronto Stock Exchange (TSX) under the symbol ELD
- New York Stock Exchange (NYSE) under the symbol EGO

ELD is part of the S&P/TSX Global Gold Index. EGO is part of the AMEX Gold BUGS Index.

Eldorado Chess Depository Interests (CDIs) trade on the Australian Securities Exchange (ASX) under the symbol EAU.

## First quarter highlights

- Profit attributable to shareholders of the Company (net income) for the quarter was \$67.9 million or \$0.11 per share compared to \$52.5 million or \$0.10 per share for the same quarter in 2011.
- Gold revenues were up 24% over the same quarter in 2011 reflecting higher gold prices.
- Earnings from gold mining operations before taxes increased 40% over the same quarter in 2011.
- The acquisition of European Goldfields Limited (EGU) was completed on February 24, 2012.
- A dividend of Cdn\$0.09 per common share was paid on February 14, 2012.
- Excluding \$17.8 million in transaction costs related to the acquisition of EGU, the Company generated \$120.6 million in cash from operating activities before changes in non-cash working capital – an increase of 30% over the same quarter in 2011.

## Corporate Developments

### *Acquisition of European Goldfields Limited*

On February 24, 2012, the Company acquired 100% of the issued and outstanding shares of European Goldfields Limited. Under the terms of the Arrangement, former EGU shareholders received 0.85 of an Eldorado common share and Cdn\$0.0001 in cash for each EGU share. Eldorado issued 157,959,316 common shares pursuant to the Arrangement for a total purchase price of approximately \$2.4 billion based on the closing market price of Eldorado's shares trading on the Toronto Stock exchange on February 24, 2012, the acquisition date, of Cdn\$15.05 per common share. EGU holds a 95% stake in Hellas Gold S.A. (Hellas Gold), which owns the Kassandra Mines in Greece comprised of the Stratoni Mine, and the Olympias and Skouries development projects, and an 80% stake in Deva Gold S.A. (Deva Gold) which owns the Certej development project in Romania.

The acquisition has been accounted for as a business combination, with Eldorado being identified as the acquirer and EGU as the acquiree in accordance with IFRS 3. For accounting purposes, our consolidated financial statements include 100% of EGU's operating results for the period from February 24, 2012 to March 31, 2012. For more information please read Note 5 of our unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2012.

## Review of Financial Results

<b>Summarized Financial Results – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Revenues (millions)	\$271.5	\$219.2
Gold sold (ounces)	150,661	148,530
Average realized gold price (\$/ounce)	\$1,707	\$1,397
Cash operating costs (\$/ounce sold) <sup>(1)</sup>	\$452	\$410
Total cash cost (\$ per ounce sold) <sup>(1)</sup>	\$529	\$462
Earnings from gold mining operations <sup>(1)</sup> (millions)	\$150.7	\$107.8
Net Income (millions)	\$67.9	\$52.5
Earnings per share attributable to shareholders of the Company – Basic (\$/share)	\$0.11	\$0.10
Earnings per share attributable to shareholders of the Company – Diluted (\$/share)	\$0.11	\$0.10
Dividends paid (Cdn\$/share)	\$0.09	\$0.05
Cash flow from operating activities before changes in non-cash working capital <sup>(1)</sup> (millions)	\$102.8	\$92.9

(1) The Company has included non-IFRS performance measures such as cash operating costs, total cash costs, earnings from gold mining operations and cash flow from operations before changes in non-cash working capital throughout this document. These are non-IFRS measures. Please see page 13 for discussion of non-IFRS measures.

Net income for the quarter was \$67.9 million (or \$0.11 per share), compared with \$52.5 million (or \$0.10 per share) in the first quarter of 2011, an increase of 29% over 2011. Excluding \$17.8 million in transaction costs related to the Company's acquisition of EGU net income increased \$33.2 million or 63% over the same quarter in 2011. The increase was mainly due to higher earnings before taxes from gold mining operations. Increased earnings from gold mining operations were driven by higher revenues. Revenues from gold sales for the quarter were up \$49.6 million, or 24%, from the first quarter of 2011 due to higher gold prices. Sales volumes were slightly higher than the same quarter in 2011, as lower sales volumes at Jinfeng were more than offset by higher sales volumes at Kisladag.

<b>Sales volumes by mine – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Gold ounces sold	150,661	148,530
- Kisladag	65,164	50,832
- Tanjianshan	28,816	28,493
- Jinfeng	35,197	48,518
- White Mountain	21,484	20,687
Average price per oz.	\$1,707	\$1,397
Gold revenue (millions)	\$257.1	\$207.5

*Production costs from gold mining operations*

Production costs from gold mining operations rose 23% compared with the first quarter of 2011, reflecting increased throughput at Kisladag, Tanjianshan and White Mountain in 2012. Additionally, higher gold prices in 2012 resulted in higher royalties and production taxes, which are included in production costs. Kisladag also benefitted from a 40% government subsidy of electrical costs in the first quarter of 2011 that ended in the second quarter of 2011.

