



eldorado gold

## **Continuing to Build a High Quality Gold Company**



## **Eldorado Gold Corporation 2010 Annual Report**

# 2010 Highlights

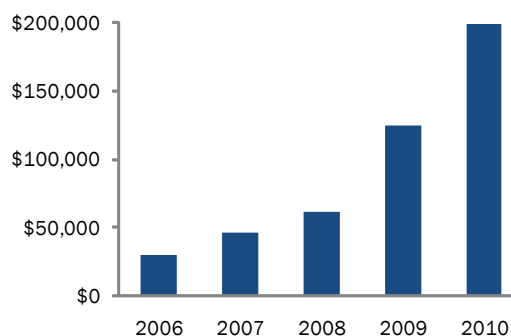
(All amounts in the annual report are expressed in US dollars, unless otherwise stated)

- Reported net income of \$206.1 million – double the 2009 net income of \$102.4 million. (2010 net income per share was \$0.38, compared to \$0.26 in 2009)
- Generated \$356.5 million in cash from operating activities before changes in non-cash working capital – more than double the 2009 amount of \$146.9 million.
- Produced 632,539 ounces of gold – 74% higher than in 2009.
- Achieved an average realized price for gold sold of \$1,223 per ounce, an increase of 23% over 2009.
- Established a dividend policy and paid an initial dividend of C\$0.05 per share. Paid an additional dividend of C\$0.05 per share in February 2011, for a total 2010 dividend of C\$0.10 per share.
- Increased proven and probable gold reserves by approximately 24%.
- Began trial mining operations at the Vila Nova iron ore mine in Brazil and sold 90,000 tonnes of iron ore.
- Made construction progress at Efemçukuru in Turkey. Anticipate production beginning in the second quarter of 2011.
- Recommended construction activities at Eastern Dragon in China. Expect production to start in the fourth quarter of 2011.
- Acquired 100% of Tocantinzinho (TZ), located in the Tapajos District of Para State in northern Brazil, with the completion of the Brazauro transaction. TZ has 1.98 million ounces of proven and probable reserves.

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**Increasing Net Cash (in US\$1,000)**



# Where we Operate

Eldorado Gold Corporation is a Canadian international gold producer with five operating mines, two mines under construction, development projects and an extensive exploration program. We operate in China, Turkey, Brazil and Greece. Our goal is to focus on organic growth to produce approximately 1.5 million ounces of gold annually in 2015. As one of the lowest-cost gold producers, with new mines, robust margins and a strong balance sheet, we are well positioned to grow in value as we create and pursue new opportunities.



Front cover:

## Terraced Vineyards at Efemçukuru – Creating a Sustainable Industry for the Local Community

The village of Efemçukuru is located in Izmir Province, western Turkey, about two kilometres south of our project. We are eager to begin operations at Efemçukuru in the second quarter of 2011. We are also very excited about a complementary project to support a new sustainable industry in the region: wine production.

The environmental conditions in the area (hot and dry summers, and warm and rainy winters with limited snowfall) are ideal for grape growing, and the local people have been growing table grapes for many years. Several years ago, we brought in advisors who suggested that the region around Efemçukuru was very suitable for growing grapes for high-quality wine. This has led to a multi-year commitment by Eldorado in collaboration with the local community to provide resources to diversify land use through cultivation of a variety of grapes suitable for wine production.

After purchasing the majority of the land surrounding the mine site in 2006, we employed villagers who are cultivating the land in a two-phase project supported by Eldorado. As part of phase one, the villagers have planted 2.5 hectares with 11,200 Cabernet Sauvignon, Merlot and Chardonnay vines. In phase two, the villagers will plant an additional 2.5 hectares with 16,000 Pinot Noir, Chardonnay and Sauvignon Blanc vines. In a few years the project should be in a position to produce 40 tonnes (50,000 bottles) of white wine and 25 tonnes (32,000 bottles) of red wine.

# Letter to Shareholders

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*Kışladağ Mine, Turkey*



*Jinfeng Mine, China*



*Tanjianshan Mine, China*



*White Mountain Mine, China*



*Vila Nova Mine, Brazil*

I am pleased to report on another successful year for Eldorado. Of particular note was the integration of the Sino Gold Mining assets we acquired in December 2009. Our employees worked hard to successfully integrate these assets within Eldorado.

The expanded company delivered further growth for shareholders, with production in 2010 increasing for the fifth consecutive year to 632,539 ounces of gold. Our continued strong operating performance also translated into earnings of \$0.38 per share.

Eldorado has now successfully matured to the extent that, as well as being self-funding in terms of continued growth, it is capable of returning a dividend to its shareholders. In June 2010, we declared and delivered our first dividend of \$0.05 per share, followed by a second dividend in February 2011 for the same amount.

Entering 2011, we now operate four gold mines in Turkey and China as well as our Vila Nova iron ore mine in Brazil. As a result of consistent progress by our construction teams in China and Turkey, we are looking forward to the start of production from both the Efemçukuru and Eastern Dragon mines in 2011. Their contribution, combined with that from our Kışladağ, Jinfeng, Tanjianshan and White Mountain mines, will bring 2011 gold production to approximately 750,000 ounces while enabling us to maintain one of the lowest operating costs in the industry.

Exploration efforts in 2010 continued to increase our gold resource and reserve base, with year-end proven and probable reserves of 18.7 million ounces of gold, up favourably from 15.1 million ounces of gold the prior year. We saw a significant increase at our Kışladağ mine to 10.2 million ounces of gold, an increase that has prompted us to consider further expansion opportunities at our cornerstone mine.

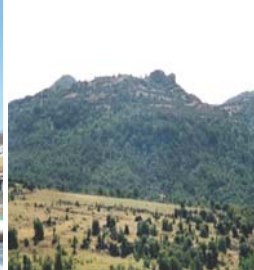
In Brazil, we are pleased to be re-building our gold business by developing the Tocantinzinho project in the Tapajos District of Para State. Eldorado has been active in Brazil since 1996, and our skilled management team is eager to develop our next gold mine in the country.



Efemçukuru



Eastern Dragon



Perama Hill



Tocantinzinho (TZ)



Rotary Air Blast Drilling

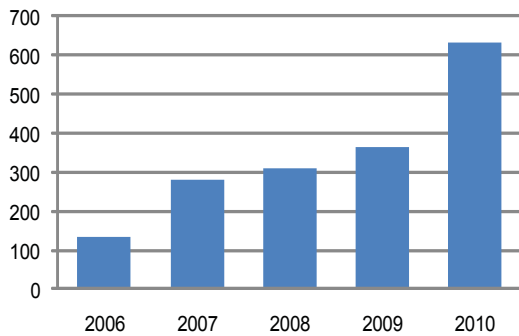
All of us at Eldorado look forward to the future and building on our history of disciplined growth that results in year after year of superior performance for our shareholders. Indeed, our shareholders continue to benefit from the stable and dedicated teams in each of our business units who successfully take on challenges and deliver superior results. It is a great pleasure and honour to continue to be a part of this team.

Sincerely,

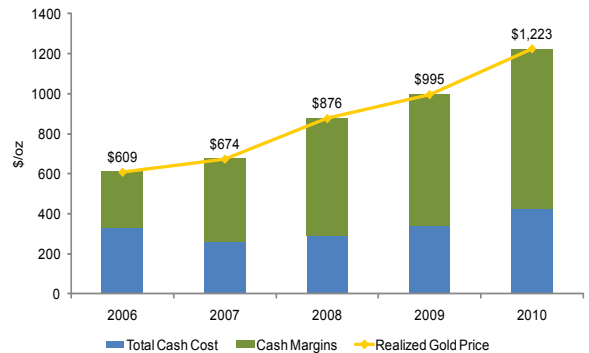
**Paul N. Wright**  
President and Chief Executive Officer