*Depreciation and amortization expense*

DD&A expense was \$27.4 million this quarter or \$3.8 million lower than in the first quarter of 2011, mainly as a result of lower sales from Jinfeng offset by higher sales from Kisladag. Depreciation per ounce sold at Kisladag was \$41 per ounces compared to \$252 per ounce at Jinfeng.

<b>Other expenses (\$millions) – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
General and administrative	16.2	21.0
Exploration	8.7	3.8
Income tax	27.7	20.6
Transaction costs	17.8	-
Non-controlling interests	6.0	6.2

*General and administrative expenses*

Excluding an \$8.5 million special bonus paid to senior management of the Company in 2011 general and administrative expenses were \$3.7 million higher in 2012 compared to 2011 due to higher costs in Vancouver and costs added with the Company's acquisition of EGU. Costs increased in Vancouver in Q1 2012 related to higher payroll expense, directors fees and office rent. Costs related to EGU included general and administrative costs of the Athens and London offices as well as non-operating costs associated with the Kassandra mines.

*Exploration expenses*

Exploration expenses increased significantly year-over-year reflecting the increased scope of the Company's exploration program.

*Income tax expense*

Income tax expense in the first quarter of 2012 was 34% higher than 2011 primarily due to higher profit before income tax. The effective tax rate for 2012 was 27% as compared with 26% in 2011. Deferred income tax recoveries related to foreign exchange fluctuations primarily in the Turkish lira amounted to \$6.6 million in 2012 as compared to \$0.8 million in recoveries in 2011. Offsetting these deferred income tax recoveries were \$4.9 million in Turkish withholding taxes on dividends payable by our subsidiary, Tuprag Metal Madencilik S.A. to Eldorado.

*Transaction costs*

Transaction costs incurred in 2012 related to the Company's acquisition of EGU and included investment banking fees, legal fees and tax consulting fees.

*Non-controlling interests*

Non-controlling interests fell slightly from 2011 as increased profit margins were offset by lower production from the 82%-owned Jinfeng.

## Operations update

<b>Summarized Operating Highlights – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Earnings – gold mining operations (millions)	\$150.7	\$107.8
Ounces produced – including pre-commercial production	155,535	148,577
Cash operating costs (\$ per ounce sold)	\$452	\$410
Total cash cost (\$ per ounce sold)	\$529	\$462
<b>Kisladag</b>		
Earnings – gold mining operations	\$82.5	\$46.8
Ounces produced	65,707	50,833
Cash operating costs (\$ per ounce sold)	\$339	\$386
Total cash cost (\$ per ounce sold)	\$374	\$408
<b>Tanjianshan</b>		
Earnings – gold mining operations	\$24.6	\$17.1
Ounces produced	28,816	28,493
Cash operating costs (\$ per ounce sold)	\$408	\$402
Total cash cost (\$ per ounce sold)	\$605	\$515
<b>Jinfeng</b>		
Earnings – gold mining operations	\$26.6	\$31.2
Ounces produced	35,235	48,564
Cash operating costs (\$ per ounce sold)	\$643	\$430
Total cash cost (\$ per ounce sold)	\$715	\$482
<b>White Mountain</b>		
Earnings – gold mining operations	\$18.4	\$12.7
Ounces produced	21,484	20,687
Cash operating costs (\$ per ounce sold)	\$543	\$438
Total cash cost (\$ per ounce sold)	\$588	\$475
<b>Efemcukuru<sup>1</sup></b>		
Earnings – gold mining operations	-	-
Ounces produced – pre-commercial production	4,293	-
Cash operating costs (\$ per ounce sold)	-	-
Total cash cost (\$ per ounce sold)	-	-

<sup>1</sup> Gold concentrate produced at Efemcukuru prior to the date of commercial production (December 1, 2011) has been treated as pre-commercial production. All costs and revenues associated with the production and sale of this concentrate are considered part of the capital expenditures of the project. At March 31, 2012, approximately 16,000 ounces of contained gold remained in gold concentrates produced prior to the date of commercial production, in addition to approximately 24,000 ounces of contained gold in concentrates produced after December 1, 2011.

Earnings from gold mining operations this quarter increased \$42.9 million, or 40% over the first quarter of 2011 due to higher average realized gold prices partially offset by higher average cash operating costs per ounce. Higher average cash operating costs year-over-year were mainly due to higher unit costs at our Chinese mines partially offset by lower unit costs at Kisladag. The higher unit costs at our Chinese mines were due to higher royalties and production taxes related to higher gold prices and changes in Chinese production tax regulations, as well as lower average gold grades at Jinfeng and White Mountain.