March 23, 2011

### Annual Gold Production (in x1,000 oz)



### Expanding Margins



# Mineral Reserves and Resources

As of December 31, 2010

| Project               | Mineral Reserves |                |                             | Mineral Resources |                |                             |        |
|-----------------------|------------------|----------------|-----------------------------|-------------------|----------------|-----------------------------|--------|
|                       | Tonnes (x1000)   | Grade (Au g/t) | In-situ gold ounces (x1000) | Tonnes (x1000)    | Grade (Au g/t) | In-situ gold ounces (x1000) |        |
| <b>Kışladağ</b>       |                  |                |                             |                   |                |                             |        |
| Proven                | 122,703          | 0.95           | 3,733                       | Measured          | 132,800        | 0.90                        | 3,855  |
| Probable              | 306,631          | 0.66           | 6,498                       | Indicated         | 426,355        | 0.61                        | 8,334  |
| Proven+Probable       | 429,334          | 0.74           | 10,231                      | M+I               | 559,155        | 0.68                        | 12,189 |
|                       |                  |                |                             | Inferred          | 320,868        | 0.43                        | 4,384  |
| <b>Efemçukuru</b>     |                  |                |                             |                   |                |                             |        |
| Proven                | 1,129            | 12.00          | 437                         | Measured          | 1,235          | 13.18                       | 523    |
| Probable              | 4,007            | 8.30           | 1,069                       | Indicated         | 4,304          | 8.50                        | 1,177  |
| Proven+Probable       | 5,136            | 9.10           | 1,506                       | M+I               | 5,539          | 9.55                        | 1,700  |
|                       |                  |                |                             | Inferred          | 1,703          | 6.43                        | 352    |
| <b>Tanjianshan</b>    |                  |                |                             |                   |                |                             |        |
| Proven                | 4,846            | 3.37           | 525                         | Measured          | 6,087          | 3.07                        | 599    |
| Probable              | 499              | 3.86           | 62                          | Indicated         | 2,027          | 2.73                        | 178    |
| Proven+Probable       | 5,345            | 3.42           | 587                         | M+I               | 8,114          | 2.98                        | 777    |
|                       |                  |                |                             | Inferred          | 4,806          | 3.28                        | 507    |
| <b>Perama</b>         |                  |                |                             |                   |                |                             |        |
| Proven                | 2,477            | 4.44           | 354                         | Measured          | 3,064          | 4.30                        | 424    |
| Probable              | 7,220            | 2.68           | 621                         | Indicated         | 9,375          | 3.18                        | 958    |
| Proven+Probable       | 9,697            | 3.13           | 975                         | M+I               | 12,439         | 3.46                        | 1,382  |
|                       |                  |                |                             | Inferred          | 8,766          | 1.96                        | 554    |
| <b>Jinfeng</b>        |                  |                |                             |                   |                |                             |        |
| Proven                | 7,384            | 3.78           | 898                         | Measured          | 11,240         | 3.42                        | 1,235  |
| Probable              | 7,310            | 4.27           | 1,005                       | Indicated         | 11,937         | 3.67                        | 1,410  |
| Proven+Probable       | 14,694           | 4.03           | 1,903                       | M+I               | 23,177         | 3.55                        | 2,645  |
|                       |                  |                |                             | Inferred          | 8,140          | 3.85                        | 1,009  |
| <b>White Mountain</b> |                  |                |                             |                   |                |                             |        |
| Proven                | 2,454            | 3.88           | 306                         | Measured          | 3,269          | 3.82                        | 401    |
| Probable              | 3,531            | 3.65           | 414                         | Indicated         | 4,679          | 3.62                        | 545    |
| Proven+Probable       | 5,985            | 3.74           | 720                         | M+I               | 7,948          | 3.70                        | 946    |
|                       |                  |                |                             | Inferred          | 2,920          | 3.59                        | 337    |
| <b>Eastern Dragon</b> |                  |                |                             |                   |                |                             |        |
| Proven                | 837              | 11.07          | 297                         | Measured          | 800            | 12.48                       | 322    |
| Probable              | 2,253            | 6.46           | 467                         | Indicated         | 2,700          | 6.04                        | 530    |
| Proven+Probable       | 3,090            | 7.71           | 764                         | M+I               | 3,500          | 7.50                        | 852    |
|                       |                  |                |                             | Inferred          | 2,200          | 2.67                        | 190    |
| <b>Tocantinzinho</b>  |                  |                |                             |                   |                |                             |        |
| Proven                | 17,735           | 1.39           | 792                         | Measured          | 19,777         | 1.29                        | 820    |
| Probable              | 31,315           | 1.17           | 1,183                       | Indicated         | 50,457         | 0.97                        | 1,574  |
| Proven+Probable       | 49,050           | 1.25           | 1,975                       | M+I               | 70,234         | 1.06                        | 2,394  |
|                       |                  |                |                             | Inferred          | 6,950          | 0.66                        | 147    |
| <b>Total Gold</b>     |                  |                |                             |                   |                |                             |        |
| Proven                | 159,565          | 1.43           | 7,342                       | Measured          | 178,272        | 1.43                        | 8,179  |
| Probable              | 362,766          | 0.97           | 11,319                      | Indicated         | 511,834        | 0.89                        | 14,706 |
| Proven+Probable       | 522,331          | 1.11           | 18,661                      | M+I               | 690,106        | 1.03                        | 22,885 |
|                       |                  |                |                             | Inferred          | 356,353        | 0.65                        | 7,480  |

## IRON ORE

| Project          | Mineral Reserves |              | Mineral Resources |                |              |
|------------------|------------------|--------------|-------------------|----------------|--------------|
|                  | Tonnes (x1000)   | Grade (Fe %) |                   | Tonnes (x1000) | Grade (Fe %) |
| <b>Vila Nova</b> |                  |              |                   |                |              |
| Proven           | 2,370            | 63.4         | Measured          | 2,370          | 63.4         |
| Probable         | 6,817            | 60.1         | Indicated         | 7,509          | 60.9         |
| Proven+Probable  | 9,187            | 61.0         | M+I               | 9,879          | 61.5         |
|                  |                  |              | Inferred          | 2,022          | 61.2         |

### NOTES ON MINERAL RESOURCES AND RESERVES:

- 1) Mineral reserves and mineral resources are as of December 31, 2010.
- 2) Mineral reserves are included in the mineral resources.
- 3) The Eastern Dragon Project also contains economic concentrations of silver. The silver grade for the project's Proven and Probable reserves averages 71 g/t Ag (7.0 million in-situ ounces) whereas the average silver grade in the Measured and Indicated resources equals 73 g/t Ag (8.3 million in-situ ounces).

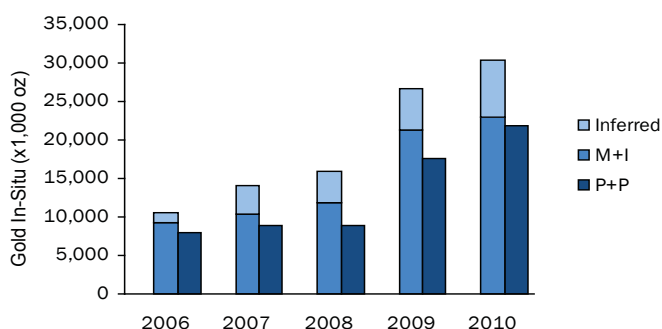
### MINERAL RESERVE NOTES:

- 1) Gold price used was \$1,000/oz except for the Efemçukuru project which used \$825/oz.
- 2) Cut-off grades (gold g/t): Kişladağ : 0.20 g/t oxide, 0.33 g/t sulphide; Efemçukuru: 4.0 g/t; Perama: 0.8 g/t; Tanjianshan: 1.6 g/t JLG sulphide, 1.3 g/t JLG oxide/transition; Jinfeng: 0.8 g/t open pit, 2.5g/t underground; White Mountain: 1.5 g/t; Eastern Dragon: 1.0 g/t open pit, 1.7 g/t underground; Tocantinzinho: 0.49 g/t sulphide, 0.43 g/t oxide.
- 3) Qualified Persons:  
Richard Miller, P.Eng. and Manager, Mining for the Company is responsible for the Kişladağ, Tanjianshan, Jinfeng open pit and Perama reserves; Mark LeMessurier MAusIMM, VP China Operations for the Company, is responsible for the Jinfeng underground, White Mountain and Eastern Dragon reserves; Sean Gregerson, P.Eng., Manager, Business Development for the Company, is responsible for the Tocantinzinho reserves; Scott Cowie, B.Eng., MAusIMM, General Manager, Perth, for Tetra Tech Australia Pty. Ltd. is responsible for the Efemçukuru reserves; Roberto Costa, principal of Roberto Costa Engenharia Ltda, is responsible for the Vila Nova iron reserves.

### MINERAL RESOURCE NOTES:

- 1) Cut-off grades (gold g/t): Kişladağ: 0.3 g/t; Efemçukuru: 3.0 g/t; Perama: 0.5 g/t; Jinfeng: 0.7 g/t open pit, 2.0 g/t underground; Tanjianshan: 1.0 g/t; White Mountain: 1.0 g/t; Eastern Dragon: 1.0 g/t; Tocantinzinho: 0.3 g/t.
- 2) Qualified Persons:  
Stephen Juras, Ph.D., P.Geo. and Director, Technical Services for the Company is responsible for the Kişladağ, Efemçukuru, Perama, Tanjianshan, Tocantinzinho, Jinfeng and White Mountain resources; Yumin Qiu, Ph.D., MAIG, Director of Geology and New Projects PRC for the Company is responsible for the Eastern Dragon resources; Roberto Costa, principal of Roberto Costa Engenharia Ltda, is responsible for the Vila Nova iron resources.

### Gold Resources and Reserves (in x1,000 oz)



# PRODUCTION HIGHLIGHTS

|  | First<br>Quarter<br>2010 | Second<br>Quarter<br>2010 | Third<br>Quarter<br>2010 | Fourth<br>Quarter<br>2010 | Fourth<br>Quarter<br>2009 | 2010              | 2009       |
|--|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|-------------------|------------|
| <b>Gold Production</b>                       |                          |                           |                          |                           |                           |                   |            |
| Ounces Sold                                  | 163,446                  | 172,826                   | 154,655                  | <b>149,022</b>            | 131,068                   | <b>639,949</b>    | 360,226    |
| Ounces Produced                              | 164,928                  | 167,940                   | 151,297                  | <b>148,374</b>            | 128,593                   | <b>632,539</b>    | 363,509    |
| Cash Operating Cost (\$/oz) <sup>1,3,4</sup> | 370                      | 357                       | 386                      | <b>418</b>                | 330                       | <b>382</b>        | 309        |
| Total Cash Cost (\$/oz) <sup>2,3,4</sup>     | 397                      | 410                       | 431                      | <b>460</b>                | 365                       | <b>423</b>        | 337        |
| Realized Price (\$/oz - sold)                | 1,110                    | 1,195                     | 1,231                    | <b>1,373</b>              | 1,103                     | <b>1,223</b>      | 995        |
| <b>Kışladağ Mine, Turkey</b>                 |                          |                           |                          |                           |                           |                   |            |
| Ounces Sold                                  | 83,974                   | 69,197                    | 66,113                   | <b>59,741</b>             | 70,765                    | <b>279,025</b>    | 237,363    |
| Ounces Produced                              | 82,240                   | 70,451                    | 62,086                   | <b>59,815</b>             | 70,131                    | <b>274,592</b>    | 237,210    |
| Tonnes to Pad                                | 2,898,199                | 2,686,284                 | 2,767,179                | <b>2,021,057</b>          | 3,679,685                 | <b>10,372,719</b> | 10,716,556 |
| Grade (grams/tonne)                          | 1.12                     | 1.12                      | 0.98                     | <b>1.00</b>               | 0.86                      | <b>1.06</b>       | 1.11       |
| Cash Operating Cost (\$/oz) <sup>3,4</sup>   | 304                      | 304                       | 337                      | <b>382</b>                | 294                       | <b>329</b>        | 279        |
| Total Cash Cost (\$/oz) <sup>2,3,4</sup>     | 307                      | 345                       | 359                      | <b>354</b>                | 296                       | <b>339</b>        | 281        |
| <b>Tanjianshan Mine, China</b>               |                          |                           |                          |                           |                           |                   |            |
| Ounces Sold                                  | 18,947                   | 38,261                    | 28,847                   | <b>30,710</b>             | 40,150                    | <b>116,765</b>    | 102,710    |
| Ounces Produced                              | 25,423                   | 28,884                    | 28,847                   | <b>30,710</b>             | 37,773                    | <b>113,864</b>    | 105,610    |
| Tonnes Milled                                | 249,738                  | 271,749                   | 283,598                  | <b>244,867</b>            | 256,828                   | <b>1,049,952</b>  | 974,498    |
| Grade (grams/tonne)                          | 4.01                     | 4.38                      | 3.84                     | <b>4.59</b>               | 5.81                      | <b>4.19</b>       | 5.31       |
| Cash Operating Cost (\$/oz) <sup>3,4</sup>   | 420                      | 387                       | 391                      | <b>349</b>                | 332                       | <b>383</b>        | 350        |
| Total Cash Cost (\$/oz) <sup>2,3,4</sup>     | 517                      | 483                       | 493                      | <b>459</b>                | 421                       | <b>485</b>        | 435        |
| <b>Jinfeng Mine, China</b>                   |                          |                           |                          |                           |                           |                   |            |
| Ounces Sold                                  | 49,674                   | 48,623                    | 45,447                   | <b>38,282</b>             | 14,554                    | <b>182,026</b>    | 14,554     |
| Ounces Produced                              | 45,615                   | 52,659                    | 46,116                   | <b>37,560</b>             | 14,541                    | <b>181,950</b>    | 14,541     |
| Tonnes Milled                                | 389,851                  | 392,211                   | 387,427                  | <b>387,710</b>            | 136,054                   | <b>1,557,199</b>  | 136,054    |
| Grade (grams/tonne)                          | 4.23                     | 4.51                      | 4.42                     | <b>3.81</b>               | 3.97                      | <b>4.24</b>       | 3.97       |
| Cash Operating Cost (\$/oz) <sup>3,4</sup>   | 422                      | 381                       | 425                      | <b>486</b>                | 471                       | <b>425</b>        | 471        |
| Total Cash Cost (\$/oz) <sup>2,3,4</sup>     | 462                      | 423                       | 473                      | <b>585</b>                | 515                       | <b>480</b>        | 515        |
| <b>White Mountain Mine, China</b>            |                          |                           |                          |                           |                           |                   |            |
| Ounces Sold                                  | 10,851                   | 16,745                    | 14,248                   | <b>20,289</b>             | 5,599                     | <b>62,133</b>     | 5,599      |
| Ounces Produced                              | 11,650                   | 15,946                    | 14,248                   | <b>20,289</b>             | 6,148                     | <b>62,133</b>     | 6,148      |
| Tonnes Milled                                | 130,643                  | 167,981                   | 154,125                  | <b>169,669</b>            | 58,074                    | <b>622,418</b>    | 58,074     |
| Grade (grams/tonne)                          | 4.09                     | 3.78                      | 4.01                     | <b>4.06</b>               | 4.26                      | <b>3.98</b>       | 4.26       |
| Cash Operating Cost (\$/oz) <sup>3,4</sup>   | 550                      | 442                       | 477                      | <b>498</b>                | 400                       | <b>487</b>        | 400        |
| Total Cash Cost (\$/oz) <sup>2,3,4</sup>     | 589                      | 474                       | 507                      | <b>536</b>                | 439                       | <b>522</b>        | 439        |

<sup>1</sup> Cost figures calculated in accordance with the Gold Institute Standard.

<sup>2</sup> Cash Operating Costs, plus royalties and the cost of off-site administration.

<sup>3</sup> Cash operating costs and total cash costs are non-GAAP measures. See the section Non-GAAP Measures of this Review.

<sup>4</sup> Cash operating costs and total cash costs have been recalculated for prior quarters based on ounces sold.



# Health, Safety, Environment & Community



## Committed to Health, Safety and the Environment in our Operations and Communities

### HEALTH & SAFETY

Ensuring the health and safety of our employees, contractors and local stakeholders is of fundamental importance in gaining and maintaining our social licence to operate from the communities where we have mines and projects under development. As such, we have developed and implemented safety management systems and job training, and we promote a culture of safety.

The safety performance at our operations in Brazil, China and Turkey compares very favourably with mining operations in Canada. In 2010, our lost-time injury rate was 1.6 per 1,000,000 man hours worked compared to 3.0 in Ontario, Canada. For 2011, all of our operations have an ambitious safety goal of zero fatalities and no lost-time incidents.

### ENVIRONMENT

We are committed to minimizing our environmental impact and protecting the natural areas in which we work.

To do so, we follow industry best practices; adhere to all environmental regulations in the jurisdictions in which we work; train our employees and contractors to use equipment and systems to minimize environmental risk and ensure the most efficient use of non-renewable resources; and

maintain systems to identify, manage and audit the potential impact of our projects from inception through to closure.

In 2010, we had no major environmental incidents, and this continues to be our goal for all of our operations.

### COMMUNITY

Community Relations teams at each of our mines and development projects actively listen to, communicate with and work alongside local stakeholders.

Early on, during the exploration phases, we seek to understand local communities' concerns so that we can address some of their most important issues if we decide to develop a mine.

Our operations contribute significantly to local economies, and our ongoing investments in local education initiatives help strengthen communities over the long term and beyond the life of the mine.



From top to bottom:  
 Training of Jinfeng Emergency Response Team  
 Plant nursery for rehabilitation of deforested areas at Vila Nova  
 A program encourages young women in Efemçukuru village to complete high school  
 The White Mountain mine built a new village for residents



Villagers at Efemçukuru cultivating grapes

## Mining Operations

### TURKEY

#### Kışladağ

Kışladağ, the largest gold mine in Turkey, is an open pit, heap leach mine located 35 kilometres southwest of Uşak city. A gold porphyry deposit, Kışladağ was a greenfield discovery by Eldorado that began commercial production in July 2006.

In 2010, we provided close to 30,000 hours of training to our employees and contractors, or approximately 54 hours per person. This training ensures that employees and contractors have the knowledge and skills to do their jobs safely and effectively, understanding both the risks associated with particular tasks and knowing how to minimize these risks. In 2010, the lost-time injury rate for all employees and contractors was 1.03 per million man hours worked.

We monitor our impact on the environment and share results with members of the local community, government agencies and stakeholders. As part of our water management program, these stakeholders check our records and monitor and test our water each month. We also conduct studies to predict water quality and quantity for open pit dewatering, and we recycle our water.

To ensure air quality, we aim to minimize dust at our operations, particularly at our crusher areas and on the roads through and around the mine site. We continue to improve our water spray efficiency on the conveyor belts and transfer chutes of the overland conveyor system, and our trucks routinely spray the roads, especially in the summer months, to keep dust to a minimum.

The Kışladağ site will be seeking its ISO 14001 certification in 2011. As part of the certification process, we have carried out environmental risk assessments for each work area and we are developing environmental management system procedures. Another goal of Kışladağ in 2011 is to become a signatory to the International Cyanide Management Code.

As part of our support of the local community, we built children's playgrounds in two nearby villages and supported the renewal of the Gumuskol village mosque. In 2010, we also distributed 2,400 toothbrushes and toothpaste to all the Ulubey students from kindergarten through high school, and we paved 6.5 kilometres of village roads near Kışladağ with asphalt.



Dust control on mine roads at Kışladağ



Fire and Rescue Team training at Kışladağ



Paved village roads near Kışladağ



*Golden Mountain Primary School is one of the community projects supported by the Jinfeng mine -- part of the company's ongoing commitment to education*



*Cardiopulmonary resuscitation training*



*Water sampling*

## CHINA

At Jinfeng, Tanjianshan and White Mountain, all employees meet the operational safety and environmental licensing requirements under Chinese law. Local authorities provide certification at many of our operations in China. In 2010, our lost-time injury rate at our Chinese operations was 1.68 per million man hours worked. We deeply regret that we had two fatalities at our Chinese operations and have established tighter safety measures to prevent such incidents in the future as much as possible.

## Jinfeng

Jinfeng, the second-largest gold mine in China, is an open pit and underground gold mine using BIOX® technology. The mine is located 236 kilometres southwest of the capital city of Guiyang in Guizhou Province, southern

China, and has over 10 years of mine life remaining.

The current safety focus of our Jinfeng mine is to improve the frontline supervisor's capability and operator skills while bringing all contractors up to our safety standards. We recently implemented a safety and leadership program at the mine, which supports and encourages leaders, managers and supervisors to 'walk the talk' and lead by example.

We provided 7,490 man hours of training in 2010 to improve employees' skills and safety knowledge. The training included safety induction, driving skills, Emergency Response Training (ERT), operation procedures, job safety analysis, first aid and leadership.

Jinfeng's 10 environmental management employees are involved in water and waste management, monitoring, rehabilitation and incinerator operations. In 2010, Jinfeng had zero major environmental incidents and minimal impact on the local environment. We are working on a study to improve the agricultural soil quality in the area near the mine, and last year we planted 16,000 seedlings.

In 2010, we invested over 6.8 million renminbi (or US\$1 million) on six initiatives in the three local communities surrounding the mine. Our Community Relations teams have worked with two local villages on road and path-paving

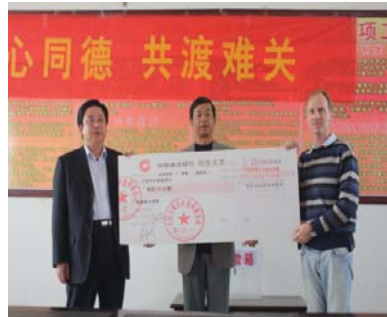
projects. The mine provided the materials and conducted sessions on how to pave walkways, front paths and roads, and the villagers completed the work. More than 2,500 people from over 500 households in Jinshan Village and Lannigou Village participated in this improvement project. Villagers now have a paved road to cycle and walk on during the rainy season. An education improvement project in the area benefited 450 primary students and 17 teachers. The mine also contributed to a river cleaning project during the storm season and a pool project at a teaching site.

### Tanjianshan

Tanjianshan is an open pit float-roast-CIL mine in Qinghai Province in northwest China.

All Tanjianshan mine employees have completed a formal safety training program, and the mine meets all operational safety and environmental certification and licensing requirements under Chinese law. These requirements include certification in tailings dam operations, boiler operations, chemical handling and storage, radiation use and electrical use. Local authorities provide training in mobile equipment operations. The mine has an extensive recycling program where it recycles all paper, plastics, aluminum cans and scrap steel used at the site.