### Kisladag

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes placed on pad	3,140,492	2,341,635
Average treated head grade - grams per tonne (g/t)	1.13	1.04
Gold (ounces)		
- Produced	65,707	50,833
- Sold	65,164	50,832
Cash operating costs (per ounce sold)	\$339	\$386
Total cash costs (per ounce sold)	\$374	\$408
<b>Financial Data (millions)</b>		
Gold revenues	\$110.6	\$70.8
Depreciation and depletion	\$2.6	\$2.3
Earnings from operations	\$82.5	\$46.8
Capital expenditure on mining interests	\$3.6	\$20.3

Gold production at Kisladag during the first quarter of 2012 was higher than the same quarter of 2011 due to the impact of the completion of the Phase III expansion on throughput to the leach pad. Additionally, production was constrained in the first quarter of 2011 when the Phase III crushing circuit was being installed.

Engineering and permitting activities associated with the Phase IV expansion continued during the quarter. Basic engineering for the expansion of the process circuit and mine infrastructure began, and long lead time items including the mining fleet and gyratory crusher were ordered.

Capital spending this quarter was \$3.6 million, mainly on construction activities associated with the Phase IV expansion.

### Tanjianshan

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes Milled	262,793	238,070
Average Treated Head Grade – g/t	4.00	3.90
Average Recovery Rate	81.3%	81.3%
Gold (ounces)		
- Produced	28,816	28,493
- Sold	28,816	28,493
Cash operating costs (per ounce sold)	\$408	\$402
Total cash costs (per ounce sold)	\$605	\$515
<b>Financial Data (millions)</b>		
Gold revenues	\$49.6	\$39.8
Depreciation and depletion	\$7.4	\$7.7
Earnings from operations	\$24.6	\$17.1
Capital expenditure on mining interests	\$4.1	\$2.2



Gold production at Tanjianshan in the first quarter remained steady year-over-year, with higher tonnes and grade offsetting lower contribution from the Qinlongtan concentrate tailings impoundment.

Capital spending this quarter was \$4.1 million, the majority of which was spent on sustaining capital and development activities.

## Jinfeng

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes Milled	368,756	384,400
Average Treated Head Grade – g/t	3.17	4.32
Average Recovery Rate	85.5%	87.0%
Gold (ounces)		
- Produced	35,235	48,564
- Sold	35,197	48,518
Cash operating costs (per ounce sold)	\$643	\$430
		\$482
Total cash costs (per ounce sold)	\$715	
<b>Financial Data (millions)</b>		
Gold revenues	\$60.3	\$68.0
Depreciation and depletion	\$8.4	\$13.4
Earnings from operations	\$26.6	\$31.2
Capital expenditure on mining interests	\$9.0	\$5.8

Open pit mining at Jinfeng was targeted at the bottom of the pit during the quarter. As a result the strip ratio fell from 6.83:1 in the fourth quarter of 2011 to 1.61:1 this quarter. Mining of the current phase will be completed in the second quarter this year after which waste stripping for the cutback will commence. The average treated head grade fell year-over-year as lower grade ore from the ore stockpile was added to the ore fed to the mill to make up for a shortfall in ore tonnes mined.

Capital spending was \$9.0 million this quarter, mostly for underground mine development, land compensation fees and construction of the thiocyanate (SCN) destruction plant.

## White Mountain

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes Milled	158,114	140,211
Average Treated Head Grade – g/t	4.46	5.71
Average Recovery Rate	86.1%	79.1%
Gold (ounces)		
- Produced	21,484	20,687
- Sold	21,484	20,687
Cash operating costs (per ounce sold)	\$543	\$438
Total cash costs (per ounce sold)	\$588	\$475
<b>Financial Data (millions)</b>		
Gold revenues	\$36.7	\$28.9
Depreciation and depletion	\$6.5	\$6.3
Earnings from operations	\$18.4	\$12.7
Capital expenditure on mining interests	\$6.4	\$2.6

Gold production at White Mountain in the first quarter of 2012 was 4% higher than in the same period of 2011. Mill throughput increased year-over-year due to better mill availability. During the same quarter in 2011, some high grade material not predicted by the block model was mined and processed. As a result, the grade of ore mined in the current quarter was lower, but consistent with the mine plan. Recoveries increased year-over-year as a result of the construction of a caustic pre-treatment system in the second half of 2011.

Capital spending this quarter was \$6.4 million, mostly for underground development.