In 2011, Tanjianshan will run a trial project with local villages on growing various plant species



Donation for Qinghai earthquake relief fund



Students at the Mahai Primary School

around the mine site, with a long-term goal of having suitable plants grown for mine closure rehabilitation.

The Tanjianshan mine contributed \$100,000 to the Qinghai earthquake relief fund and over \$25,000 to the Gansu mudslide relief fund. In addition, the mine provided the Mahai Village with solar lights and educational materials for the Mahai Primary School. Members of the Community Relations team are also working with Mahai villagers to raise fowl for meat and eggs.

### White Mountain

White Mountain is an underground mine that uses sub-level and cut-and-fill stoping mining methods. The orogenic gold deposit is located northeast of Beijing, in China's Jilin Province.

White Mountain re-opened in January 2010. Although the mine had received its Mine Safety Permit, two workers died at the site in 2010 and we deeply regret

this tragic event. We have taken steps to prevent similar incidents from occurring in the future.

Department managers are now responsible for safety, with their programs and initiatives backed up by the safety department. In 2010, we conducted 850 hours of safety training, instructing all employees in first aid, risk and hazard training, fire extinguisher use and hazard identification. The training emphasized risk and hazard identification to strengthen and broaden the safety culture of the operation, and we implemented an improved inspections program and risk register to track all actions. We also developed and implemented full emergency response plans, and the mine has now instituted regular emergency response training and drills.

In 2010, we established a Village Greenhouse project where we are assisting local farmers to grow vegetables that have a market in urban areas. We provide 20 university students from the community with summer employment.

## BRAZIL

### Vila Nova

Vila Nova is an open pit iron ore mine located in Amapa State, Brazil. We began trial production in the third quarter of 2010 and sold two shipments of ore, one of lump and one of sinter fine, totalling 90,000 tonnes.

Safety training at the operation is ongoing.

The mine has established a plant nursery to grow seedlings that will be used to rehabilitate deforested areas.

## DEVELOPMENT PROJECTS

### Efemçukuru

Efemçukuru is a high-grade epithermal gold vein deposit suitable for underground mechanized mining that is located in Izmir Province in western Turkey. We expect to begin production in the second quarter of 2011.

At Efemçukuru, we have established a culture of personal risk awareness and management, focused on safe operating procedural training and we also continue to offer defensive driver training to employees.

We have established a program to encourage more young women in the local area to complete high school. This year there were five female graduates compared to just one last year. In addition, our vineyard project is now entering its fourth year and is beginning to produce fruit.



*We constructed new agriculture water wells to provide water for crops in the area surrounding Perama*

### Eastern Dragon

Eastern Dragon is located in Heilongjiang Province in northeastern China. Weather conditions are typical of northern latitudes, with warm summers followed by severe cold in the winter.

To allow site construction to proceed safely during these winter conditions, we introduced a special health and safety program in October 2010. We provided extensive training to Eldorado's employees and contractors to recognize health hazards resulting from exposure to cold temperatures.

In addition, we implemented procedures to protect workers against these conditions, such as scheduling regular rest periods in warm conditions to limit exposure, identifying special hazards associated with snow and ice, and safety requirements for working with steel. We also provided special cold weather clothing to all

workers to ensure that each person is protected from the elements and equipped to carry out their tasks in a safe manner.

### Perama Hill

Perama Hill is a shallow, high sulphidation, non-refractory oxide gold deposit with a low strip ratio located in Thrace Province in northeastern Greece. We submitted the Pre-Environmental Impact Assessment in October 2009 and anticipate receiving approval in 2011. We are continuing to work with all levels of government to advance the understanding of the project and its importance to the regional economy.

A central focus over the past year has been on building relationships with our stakeholders in Greece. We have drilled two water wells in the local villages near the mine, and we have also established a black pine nursery for reforestation in the area.

# Financial Review



Kışladağ mine



Jinfeng mine



Tanjianshan mine



White Mountain mine



Vila Nova mine

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# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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December 31, 2010

### AMENDED

Throughout this MD&A, Eldorado, we, us, our and the company mean Eldorado Gold Corporation. This year means 2010. All dollar amounts are in United States dollars unless stated otherwise.

The information in this MD&A is as of March 17, 2011. You should also read our audited consolidated financial statements for the year ended December 31, 2010. We prepare our consolidated financial statements in accordance with Canadian GAAP and file them 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).

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# MANAGEMENT'S DISCUSSION & ANALYSIS

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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:

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

Development gold projects:

- Eastern Dragon, in China (95%)
- Efemçukuru, in Turkey (100%)
- Tocantinzinho, in Brazil (100%)
- Perama Hill, in Greece (100%)

Iron ore mine:

- Vila Nova, in Brazil (100%)

Jinfeng, White Mountain and Eastern Dragon were included in the acquisition of Sino Gold Ltd. (Sino Gold) in December 2009. Tocantinzinho was included in the acquisition of Brazauro Resources Corporation in July 2010.

Eldorado is 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 CHESSE Depositary Interests (CDIs) trade on the Australian Securities Exchange (ASX) under the symbol EAU.



# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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December 31, 2010

### 2010 Highlights, corporate developments and 2011 outlook

- **Production** was 74% higher than in 2009, due to the addition of Jinfeng and White Mountain, and solution processing improvements at Kışladağ.
- **Gold sales** (in ounces) were up 78%, as a result of higher production and drawing down on gold-in-circuit inventories. Our average realized price was \$1,223 per ounce of gold, an increase of 23% over last year.
- **Earnings per share** increased 46% over last year to \$0.38 per share.
- **Cash generated from operating activities** before changes in non-cash working capital increased 140% over last year. This is a non-GAAP measure. See page 27 for more information.
- Paid our **first dividend** of Cdn\$0.05 per share on June 4, 2010.
- Kışladağ's **reserves increased** 50% compared to year-end 2009.
- Completed our acquisition of Brazauro Resources Corporation (Brazauro) on July 20, 2010, for 5,993,898 Eldorado common shares and other consideration.
- Acquired the exploration licence for Xiaoshiren Central (20 km southeast of White Mountain).
- Sold our interest in Beyinhar on February 6, 2010 for \$20 million.
- 2011 production is expected to be 715,000 to 770,000 ounces of gold, at a cash operating cost of \$375 to \$395 per ounce.
- 2011 capital expenditures are expected to be approximately \$230 million.

### Corporate developments

#### *Brazauro acquisition*

On July 20, 2010, Eldorado acquired, through a court-approved plan of arrangement under the laws of British Columbia (the arrangement), all the issued and outstanding securities of Brazauro Resources Corporation (Brazauro) that we did not already own for total consideration of 5,993,898 common shares of Eldorado.

Under the terms of the arrangement, former Brazauro shareholders other than Eldorado received 0.0675 of an Eldorado common share for each Brazauro share held, as well as 1/3 of a share of TriStar Gold Inc. (TriStar), a new exploration company that Eldorado funded with Cdn\$10 million on July 19, 2010 as part of the Arrangement. TriStar will hold certain exploration properties previously owned by Brazauro.

Brazauro's principal asset, the Tocantinzinho Project in Tapajos, Brazil, is a late-stage exploration project with current measured and indicated resources of 2.1 million ounces of gold. Eldorado also acquired option agreements to earn into 100% of the Água Branca and Piranhas properties, located in the Tapajos District immediately adjacent to the Tocantinzinho Project.

#### *Investment in Serabi Mining plc*

Eldorado acquired 12,000,000 common shares and 2,500,000 special warrants of Serabi Mining Plc (Serabi) in 2010, for a total price of approximately \$6.8 million. This represents a 26.8% interest in Serabi. We are accounting for the investment in Serabi using the equity method.

Serabi is a gold mining company whose main asset is 100% of the Palito Gold property in the Tapajos region of Brazil. The Palito deposit consists of high grade, narrow gold-copper veins, with considerable exploration potential.

#### *Disposition of Beyinhar*

On April 27, 2010, Eldorado completed the disposition of its interest in the Beyinhar joint venture in Inner Mongolian Autonomous Region, China, through the sale of its wholly owned subsidiary Golden China Nei Men Gold Exploration Corporation for \$20.0 million. Beyinhar was included in the acquisition of Sino Gold but considered to be a non-core asset. The sale did not have an impact on our earnings as the fair value of the property at the date of acquisition was equal to the sale price.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

December 31, 2010

### Operating highlights and outlook<sup>1,5</sup>

|  | 2010    | 2009    | 2011 Outlook <sup>7</sup> |
|--|---------|---------|---------------------------|
| <b>Total</b>                                       |         |         |                           |
| Gold ounces produced                               | 632,539 | 363,509 | 715,000 to 770,000        |
| Ounces sold  | 639,949 | 360,226 |                           |
| Cash operating costs (\$ per ounce) <sup>3</sup>   | 382     | 309     | \$375 to \$395            |
| Total cash cost (\$ per ounce) <sup>2,3</sup>      | 423     | 337     |                           |
| <b>Kışladağ</b>                                    |         |         |                           |
| Gold ounces produced                               | 274,592 | 237,210 | 270,000 to 285,000        |
| Ounces sold  | 279,025 | 237,363 |                           |
| Cash operating costs (\$ per ounce) <sup>3</sup>   | 329     | 279     | \$350 to \$365            |
| Total cash cost (\$ per ounce) <sup>2,3</sup>      | 339     | 281     |                           |
| <b>Tanjianshan</b>                                 |         |         |                           |
| Gold ounces produced                               | 113,864 | 105,610 | 110,000 to 120,000        |
| Ounces sold  | 116,765 | 102,710 |                           |
| Cash operating costs (\$ per ounce) <sup>3</sup>   | 383     | 350     | \$410 to \$430            |
| Total cash cost (\$ per ounce) <sup>2,3</sup>      | 485     | 435     |                           |
| <b>Jinfeng<sup>4</sup></b>                         |         |         |                           |
| Gold ounces produced                               | 181,950 | 14,541  | 175,000 to 185,000        |
| Ounces sold  | 182,026 | 14,554  |                           |
| Cash operating costs (\$ per ounce) <sup>3</sup>   | 425     | 471     | \$445 to \$465            |
| Total cash cost (\$ per ounce) <sup>2,3</sup>      | 480     | 515     |                           |
| <b>White Mountain<sup>4</sup></b>                  |         |         |                           |
| Gold ounces produced                               | 62,133  | 6,148   | 70,000 to 75,000          |
| Ounces sold  | 62,133  | 5,599   |                           |
| Cash operating costs (\$ per ounce) <sup>3</sup>   | 487     | 400     | \$485 to \$500            |
| Total cash cost (\$ per ounce) <sup>2,3</sup>      | 522     | 439     |                           |
| <b>Efeçukuru</b>                                   |         |         |                           |
| Gold ounces produced                               | n/a     | n/a     | 70,000 to 80,000          |
| Cash operating costs (\$ per ounce) <sup>3</sup>   | n/a     | n/a     | \$285 to \$300            |
| <b>Eastern Dragon<sup>4</sup></b>                  |         |         |                           |
| Gold ounces produced                               | n/a     | n/a     | 20,000 to 25,000          |
| Cash operating costs (\$ per ounce) <sup>3,6</sup> | n/a     | n/a     | \$40 to \$45              |
| <b>Vila Nova</b>                                   |         |         |                           |
| Iron ore tonnes sold                               | 89,074  | n/a     | 440,000 to 480,000        |
| Cash operating costs (\$ per tonne sold)           | 41      | n/a     | \$40 to \$45              |

<sup>1</sup> We calculate costs according to the Gold Institute Standard.

<sup>2</sup> Total cash cost is cash operating costs plus royalties and off-site administration costs.

<sup>3</sup> Cash operating costs and total cash cost are non-GAAP measures. See page 29 for more information.

<sup>4</sup> We acquired Jinfeng, White Mountain and Eastern Dragon in December 2009.

<sup>5</sup> We recalculated cash operating costs and total cash costs for 2009 based on ounces sold.

<sup>6</sup> Eastern Dragon cash operating costs are net of silver by-product credits.

<sup>7</sup> Outlook uses the following assumptions:

**Gold price:** \$1,250 per ounce

**Oil price:** \$80 per barrel (Kışladağ only)

**Exchange rates:**

Cdn\$1.05 = \$1.00

Brazilian Real 1.75 = \$1.00

Turkish Lira 1.50 = \$1.00

Chinese RMB 6.50 = \$1.00

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

December 31, 2010

### Annual updates - Operations

#### Kışladağ

|                               | 2010       | 2009       |
|-------------------------------|------------|------------|
| Ore mined (tonnes)            | 10,046,503 | 10,550,764 |
| Total material mined (tonnes) | 27,299,803 | 24,034,645 |
| Strip ratio                   | 1.72:1     | 1.28:1     |
| Ore to pad (tonnes)           | 10,372,719 | 10,716,556 |
| Gold grade (g/t)              | 1.06       | 1.11       |
| Gold production (ounces)      | 274,592    | 237,210    |

In 2010 we increased the column size in the ADR plant and instigated intermediate leaching. The combination of these two changes resulted in an inventory drawdown of gold in the leach pad of approximately 40,000 ounces, accounting for the favourable variance from our initial guidance for 2010 of 240,000 ounces.

Cash operating cost of \$329 per ounce (this is a non-GAAP measure; see page 29 for more information) was within our initial guidance of \$310 to \$330 per ounce. The increase in cash operating cost per ounce from the previous year (2009 - \$279 per ounce) was due to higher fuel costs as well as higher strip ratios and slightly lower head grade. In 2011 we expect to produce 270,000 to 285,000 ounces of gold at a cash operating cost \$350 to \$365 per ounce.

In 2010, we continued to work on the Phase III expansion of the crushing circuit. This is designed to increase the crushing capacity to more than 12 million tonnes per annum. This equipment will be commissioned in Q1 2011.

We spent \$54.9 million on capital projects at Kışladağ in 2010. The majority of this was to complete the Phase III crusher expansion. Other capital costs included the installation of six new leach pads (pads 16-21) and continued resource delineation drilling.

#### Tanjianshan

|                               | 2010      | 2009       |
|-------------------------------|-----------|------------|
| Ore mined (tonnes)            | 1,178,293 | 1,566,379  |
| Total material mined (tonnes) | 4,155,030 | 11,847,818 |
| Strip ratio                   | 2.53:1    | 6.56:1     |
| Ore processed (tonnes)        | 1,049,952 | 974,498    |
| Gold grade (g/t)              | 4.20      | 5.31       |
| Gold production (ounces)      | 113,864   | 105,610    |

Gold production was higher than our initial guidance of 105,000 ounces due to higher than planned mill throughput and head grade. The cash operating cost, \$383 per ounce, was lower than our guidance of \$435 per ounce due to higher than planned production related to the higher head grade. The increase in cash operating cost per ounce from the previous year (2009 - \$350 per ounce) was due to lower head grade. In 2011 we expect to produce 110,000 to 120,000 ounces of gold at a cash operating cost of \$410 to \$430 per ounce.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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The process plant continued to perform well. Various metallurgical improvements were completed during the year with the installation of a flash float circuit and extra flotation tank cells. Also during 2010, a major roaster shutdown was completed to coincide with an extended power outage. The roaster was inspected and found to be in good condition. An upgrade was completed at this time with improvements to the roaster cyclones to reduce the fine dust that has been overloading the Electrostatic Precipitator (ESP).

We spent \$17.1 million in capital at Tanjianshan in 2010 for delineation drilling on identified resources and process plant upgrades, as well as an expansion of the tailings dam.

### Jinfeng

|  | 2010       | 2009 <sup>1</sup> |
|--|------------|-------------------|
| Ore mined - underground (tonnes)         | 405,015    | 34,744            |
| Ore mined - open pit (tonnes)            | 1,432,278  | 118,778           |
| Total material mined - open pit (tonnes) | 17,832,838 | 2,604,277         |
| Strip ratio                              | 11.45:1    | 20.9:1            |
| Ore processed (tonnes)                   | 1,557,199  | 136,054           |
| Gold grade (g/t)                         | 4.24       | 3.97              |
| Gold production (ounces)                 | 181,950    | 14,541            |

<sup>1</sup> 2009 numbers only from date of acquisition on December 4, 2009.

Gold production at Jinfeng for 2010 was within our initial guidance, while cash operating costs of \$425 per ounce were below our initial guidance of \$450 per ounce, due to lower than planned waste mining costs. In 2011 we expect to produce 175,000 to 185,000 ounces of gold at a cash operating cost of \$445 to \$465 per ounce.

A cutback will be completed in the open pit in 2011 to allow further pit development.

The process plant continued to perform well.

We spent \$15.1 million in capital at Jinfeng in 2010 on underground equipment and development, and tailings dam improvements.

### White Mountain

|                                  | 2010    | 2009 <sup>1</sup> |
|----------------------------------|---------|-------------------|
| Ore mined - underground (tonnes) | 624,723 | 52,077            |
| Ore processed (tonnes)           | 622,418 | 58,074            |
| Gold grade (g/t)                 | 3.98    | 4.26              |
| Gold production (ounces)         | 62,133  | 6,148             |

<sup>1</sup> 2009 numbers only from date of acquisition on December 4, 2009.

Gold production at White Mountain for 2010 was within our initial guidance, while cash operating costs of \$487 per ounce were above our initial guidance of \$460 per ounce due to higher mining costs related to stope development and dewatering, as well as lower than planned recovery rates. In 2011 we expect to produce 70,000 to 75,000 ounces of gold at a cash operating cost of \$485 to \$500 per ounce.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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December 31, 2010

Mining issues, including water inflow and cavities in the ore zone, are being addressed by increasing underground development and stope availability.

We spent \$16.4 million in capital at White Mountain in 2010, mainly on underground equipment and development. A mercury removal plant was also installed and commissioned to remove mercury vapour from the electrowinning and carbon regeneration circuits.

### Annual updates – Development projects

#### Eastern Dragon

Permitting issues delayed the start of construction at Eastern Dragon to the fourth quarter of the year. We made the decision to enter into a specialized winter works program to complete critical path items on the implementation schedule. Due to the extremely cold weather in the region, construction activity is normally very restricted in the winter. The work program we prepared focused on providing safe working conditions for all contractors and employees. We took special precautions to ensure workers were provided with suitable clothing to work outside, working hours were restricted, there were regularly scheduled rest periods in heated areas, and special training was provided for those working in snowy conditions, particularly at height. As a result, we were able to carry out installations of critical machinery foundations and erect structural steel for the concentrator building enclosure. In addition, we were able to complete infrastructure projects to support the winter work program, such as worker housing, the electrical substation, sewage treatment infrastructure and limited road works. This effort will position the project for completion in late 2011.

We spent \$10.9 million on capital projects at the Eastern Dragon project in 2010.

#### Efemçukuru

We continued with all aspects of the implementation phase of the Efemçukuru project this year. The main concentrator plant was advanced from civil foundation installations early in the year, through mechanical and electrical installations, to dry commissioning in the fourth quarter. Major infrastructure installations were also advanced, including preparing the tailings impound area, ancillary buildings and services and preparation of the rock dump area to receive development rock from underground. We also constructed a major water dam on site following design changes brought on by permitting issues. Construction of the tailings filtration and backfill plants was initiated mid-year with planned commissioning of the circuits in the first quarter of 2011.

Engineering and procurement of major equipment and steel work for the concentrate treatment plant at Kişladağ was nearing completion at year-end. With receipt of the modified Kişladağ environmental impact assessment, civil and mechanical construction will begin in mid-2011. The plant is expected to be complete in the fourth quarter of 2011.

Start-up of underground preproduction development was delayed while we were waiting for legislative changes in the Turkish mining law. The contractor was able to start development mid-year and completed approximately 45% of the contract by year-end. With completion of the mine infrastructure and continued good performance from the mine contractor, we expect production at Efemçukuru to be at full capacity by mid-2011.

We spent \$69.0 million on capital projects at Efemçukuru in 2010.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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December 31, 2010

### **Vila Nova**

During 2010 we sold 89,074 dry metric tonnes of iron ore as part of a trial mining program designed to test the project logistics, processing plant, and mining capacity. We expect to ramp up production to between 440,000 and 480,000 dry metric tonnes in 2011.