### **Efemcukuru**

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes Milled	70,646	-
Average Treated Head Grade - g/t	8.74	-
Average Recovery Rate (to Concentrate)	92.2%	-
Gold (ounces)		
- Produced – pre commercial production	4,293	-
- Sold – pre commercial production	3,583	-
Average Realized Gold Price		
Cash operating costs (per ounce sold)	-	-
Total cash costs (per ounce sold)	-	-
<b>Financial Data (millions)</b>		
Gold revenues	-	-
Depreciation and depletion	-	-
Earnings from operations	-	-
Capital expenditure on mining interests	\$14.0	\$32.0

During the quarter Efemcukuru recovered approximately 18,300 ounces in concentrate which was shipped to Kisladag for final treatment. The Kisladag treatment plant produced 4,293 ounces as it continued commissioning. At the end of the quarter there were approximately 13,000 tonnes of concentrate stored at Kisladag representing 35,000 in-situ ounces. Unseasonably cold and wet weather affected the operations of both the underground mine and processing plant at Efemcukuru due to freezing pipes and excess water storage issues.

Work continued during the quarter on the underground pastefill system which is expected to be operational during the second quarter; however mine production was affected during the first quarter while paste fill was unavailable. Process plant performance at Efemcukuru improved during the quarter, with metallurgical recovery reaching design levels.

At the Kisladag concentrate treatment plant a major bottleneck was identified in the filter press system designed to separate pregnant solution from solid tailings. This unit is currently operating at approximately 60% of design capacity and is scheduled to be replaced in the second quarter this year. We expect the Kisladag treatment plant to operate at design levels during the second half of the year.

Capital spending this quarter was \$14.0 million mostly for underground development and completion of construction.

## Vila Nova

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes Processed	189,747	137,082
Iron Ore Produced	163,901	119,037
Average Grade (% Fe)	63.1%	64.3%
Iron Ore Tonnes		
- Sold	88,581	85,420
Average Realized Iron Ore Price	\$84	\$124
Cash Costs (per tonne produced)	\$ 65	\$ 50
<b>Financial Data (millions)</b>		
Revenues	\$7.4	\$10.6
Depreciation and depletion	\$0.7	\$0.8
Earnings from operations	\$0.9	\$5.3
Capital expenditure on mining interests	\$0.2	\$0.2

Iron ore production increased at Vila Nova year-over-year as a result of changes made to the process plant to improve throughput during the rainy season. Lower iron ore prices year-over-year resulted in lower earnings from operations as compared with the first quarter of 2011. Additionally, a planned higher strip ratio contributed to higher cash cost per tonne. Two shipments were completed during the quarter totalling 88,581 tonnes of lump iron ore. One of these shipments was sold in Europe as a trial shipment to confirm delivery and iron ore quality. The Company plans to further develop the European market to take advantage of lower shipping costs.

## Stratoni

<b>Operating Data – quarter ended March 31,</b>	<b>2012</b>	<b>2011</b>
Tonnes ore mined (wet)	18,942	NA
Tonnes ore processed (dry)	16,602	NA
Pb grade (%)	5.95%	NA
Zn grade (%)	9.72%	NA
Ag grade (g/t)	158	NA
Tonnes of concentrate produced	3,862	NA
Tonnes of concentrate sold	5,569	NA
Average realized concentrate price (per tonne)	\$1,109	NA
Cash Costs (per tonne of concentrate sold)	\$797	NA
<b>Financial Data (millions)</b>		
Revenues	\$5.7	NA
Depreciation and depletion	\$0.7	NA
Earnings from operations	\$0.6	NA
Capital expenditure on mining interests	\$0.5	NA

Stratoni operating and financial data for the first quarter of 2012 shown in the table above reflect operations subsequent to February 24, 2012, the date of the EGU acquisition. During this period, Stratoni mined 18,942 tonnes of run-of-mine ore and produced 3,862 tonnes of lead and zinc concentrate at an average cash cost of \$797 per tonne of concentrate. During the same period, Stratoni sold 5,569 tonnes of concentrate at an average price of \$1,109 per tonne (2,802 tonnes of lead concentrate at an average price of \$1,553 per dry metric tonne and 2,767 tonnes of zinc concentrate at an average price of \$701 per dry metric tonne).

## **Development project update**

### **Eastern Dragon**

No construction work took place at Eastern Dragon during the first quarter due to the winter season and permitting delays. Pending receipt of the Project Permit Approval (PPA), construction is scheduled to re-commence in the second quarter of this year.

### **Tocantinzinho**

During the quarter, engineering work in support of the Tocantinzinho feasibility study continued to focus on field work and definition of planned infrastructure including the access road to the mine and design and routing of the main power line. Work continued on evaluation of the selected route for the access road. Ground surveys were carried out along the route as well as flora and fauna investigations.