### **Tocantinzinho**

With the purchase of Brazauro and acquisition of the Tocantinzinho project in 2010, we initiated additional work on defining the ore body, completing approximately 5,600 metres of diamond drilling and preparing a prefeasibility study to define what will be an open pit mining operation. Various engineering studies have examined metallurgical response and the process design for gold recovery, geotechnical stability of the pit, hydrology and hydrogeology of the area and major infrastructure needs such as the incoming power line and the access road to the site. This work has been carried out while preparing the environmental impact assessment, which will be submitted to the Ministry of Environment in the first quarter of 2011, and issuing the prefeasibility study and declaration of resources and reserves at Tocantinzinho.

We spent \$9.6 million on capital projects at the Tocantinzinho project in 2010.

### **Perama Hill**

We continue to work closely with the Greek government and local agencies to advance the project through the permitting stage. Our dialogue with the local communities and stakeholders has focused on informing and educating them about both the technical aspects and benefits of the project and we are encouraged by the level of support we have received.

We spent \$2.4 million on capital projects at the Perama Hill project in 2010.

### **Annual updates – Exploration**

Exploration drilling in 2010 totalled 107,088 metres at eighteen projects worldwide.

### **Turkey**

#### **Kışladağ**

Two phases of infill and resource extension drilling totalling 75 diamond drill holes (40,825 m) were completed. Notable results include:

- Delineation of a new contiguous high-grade gold zone within Intrusion 2A, in areas of the deposit that were originally modelled to contain low gold grades and waste.
- Definition of the southeast margin high-grade zone, which was traced over an east-west strike length of approximately 300 metres, and lies just outside the boundary of the 2009 design pit.
- Identification of high-grade zones along the Intrusion 3-Intrusion 1 contact in the northwest deposit area.
- Discovery of ore-grade gold values in the basement schist adjacent to a late-stage intrusive dyke. This highlights the prospectivity of relatively unexplored areas to the west of the current deposit.

#### **Efemçukuru**

Six diamond drill holes (1,907 m) testing the Kokarpinar vein were completed in 2010. The vein was intersected at or near the projected depth in all drill holes, with four of the six holes returning significant mineralized intervals. Additional planned drilling on the Kokarpinar and Kestane Beleni veins was deferred until early 2011 due to delays in obtaining the required forestry permits.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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December 31, 2010

### Reconnaissance programs

At the MH iron-oxide copper-gold project, results of detailed geological mapping, soil geochemistry, and geophysical surveys provided several large-scale drill targets. Eight diamond drill holes were completed for a total of 3,066 metres, testing the Köskale, Karakaya, and Kuşkayasi targets. The best results to date are from the Köskale target, a structurally controlled breccia zone with strong hematite alteration.

At the Sizma project, 22 short reverse circulation holes (1,146 m) tested structurally controlled, phyllite-hosted gold mineralization. Several of the holes intersected low-grade gold values over several tens of metres.

Six diamond drill holes were completed at the AS project for a total of 2,745 metres. Drilling targeted newly defined porphyry targets based on alteration mapping, geochemistry, and magnetic data. All holes intersected variably altered and mineralized rocks, including zones of weak porphyry-style copper, molybdenum, and gold mineralization.

At the Savaşık project, we completed five reverse circulation holes (986 m) and two diamond drill holes (866m) targeting geophysical and geochemical anomalies. No significant mineralized intervals were encountered.

Reconnaissance fieldwork including rock chip sampling, geological mapping, and soil geochemical surveys were completed at the Catak, Dolek, and Atalan projects.

### China

#### Tanjianshan

A total of 52 diamond drill holes were completed at the 323 zone for a total of 9,838 metres. Geological modelling of the mineralization defined to date has delineated a preliminary Inferred Resource of 160,000 ounces gold at 2.75 g/t. Mineralization remains open down-plunge to the south.

At the ZXS prospect area, 40 shallow RC/RAB holes (4,418 m) were completed. These were designed to test covered areas and delineate targets for follow up diamond drilling

#### Jinfeng

At the Jinfeng Mine, 15,318 metres of underground and surface drilling focused on upgrading zones of inferred resources.

At the Bannian prospect, approximately 20 km southwest of the Jinfeng mine, 12 diamond drill holes (1,146 m) targeted near-surface zones of structurally controlled gold mineralization. Results were mixed, highlighting the erratic nature of mineralization along the target F207 zone.

At Lintan and Yaojatan, immediately north of the mine, 13 diamond drill holes were completed, targeting the F14 and F70 structures. Mineralized intercepts were generally narrow and low grade, and future drilling will be directed towards conceptual targets where larger tonnage deposits may be possible.

#### White Mountain

Drilling at the White Mountain mine focused on down-dip and along-strike extensions to known mineralization on the F100 zone. A new lens of high-grade mineralization was intersected approximately 200 metres down-dip of the known deposit in drill hole 337 (24.7 m @ 8.7 g/t Au). This intercept is completely open along strike and down-dip and will be followed up with additional drilling.

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At Xiaoshiren, approximately 20 km southeast of the mine, surface mapping, rock chip sampling and soil geochemistry led to late season diamond drilling on the #4 and #5 zones. Seven holes (1,223 m) were completed, several of which intersected significant mineralized breccia zones with the most significant interval grading 7.8 g/t Au over 6.5 metres.

At Dongdapo, along strike immediately northeast of the mine, geological mapping and soil geochemical surveys were completed and drill targets defined.

Three diamond drill holes were completed at the Caijiagou project (983 m). No significant mineralization was encountered and the project has been dropped.

### **Eastern Dragon**

Field activities this year included a detailed ground magnetic survey, float and outcrop sampling, and prospecting within the EL53 licence area. Results of these surveys have been incorporated into our geological interpretation of the area and drill targets defined. Of note is the newly identified high-grade gold in outcrop along the river valley north of the Lode 5 deposit, which is being evaluated as a potential drill target.

Four exploration diamond drill holes (719 m) were completed at the Sanjianfang exploration licence immediately south of EL53. The drilling intersected veins in several locations, but did not encounter any significant gold grades.

### **Brazil**

#### **Tocantinzinho**

Exploration efforts at Tocantinzinho included 5,598 metres of diamond drilling and 635 metres of reverse circulation drilling. These programs included infill drilling at the Tocantinzinho deposit (15 holes), geotechnical drilling within and peripheral to the deposit (6 holes), and exploratory drilling outside the known deposit (9 diamond holes and 7 RC holes).

In addition to drilling, the soil geochemical grid was significantly expanded and a 38.5 line kilometre induced polarization geophysical survey was completed. Several zones of anomalous chargeability/resistivity response were identified and will be drill tested.

#### **Reconnaissance**

At the Agua Branca project, three diamond drill holes (584 m) were completed, finishing the program started by Brazauro before we assumed control of the project. Results were encouraging in that similar lithologies and alteration styles to those associated with the Tocantinzinho deposit were intersected; however, gold grades were generally low. We have subsequently begun a program of property-wide geochemical sampling designed to identify possible additional drill targets on the property.

At Piranhas, work has focused on rehabilitation of the airstrip and camp facilities so that exploration crews can begin reconnaissance work in 2011.

A stream sediment and rock sampling program was completed at the Triguero project in northeast Brazil. Several isolated anomalies were defined; however, follow-up work failed to identify significant mineralization and the project was subsequently dropped.



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### **Nevada**

A controlled source audio magnetotelluric (CSAMT) geophysical survey was completed at the Cathedral Well project which defined several drill targets in covered areas adjacent and down-dip from known mineralization. A reverse circulation drill program designed to test these targets began in December.

Geological mapping and rock sampling programs were completed at the Buffalo Canyon project and defined several distinct styles of mineralization and drill targets. We plan to test these targets early in 2011.

Geological and alteration mapping, soil sampling, rock sampling, and a CSAMT geophysical survey were completed at the Richmond Mountain project. Two reverse circulation holes were completed (815 m) testing a conceptual target beneath cover. Results were generally disappointing and the project has been dropped.

We dropped the option on the Green Monster project due to continued permitting delays.

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### Annual results

#### Financial results

| (\$000)  | 2010      | 2009      | 2008    |
|--|-----------|-----------|---------|
| Total revenue                                      | 791,175   | 358,467   | 277,723 |
| Net income (loss)                                  | 206,063   | 102,404   | 163,656 |
| Total assets                                       | 3,779,909 | 3,436,108 | 905,369 |
| Total long-term financial liabilities <sup>1</sup> | 92,415    | 161,099   | 4,812   |
| Earnings per share                                 |           |           |         |
| - basic  | 0.38      | 0.26      | 0.46    |
| - diluted  | 0.38      | 0.26      | 0.46    |
| Cash dividends declared per share                  | 0.05      | -         | -       |

<sup>1</sup> Includes long-term debt net of deferred financial cost and asset retirement obligations.

#### Net income

Our consolidated net income for the year increased by 102% over last year – from \$102.4 million or \$0.26 per share in 2009 to \$206.1 million or \$0.38 per share in 2010. The increase was driven by higher results from gold mining operations partially offset by higher income tax, general and administrative, and exploration expenses.

#### Revenue

Total revenues this year included \$782.9 million in gold revenues and \$8.3 million in iron ore sales.

Gold revenues this year were 121% higher than last year mainly for two reasons:

- selling prices increased by 23%
- sales volumes were up 78%: sales from Kışladağ and Tanjianshan increased by 55,717 ounces, and Jinfeng and White Mountain increased by 224,006 ounces. Jinfeng and White Mountain sales in 2009 were for the month of December.

|                                 | 2010      | 2009      |
|---------------------------------|-----------|-----------|
| Gold ounces sold                | 639,949   | 360,226   |
| - Kışladağ                      | 279,025   | 237,363   |
| - Tanjianshan                   | 116,765   | 102,710   |
| - Jinfeng                       | 182,026   | 14,554    |
| - White Mountain                | 62,133    | 5,599     |
| Average selling price per ounce | \$1,223   | \$995     |
| Gold revenue (000s)             | \$782,850 | \$358,467 |

Iron ore revenues were derived from two shipments totalling 89,074 dry metric tonnes of iron ore sold in the fourth quarter at an average price of \$93.50 per dry metric tonne.