Drilling activity at site included completion of programs to classify foundation ground conditions for plant and ancillary installations, geotechnical evaluation of the pit ore and waste rock, definition of the pit slope stability, and surface and ground water evaluations.

During the quarter the Para state ministry of Environment (SEMA) continued its study of the Environmental Impact Assessment (EIA). The application for approval was resubmitted following resolution of a jurisdictional issue between levels of government which delayed processing the application and the EIA review by several months. SEMA has now posted the project and will set a date for a public meeting that is expected to be held in the second quarter of 2012. Processing of the EIA is being closely followed by our team in Brazil to ensure issues arising during the course of the review are addressed immediately. Completion of the EIA review and approval is expected before the end of the 2012.

### **Perama Hill**

Approval of the Preliminary Environmental Impact Assessment study was received in February 2012 and the full EIA was submitted at the end of March 2012.

In anticipation of the EIA approval, engineering work has begun on the project, including preparation of the basic engineering package for the mine, plant and infrastructure as well as specification of long lead-time equipment for the project leading to placement of orders for critical equipment in late 2012. Plans are now underway to carry out site evaluations including geotechnical drilling, metallurgical drilling and surface foundation testing.

### **Olympias**

During the first quarter of 2012 the Technical Study of the Olympias mine was approved by the Greek Ministry of Environment (MoE). The following activities began at Olympias:

- Rehabilitation of underground workings,
- Rehabilitation of the Olympias processing plant,
- Development of the Olympias plant decline, connecting the Olympias plant to the west ramp,
- Development of the 8.5 kilometre Stratoni-Olympias tunnel portal, and
- Metallurgical test work to validate the economics of the proposed new processing facility at Stratoni.

Mining and processing of surface tailings at Olympias is anticipated to begin during the second quarter of 2012, when commissioning of the refurbished Olympias processing plant will be initiated, subject to receipt of the remaining approvals from the Greek MoE.

### **Skouries**

During the first quarter of 2012 the Technical Study of Skouries was approved by the Greek MoE. Preparation for the following activities began in the first quarter related to the construction of Skouries:

- Road construction (widening of the access road and construction of internal roads),
- Surface clearing (road and processing plant areas),
- Earth moving works (road and processing plant areas),
- Geotechnical drilling (processing plant area),
- Infill drilling (open pit area),
- Archeological works (relocation of slags), and
- Construction of surface portal and development of decline for underground access.

Additionally, an engineering company was selected to provide engineering, procurement and construction management services during the construction of Skouries.

### **Certej**

During the first quarter a detailed review was completed of the Certej metallurgical flowsheet including an update of process plant capital costs. Additionally, hydro-geologic modelling and work on characterization of waste rock material types progressed. A governmental Technical Advisory Committee (TAC) meeting was held during the quarter to review the technical aspects of the project.

### **Exploration update**

The Company completed 33,100 metres of exploration drilling during the quarter at our exploration projects and mine operations in Greece, Turkey, Brazil and China.

#### **Turkey**

Exploration during the quarter in Turkey focused on drilling at our Efemcukuru minesite, and sampling and mapping activities at several reconnaissance projects.

At Efemcukuru, 20 drillholes (7,500 metres) were completed during the quarter on the Kestane Beleni northwest extension and the Kokarpinar vein. Drillholes consistently intersected vein material at or near target depth, demonstrating continuity of the vein systems. The best intercepts were 2.69 metres at 6.90 g/t gold (Au) (KV-406, Kestane Beleni vein), and 1.17 metres at 21.8 g/t Au (KV-413, Kokarpinar vein). Drilling is projected to continue with four drills active through the end of the second quarter 2012.

No exploration drilling was completed at the Kisladag minesite. Work during the quarter focused on a detailed ground magnetic survey, and interpretation of the 3D IP survey completed in 2011, both of which will contribute to defining conceptual drill targets planned for the third quarter 2012.

#### **Greece**

Drilling commenced during the quarter on the Piavitsa prospect, with five holes completed and 1,620 metres drilled. Drilling is targeting polymetallic, gold and silver rich, carbonate replacement massive sulphide mineralization along the Straton fault. Three of the initial holes intersected massive sulphides, including intercepts of up to 5 metres. Assay results are pending. Drilling also started late in the quarter on the Fisoka porphyry copper-gold prospect.

## China

At Tanjianshan, 39 drill holes (2,966 metres) were completed from the floor of the Jinlonggou pit, targeting blocks of inferred mineral resources lying below the current design pit. These holes did not identify any significant new zones of mineralization.

In the Jinfeng district, exploration drilling was conducted within the Jinfeng mining license, on the surrounding Jinfeng 42 exploration licenses, and on both the Jinluo and Jindu joint venture project areas. At the Jinfeng mine site, 17 underground holes (4,300 metres) and 8 surface holes (4,200 metres) were completed. These holes primarily tested targets along the mineralized F2, F3, and F6 faults. Notable results during the quarter included intersections of 20 metres at 2.13 g/t Au (HDDU0132), 34 metres at 1.88 g/t Au (HDDU0133), and 52.5 metres at 5.6 g/t Au (HDDU0105), all from the F3 fault; and 12.0 metres at 19.8 g/t Au (drillhole HDDU 0129) from a linking structure between F3 and a deeper, subparallel fault. On the surrounding Jinfeng 42 exploration concessions, 12 drillholes (3,700 metres) were completed on the Lintan and Yaojiatan prospects, primarily targeting mineralized fault zones. Assay results from these holes are pending.

At the Jindu joint venture project, drilling was conducted at Da'ao, Pogao, and Lurong licenses (7 drillholes, 1,400 metres); results have only been received from one hole (Pogao), and contain only low gold grades. At Jinluo, drilling was conducted during the quarter at the Weiruo and Zhetun prospects (4 drillholes, 930 metres). Results from Zhetun do not justify any further drill testing of the prospect; at Weiruo, drilling is ongoing, and assay results from the initial 2012 drillholes are pending.

## Brazil

Exploration at Tocantinzinho in the quarter included 11 drillholes (4,000 metres) testing multiple targets peripheral to the main Tocantinzinho deposit. Assay results have been received from 7 holes, two of these contain mineralized intercepts of 24.00 metres at 0.60 g/t Au (TOC254) and 1.15 metres at 7.00 g/t Au (TOC260). Soil sampling and auger drilling programs to define additional drilling targets are ongoing.

At Agua Branca, 6 drillholes (2,000 metres) were completed, all in the Camarao target area. Two of these encountered encouraging gold values over wide intervals in altered granitoid host rocks: 46.66 metres at 0.79 g/t Au in hole AB52, and 115.62 metres at 0.62 g/t Au in hole AB53.

## Quarterly results

millions (except per share amounts)

	2012	2011	2011	2011	2011	2010	2010	2010
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter
Total revenues	\$271.5	\$303.3	\$326.1	\$251.4	\$219.2	\$213.0	\$190.3	\$206.4
Net income	\$67.9	\$88.8	\$102.5	\$74.9	\$52.5	\$45.2	\$69.6	\$55.7
Earnings per share								
- basic	\$0.11	\$0.16	\$0.19	\$0.14	\$0.10	\$0.08	\$0.13	\$0.10
- diluted	\$0.11	\$0.16	\$0.19	\$0.14	\$0.10	\$0.08	\$0.13	\$0.10

## Non-IFRS measures

Throughout this document, we have provided measures prepared in accordance with IFRS, as well as some non-IFRS performance measures as additional information for investors who also use them to evaluate our performance.

Since there is no standard method for calculating non-IFRS measures, they are not a reliable way to compare us against other companies. Non-IFRS measures should be used along with other performance measures prepared in accordance with IFRS. We have defined our non-IFRS measures below and reconciled them with the IFRS measures we report.

### *Cash operating cost and total cash cost*

The table below reconciles cash operating cost from our gold mining operations to production costs. We calculate costs according to the Gold Institute Standard. Total cash cost is the sum of cash operating cost, royalty expense and production tax expense.

millions (except for gold ounces sold and cash operating cost per ounce sold)	2012	2011
Reconciliation of cash operating costs to production costs	First quarter	First quarter
<b>Production costs – excluding Vila Nova and Stratoni</b> (from consolidated income statement)	\$81.0	\$69.9
<b>Less:</b>		
By-product credits and other adjustments	\$(1.3)	\$(1.3)
<b>Total Cash Cost</b>	\$79.7	\$68.6
Royalty expense and production taxes	\$(11.6)	\$(7.7)
<b>Cash operating cost</b>	\$68.1	\$60.9
Gold ounces sold	150,661	148,530
<b>Total cash cost per ounce sold</b>	\$529	\$462
<b>Cash operating cost per ounce sold</b>	\$452	\$410

### *Cash flow from mining operations before changes in non-cash working capital*

We use *cash flow from mining operations before changes in non-cash working capital* to supplement our consolidated financial statements, and calculate it by not including the period to period movement of non-cash working capital items, like accounts receivable, advances and deposits, inventory, accounts payable and accrued liabilities.

### *Earnings from gold mining operations*

We use *earnings from gold mining operations* to supplement our consolidated financial statements, and calculate it by deducting operating costs and depreciation, depletion and amortization directly attributable to gold mining operations from gross revenues directly attributable to gold mining operations.

These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. We disclose these measures, which have been derived from our financial statements and applied on a consistent basis, because we believe they are of assistance in understanding the results of our operations and financial position and are meant to provide further information about our financial results to investors.