#### Results of gold mining operations

Results from gold mining operations before taxes were up 113% over last year for three main reasons:

- the addition of Jinfeng and White Mountain
- higher sales volumes at Kışladağ
- higher gold prices overall

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### Earnings from gold mining operations before taxes

| (\$ millions)                            | 2010  | 2009  |
|--|-------|-------|
| <b>Total</b>                             |       |       |
| Gold sales                               | 782.9 | 358.5 |
| Operating costs                          | 278.2 | 132.7 |
| Depletion, depreciation and amortization | 104.0 | 37.6  |
| Earnings from mine operations            | 400.7 | 188.2 |
| <b>Kışladağ</b>                          |       |       |
| Gold sales                               | 339.1 | 233.1 |
| Operating costs                          | 98.1  | 67.7  |
| Depletion, depreciation and amortization | 14.1  | 12.0  |
| Earnings from mine operations            | 226.9 | 153.4 |
| <b>Tanjianshan</b>                       |       |       |
| Gold sales                               | 144.0 | 102.5 |
| Operating costs                          | 58.9  | 45.7  |
| Depletion, depreciation and amortization | 25.5  | 20.5  |
| Earnings from mine operations            | 59.6  | 36.3  |
| <b>Jinfeng</b>                           |       |       |
| Gold sales                               | 222.0 | 16.5  |
| Operating costs                          | 88.3  | 14.5  |
| Depletion, depreciation and amortization | 45.4  | 4.3   |
| Earnings from mine operations            | 88.3  | (2.3) |
| <b>White Mountain</b>                    |       |       |
| Gold sales                               | 77.8  | 6.4   |
| Operating costs                          | 32.9  | 4.8   |
| Depletion, depreciation and amortization | 19.0  | 0.8   |
| Earnings from mine operations            | 25.9  | 0.8   |

### Operating costs

Operating costs rose 110% this year for two main reasons:

- volume was higher at all our mines
- unit operating costs were higher at Tanjianshan and Kışladağ

Unit operating costs were higher than 2009:

- Kışladağ's cash operating costs per ounce increased 18% because of higher fuel costs, stripping ratios and slightly lower head grade
- Tanjianshan's unit operating costs rose 9% because of lower head grade

### Depletion, depreciation and amortization from gold mining operations

Depletion, depreciation and amortization expense was \$104.0 million this year, 177% higher than 2009, mainly because of the additional expense at Jinfeng and White Mountain, including amortization of the excess purchase price allocated to proven and probable reserves at Jinfeng and White Mountain.

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### Other expenses

| \$000                                   | 2010   | 2009  |
|---|--------|-------|
| General and administrative              | 59.8   | 32.5  |
| Income tax                              | 89.8   | 41.9  |
| Exploration                             | 23.2   | 12.0  |
| Foreign exchange                        | 14.8   | (3.0) |
| Interest and other                      | (12.9) | (2.3) |
| Gains on sales of marketable securities | (6.6)  | (1.7) |
| Non-controlling interest and other      | 17.5   | 2.6   |

### General and administrative expense

We incur general and administrative costs at our head office in Vancouver, Canada and in the countries where we conduct our business.

General and administrative expense increased \$27.3 million or 84% over 2009 due to higher stock-based compensation expense as well as higher headquarters costs in both Vancouver and China due to the increase in the size of our company. Stock-based compensation expense increased over 2009 because there were no significant option grants in 2009.

### Income taxes

Income tax expense increased \$47.9 million or 114% over 2009 as a result of higher taxable income from our gold mining operations in Turkey and China. The effective tax rate of 29% was unchanged from 2009.

### Foreign exchange gain/loss

We reported \$14.8 million in foreign exchange losses this year, mainly related to unrealized losses on future income tax liabilities originating from the Sino acquisition denominated in Chinese renminbi. In 2009 we reported \$3.0 million in foreign exchange gains, mainly related to realized gains on cash deposits denominated in Canadian dollars.

### Interest and other income

Interest and other income of \$12.9 million in 2010 included \$7.5 million related to the sale of our Turkish subsidiary's Agi Dagi royalty interest, and \$2.6 million from the sale of silver by-product, mainly from Kışladağ.

### Non-controlling interest

Non-controlling interest was \$17.5 million - an increase from 2009 because of the addition of Jinfeng and White Mountain.

### Exploration expense

Exploration expense increased by \$11.2 million over 2009 as a result of increasing exploration activities. See Exploration on page 22 for more information.

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### Non-GAAP measures

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

Since there is no standard method for calculating non-GAAP measures, they are not a reliable way to compare us against other companies. Non-GAAP measures should be used with other performance measures prepared in accordance with Canadian GAAP.

We have defined our non-GAAP measures below and reconciled them with the GAAP measures we report.

### Cash operating cost

The table below reconciles cash operating cost to operating costs. We calculate costs according to the Gold Institute Standard.

| \$ thousands (except for gold ounces sold)   | 2010           | 2009           |
|--|----------------|----------------|
| <b>Operating costs - excluding Vila Nova</b><br>(from consolidated statements of operations) | <b>278,194</b> | <b>132,464</b> |
| <b>Less:</b>   |                |                |
| Royalty expense and production taxes   | (26,734)       | (10,025)       |
| By-product credits and other adjustments <sup>1</sup>  | (7,306)        | (4,172)        |
| Sino Gold inventory fair value adjustment  | -              | (6,957)        |
| <b>Cash operating cost</b>   | <b>244,154</b> | <b>111,310</b> |
| Gold ounces sold   | 639,949        | 360,226        |
| <b>Cash operating cost per ounce</b>   | <b>382</b>     | <b>309</b>     |

<sup>1</sup> Stock-based compensation expense allocated to operating expense.

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

We use cash flow from operations (or operating activities) 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.

We believe this provides a better indication of our cash flow from operations and may be meaningful in evaluating our past performance or future prospects. It is not meant to be a substitute for cash flow from operations (or operating activities), which we calculate according to Canadian GAAP.

### Financial condition

Operating activities before changes in non-cash working capital generated \$356.5 million in cash this year, compared to \$147.0 million in 2009.

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### Capital expenditures

We invested \$226.3 million in capital expenditures, mine development, mining licences and other assets this year.

Mine development expenditures totalled \$91.9 million:

- \$69.0 million at Efemçukuru
- \$10.9 million at Eastern Dragon
- \$9.6 million at Tocantinzinho
- \$2.4 million at Perama Hill.

Spending at our producing mines totalled \$103.5 million:

- \$54.9 million at Kışladağ, mostly related to the Phase III expansion
- \$15.1 million at Jinfeng, mostly related to tailings dam construction and underground mine development
- \$16.4 million at White Mountain, mainly related to underground mine development exclude Xiaoshiren
- \$17.1 million at Tanjianshan, mainly related to processing plant upgrades.

We also spent \$16.0 million on Eastern Dragon joint venture buy-in payments, \$10.4 million on land acquisition costs in Turkey, and \$1.5 million to acquire the Xiaoshiren Central exploration licence in China. The remaining \$3.04 million related to fixed assets for our corporate offices in Canada and China.

### Capital resources

| \$000                              | 2010  | 2009  |
|------------------------------------|-------|-------|
| Cash and cash equivalents          | 314.3 | 265.4 |
| Working capital                    | 310.9 | 266.9 |
| Restricted collateralized accounts | 52.4  | 50.0  |
| Debt                               | 166.7 | 191.0 |

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 loan.

Management believes that the working capital at December 31, 2010, together with future cash flows from operations, is sufficient to support our planned and foreseeable commitments.

### Contractual obligations

as at December 31, 2010

| (\$ thousands)       | 2011<br>\$ | 2012<br>\$ | 2013<br>\$ | 2014<br>\$ | 2015<br>and later<br>\$ | Total<br>\$ |
|----------------------|------------|------------|------------|------------|-------------------------|-------------|
| Debt                 | 98,523     | 31,120     | 26,347     | 12,079     | -                       | 168,069     |
| Capital leases       | 63         | 51         | 51         | 32         | 6                       | 203         |
| Operating leases     | 2,921      | 3,208      | 2,639      | 673        | 1                       | 9,442       |
| Purchase obligations | 114,487    | 23,853     | 1,467      | 1,501      | -                       | 141,308     |
| Totals               | 215,994    | 58,232     | 30,504     | 14,285     | 7                       | 319,022     |

The table does not include interest on debt.

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### Debt

#### Eastern Dragon

##### *Standby line of credit*

In 2008, Eastern Dragon entered into a RMB 320.0 million (\$48.3 million) standby letter of credit with China Construction Bank.

The interest rate was 5.4%, and the loan was collateralized by an irrevocable letter of credit drawn on China Construction Bank, which was collateralized by Sino Gold funds held by Bank of China Sydney Branch as restricted cash.

Eastern Dragon repaid the loan on February 5, 2010 and Sino Gold's restricted cash was released.

##### *Project financing loan*

In 2009, Eastern Dragon entered into a RMB 450.0 million (\$67.9 million) project financing loan with China Merchants Bank. No amounts had been drawn down at December 31, 2010.

The loan has three components:

- a long-term loan of RMB 320.0 million (\$48.3 million), with a five-year term, to replace the \$48.3 million standby letter of credit with China Construction Bank
- a fixed asset loan of RMB 100.0 million (\$15.1 million) with a four-year term
- a working capital loan of RMB 30.0 million (\$4.5 million) with a one-year term

Interest is floating at the prevailing lending rate stipulated by the People's Bank of China for similar loans with a 10% discount, adjusted quarterly. The applicable interest rates as at December 31, 2010 are 5.60% for the long-term loan and 5.23% for the fixed asset loan after discount.

The project-financing loan is secured by an irrevocable letter of Guarantee issued by Sino Gold. Under the terms of the agreement, the following conditions are required to be met before the first drawdown:

- the project receives approval from the Heilongjiang Provincial Development and Reform Commission
- Sino Gold opens an offshore banking business bank account with CMB and deposit \$40.0 million
- The total of the amount deposited in the offshore account, Eastern Dragon registered capital and shareholder loan is at least \$84.7 million (this threshold had been reached as at December 31, 2009)

In addition, before the drawdown on the fixed asset loan, Eastern Dragon should obtain the gold operation permit.

The working capital loan can be drawn down once the following conditions are satisfied:

- the project obtains the mining licence
- the project has been developed and is in production
- the gold operation permit has been granted
- the safety production permit and environmental protection permit have been granted.

The project-financing loan requires Eastern Dragon to maintain a liability to asset ratio of 70% or lower, not including shareholder loan. Its total banking debt cannot exceed RMB 550.0 million (\$83.0 million).