## Operating cash flow, financial condition and liquidity

Operating activities before changes in non-cash working capital generated \$102.8 million in cash this quarter, compared to \$92.9 million in the same quarter of 2011. The increase in cash flow year-over-year was due to higher operating cash flow from our mining operations.

### Capital expenditures

We invested \$52.5 million in capital expenditures, mine development, mining licences and other assets this quarter.

Mine development expenditures totalled \$12.2 million:

- \$2.4 million at Eastern Dragon
- \$4.9 million at Tocantinzinho
- \$0.9 million at Perama Hill
- \$4.0 million at Skouries, Olympias, Stratoni and Certej

Spending at our producing mines totalled \$37.1 million:

- \$3.6 million at Kisladag, mostly related to the Phase IV expansion and sustaining capital
- \$14.0 million at Efemcukuru mostly on mine development and completion of start-up
- \$9.0 million at Jinfeng, mostly on land acquisition and mine development
- \$6.4 million at White Mountain, mainly related to underground mine development
- \$4.1 million at Tanjianshan, mainly related to sustaining capital and exploration activities

We also spent \$1.3 million on land acquisition costs in Turkey, and \$1.9 million related to fixed assets for our corporate offices in Canada and China.

### Liquidity and capital resources

(millions)	March 31, 2012	December 31, 2011
Cash and cash equivalents	\$386.9	\$393.8
Working capital	\$398.9	\$408.8
Restricted collateralized accounts	\$56.7	\$55.4
Debt	\$75.7	\$81.0

Chinese regulations governing cash movements within and injected into the country require that our existing debt only be paid from cash flows generated from our Chinese operations that are party to the loans. Management believes that the working capital at March 31, 2012, together with future cash flows from operations, is sufficient to support our planned and foreseeable commitments.

Cash and cash equivalents of \$294.7 million are held by the Company's operating entities in China and Turkey where the cash was generated. No income tax liability has been recognized for the potential repatriation of these funds. If the cash held in these entities is repatriated by way of dividends to the parent company, withholding taxes would be due on the amounts at the rate of 10% for Turkey, and 5% to 10% for China.



## Contractual obligations

(millions)	2012 \$	2013 \$	2014 \$	2015 \$	2016 and later \$	Total \$
Debt	75.7	-	-	-	-	75.7
Capital leases	0.1	0.1	-	-	-	0.2
Operating leases	10.0	6.0	3.8	3.3	2.4	25.5
Purchase obligations	131.6	20.7	16.9	16.4	15.8	201.4
Totals	217.4	26.8	20.7	19.7	18.2	302.8

The table does not include interest on debt.

As at March 31, 2012, Hellas Gold had entered into off-take agreements pursuant to which Hellas Gold agreed to sell a total 36,332 dry metric tonnes of zinc concentrates and 16,737 dry metric tonnes of lead/silver concentrates cumulative through the financial year ending December 31, 2015.

In April 2007, Hellas Gold agreed to sell to Silver Wheaton (Caymans) Ltd. (Silver Wheaton) all of the silver metal to be produced from ore extracted during the mine-life within an area of approximately seven square kilometres around Stratoni, up to 15 million ounces, or 20 million ounces if additional silver is processed through the Stratoni mill from areas other than the current producing mine. The sale was made in consideration of a prepayment to Hellas Gold of \$57.5 million in cash, plus a fee per ounce of payable silver to be delivered to Silver Wheaton of the lesser of \$3.90 and the prevailing market price per ounce. As at March 31, 2012 approximately 11 million ounces of silver remained of the original commitment.

### Debt

Significant changes in our debt from that disclosed in our December 31, 2011 annual MD&A and consolidated financial statements are as follows:

#### *Eastern Dragon HSBC revolving loan facility (Facility)*

In February, 2012, the Facility was reviewed by the bank and was extended to November 30, 2012. The interest rate on this loan as at March 31, 2012 was 6.71%.

As at March 31, 2012, RMB 65.0 million (\$10.3 million) was outstanding on this loan.

#### *Eastern Dragon China Mercantile Bank (CMB) line of credit loan*

In January 2012, the term of the CMB line of credit loan was extended to January 2013 and the annual management fee of 10% of the interest accrued on the outstanding amount paid quarterly was removed. In addition, the floating interest rate is now adjusted monthly at the prevailing lending rate stipulated by the People's Bank of China for working capital loans. This loan is collateralized by way of a restricted cash deposit as funding of the irrevocable letter of credit issued by Sino Gold to CMB. The collateral was increased in January 2012 from \$52.3 million to \$56.5 million. The interest rate on this loan as at March 31, 2012 was 5.90%.

As at March 31, 2012, RMB 320.0 million (\$50.8 million) was outstanding on this loan.

#### *Jinfeng construction loans*

Jinfeng made its quarterly scheduled payment of RMB 35.0 million (\$5.6 million) on the construction loan in March of 2012, reducing the balance remaining to RMB 95.0 million (\$15.1 million) at March 31, 2012.

### Dividends

On February 14, 2012 Eldorado paid \$49.9 million in dividends to shareholders of record.

## Equity

This quarter we received net proceeds of \$6.1 million for issuing 956,834 common shares related to stock options and warrants being exercised.

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Common shares outstanding	
- as of May 2, 2012	712,605,564
- as of March 31, 2012	711,375,619
Share purchase options	15,942,554
- as of May 2, 2012	

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(Weighted average exercise price per share: \$11.59 Cdn)

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## Other information

### Initial adoption of accounting policy

Revenues from the sale of concentrate are recognised when the risks and rewards of ownership have been transferred to the customer and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

A number of the Company's concentrate products are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. These concentrates are provisionally priced at the time of sale based on forward prices for the expected date of the final settlement. The provisionally priced sales of concentrate contain an embedded derivative, which does not qualify for hedge accounting. These embedded derivatives are recognized at fair value through revenue until the date of final price determination. Subsequent variations in the price are recognized as revenue adjustments as they occur until the price is finalized.

### New accounting developments

The following standards and amendments to existing standards have been published and are mandatory for Eldorado's annual accounting periods beginning January 1, 2013, or later periods:

- IFRS 9 'Financial Instruments: Classification and Measurement' – This is the first part of a new standard on classification and measurement of financial assets that will replace IAS (International Accounting Standard) 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is effective for years beginning on/after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.
- IFRS 11 'Joint Arrangements' – This standard replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. These joint venture entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36 'Impairment of Assets'. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented.

The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the consolidated financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' – This IFRS shall be applied by companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature of and risks associated with its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies will be required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. This standard is effective for years beginning on or after January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the consolidated financial statements.
- IFRS 13 'Fair Value Measurement', This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' – This interpretation applies to waste removal costs that are incurred in open pit mining activity during the production phase of the mine. Recognition of a stripping activity asset requires the asset to be related to an identifiable component of the ore body. Stripping costs that relate to inventory produced should be accounted for as a current production cost in accordance with IAS 2, 'Inventories'. Stripping costs that generate a benefit of improved access and meet the definition of an asset should be accounted for as an addition to an existing asset. Existing stripping costs on the balance sheet at transition that do not relate to a specific ore body should be written off to opening retained earnings. The stripping activity asset shall be depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. This interpretation is effective for years beginning on or after January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the consolidated financial statements as the Company currently applies comparable principles to those found in this interpretation.
- There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

### **Internal controls over financial reporting**

Eldorado's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of our financial statements. There have been no changes in our internal control over financial reporting in the first quarter of 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

For accounting purposes, we acquired control of EGU on February 24, 2012. As permitted by the Sarbanes-Oxley Act and applicable Canadian Securities Commission rules related to business acquisitions, we will exclude EGU operations from our annual assessment of internal controls over financial reporting for the year ending December 31, 2012.

## Qualified Person

Except as otherwise noted, Norman Pitcher, P. Geo., our Chief Operating Officer, is the Qualified Person under NI 43-101 responsible for preparing and supervising the preparation of the scientific or technical information contained in this MD&A and verifying the technical data disclosed in this document relating to our operating mines and development projects.

## Forward-looking information and risks

This MD&A includes statements and information about what we expect to happen in the future. When we discuss our strategy, plans and future financial and operating performance, or other things that have not yet happened in this review, we are making statements considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States securities laws. We refer to them in this document as *forward-looking information*.

Key things to understand about the forward-looking information in this document:

- It typically includes words and phrases about the future, such as: *plan, expect, forecast, intend, anticipate, estimate, budget, scheduled, may, could, would, might, will*.
- Although it represents our current views, which we consider to be reasonable, we can give no assurance that the forward-looking information will prove to be accurate.
- It is based on a number of assumptions, including things like the future price of gold, anticipated costs and spending, and our ability to achieve our goals.
  
- It is also subject to the risks associated with our business, including
  - the changing price of gold and currencies,
  - actual and estimated production and mineral reserves and resources,
  - the speculative nature of gold exploration,
  - risks associated with mining operations and development,
  - regulatory and permitting risks,
  - acquisition risks, and
  - other risks that are set out in our annual information form and MD&A.
- If our assumptions prove to be incorrect or the risks materialize, our actual results and events may vary materially from what we currently expect.

To understand our risks you should review our annual information form, which includes a more detailed discussion of material risks that could cause actual results to differ significantly from our current expectations.

Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.