The project-financing loan is subject to an annual management fee of 10% of the annual interest on the drawn-down amount.

No amounts were drawn down under the project-financing loan as at December 31, 2010.

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### *Standby letter of credit*

In January 2010, Eastern Dragon entered into a RMB 320.0 million (\$48.3 million) Standby letter of credit loan with CMB. This loan has a one-year term and is subject to a floating interest rate adjusted quarterly at 90% of the prevailing lending rate stipulated by the People's Bank of China for working capital loans. It is collateralized by way of a \$52.2 million irrevocable letter of credit issued by Sino Gold to CMB.

On February 5, 2010, Eastern Dragon made a drawdown on this loan which was used to repay the LC loan with CCB.

In February 2011, this loan was extended for another year.

This loan is to be repaid when Eastern Dragon obtains the required project approval that will allow it to complete the first drawdown on the project-financing loan. The loan is subject to an annual management fee of 10% of the interest accrued on the drawn down and outstanding amount. This management fee is paid in advance quarterly. The interest rate on this loan as at December 31, 2010 is 5.23%.

### *HSBC revolving loan facility*

In May 2010, Eastern Dragon entered into a RMB 80.0 million (\$12.1 million) revolving facility with HSBC Bank (China). The facility can be drawn down in minimum tranches of RMB 1.0 million (\$0.2 million) 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 December 2010, the facility was reviewed by the bank and extended to November 30, 2011.

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 December 31, 2010, the security coverage is \$6.1 million.

As at December 31, 2010, RMB 37.0 million (\$5.6 million) had been drawn under this facility. This facility is to be repaid when Eastern Dragon obtains the required project approval that will allow it to complete the second drawdown on the project-financing loan.

After December 31, 2010, Eastern Dragon drew RMB 11.6 million (\$1.8 million) under the facility and the security coverage was increased to \$8.1 million.

### *Entrusted loan*

Eastern Dragon, HSBC Bank (China) and QDML entered into an RMB 12.0 million (\$1.8 million) entrusted loan agreement in November 2010.

Under the terms of the loan, QDML uses its own funds to entrust HSBC Bank (China) to provide a loan facility to Eastern Dragon in QDML's name.

The loan can be drawn down in tranches. Each drawdown has a term of three months, bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown, and can be rolled forward at QDML's discretion. As at December 31, 2010, RMB 7.9 million (\$1.2 million) has been drawn.

The loan was increased to RMB 50.0 million (\$7.6 million) subsequent to year-end, and an additional RMB 21.1 million (\$3.2 million) drawn down. It is recorded on a net settlement basis.



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### **Jinfeng**

#### *Jinfeng construction loan*

In 2009, Jinfeng entered into a RMB 680.0 million (\$102.7 million) construction loan facility with China Construction Bank (CCB).

The construction loan has a term of 6 years commencing from February 27, 2009 and is subject to a floating interest rate adjusted annually at the prevailing lending rate stipulated by the People's Bank of China for similar loans with a 5% discount. The applicable interest rate as at December 31, 2010 is 6.08% (after 5% discount). The construction loan is secured against the following:

- Sino Gold corporate guarantee
- pledge of 82% Jinfeng shares held by Sino Gold
- mortgage on all fixed assets of Jinfeng with a value above \$0.1 million
- mortgage on Jinfeng mining license and exploration license
- mortgage on land use right

While the construction loan is outstanding, Jinfeng is required to obtain written consent from CCB before transferring funds to Sino Gold or any of its subsidiaries, and must have a leverage ratio of 64% or lower in order to distribute dividends to its shareholders.

Principal repayment of this loan is as follows:

- in 2011, 2012 and 2013 – quarterly payments of RMB 35.0 million (\$5.3 million)
- in 2014 – quarterly payments of RMB 32.5 million (\$4.9 million)

Any pre-payments are applied to reduce future payments starting from the final payment. In 2010, Jinfeng pre-paid RMB 180.0 million (\$27.2 million) on the outstanding balance of this loan, leaving a balance owing of RMB 500.0 million (\$75.5 million) at December 31, 2010.

\$1.7 million in deferred financing costs 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 for net deferred financing costs at December 31, 2010 \$1.4 million.

#### *Jinfeng working capital loan*

In 2009, Jinfeng entered into a RMB 85.0 million (\$12.8 million) working capital loan with CCB.

The working capital loan has a term of 3 years and was due on August 17, 2012. This loan was 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.

While the working capital loan was outstanding, Jinfeng was required to obtain written consent from CCB before transferring funds to Sino Gold or any of its subsidiaries and was required to have a leverage ratio of 64% or lower in order to distribute dividends to its shareholders.

In 2010, Jinfeng pre-paid the full amount on this loan.

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### **White Mountain**

#### *Project loan*

In 2008, White Mountain entered into a project loan with CCB. The project loan has two components:

- a fixed asset loan of RMB 190.1 million (\$28.7 million) with final payment due on September 2013
- a working capital loan of RMB 40.9 million (\$6.2 million) due in November 2010

The interest rate on the project loan is the prevailing lending rate stipulated by the People's Bank of China, adjusted annually for the fixed asset loan and twice a year for the working capital loan. The applicable interest rates as at December 31, 2010 are 5.76% for the fixed asset loan and 5.81% for the working capital loan.

The project loan is secured by a Sino Gold corporate guarantee and White Mountain's fixed assets with a value above \$0.1 million.

Principal repayment of the fixed asset loan is as follows:

- September 2010 – RMB 24.8 million (\$3.8 million) (paid)
- September 2011 – RMB 64.5 million (\$9.7 million)
- September 2012 – RMB 66.1 million (\$10.0 million)
- September 2013 – RMB 34.7 million (\$5.2 million)

In 2010, White Mountain made the first payment on the fixed asset loan and extended the working capital loan for one additional year to November 15, 2011.

#### *Working capital loan*

In 2010, White Mountain entered into a RMB 50.0 million (\$7.5 million) working capital loan with China Merchants Bank (CMB).

The working capital loan has a term of one year and is due on September 1, 2011. The loan is subject to a floating interest rate adjusted annually to the prevailing lending rate stipulated by the People's Bank of China for similar loans. The applicable interest rate as at December 31, 2010 is 5.31%.

This loan is secured by a letter of guarantee issued by Eldorado.

In January 2011, White Mountain pre-paid the full amount of this loan.

### **Defined benefit plans**

We have a defined benefit pension program with two components: a registered pension plan and a non-registered supplementary pension plan (SERP). These plans, which are only available to certain qualifying employees, provide benefits based on an employee's years of service and final average earnings at retirement. Our annual contributions are actuarially determined, and are at or above the minimum requirements prescribed by legislation. We are not required to pre-fund any benefit obligation under the SERP.

Total cash payments for pension benefits for 2010, including cash contributed to the pension plan and the SERP, were \$0.2 million. Based on minimum funding requirements, we may not need to make a contribution to the pension plan or to the SERP in 2011.

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### Equity

This year we received net proceeds of \$35.9 million for issuing 5,056,216 common shares related to stock options being exercised.

We may make minor accounting adjustments to these figures before they are presented in future consolidated financial statements.

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|   |             |
|---|-------------|
| Common shares outstanding   |             |
| - as of March 17, 2011  | 548,438,799 |
| - as of December 31, 2010   | 548,187,192 |
| <hr/>   |             |
| Share purchase options  |             |
| - as of March 16, 2011  | 11,761,753  |
| <small>(Weighted average exercise price per share: \$11.40 Cdn)</small> |             |

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### Managing risk

This section describes the types of risks we are exposed to and our objectives and policies for managing them (please read the Company's Annual Information Form for additional information).

We manage risk using our risk management review process. Management prepares a risk assessment report every quarter outlining our operational and financial risks. The Board reviews the report to evaluate and assess the risks we are exposed to in various markets, and discusses the steps management takes to protect the company against them.

#### Financial risk

##### *Liquidity risk*

Liquidity risk is the risk that we cannot meet our financial obligations. We use a rigorous planning, budgeting and forecasting process to help determine the funds we will need to support our ongoing operations and our expansion plans. We believe that expected cash flows from operations and current cash and cash equivalents will provide enough cash to meet our financial obligations in 2011 and beyond.

##### *Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will not meet its obligations. To mitigate exposure to credit risk on financial assets, we have policies that require counterparties demonstrate minimum creditworthiness, and ensure liquidity of available funds. We also monitor our concentrations of credit risk and closely monitor our financial assets.

We sell our products exclusively to large international financial institutions and other organizations with strong credit ratings, and payment is normally in advance or within one week of receipt of shipment. Customer default to date has been negligible, so we consider the credit risk associated with trade receivables at December 31, 2010 to be minimal.

We invest our cash and cash equivalents in major financial institutions and in government issuances, according to our short-term investment policy. The credit risk associated with these investments is considered to be low, but many financial institutions have gone into bankruptcy or been rescued by

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government authorities over the past few years. That makes us subject to the risk of loss of the deposits we have with financial institutions. As at December 31, 2010, approximately 44% of our cash and cash equivalents, including restricted cash, were with one financial institution.

### *Currency risk*

We sell gold in US dollars, but our costs are mainly in US dollars, Canadian dollars, Turkish lira, Brazilian real and Chinese renminbi. An increase in the value of any of these currencies against the US dollar can increase our production costs and capital expenditures, which can affect future cash flows.

The table below shows our assets and liabilities denominated in currencies other than the US dollar at December 31, 2010. We recognized a loss of \$14.8 million on foreign exchange this year, compared to gain of \$3.0 million in 2009.

| \$000s                                   | Canadian Dollar | Australian Dollar | Euro     | Turkish lira | Chinese renminbi | Brazilian real |
|--|-----------------|-------------------|----------|--------------|------------------|----------------|
| Cash and cash equivalents                | 24,587          | 134               | 102      | 1,386        | 536,644          | 1,269          |
| Marketable securities                    | 7,984           | -                 | -        | -            | -                | -              |
| Accounts receivable and other            | 2,078           | -                 | 516      | 16,837       | 137,174          | 10,898         |
| Future income tax receivables            | -               | -                 | -        | 659          | 1,192            | -              |
| Accounts payable and accrued liabilities | (13,682)        | (13)              | (124)    | (36,940)     | (525,951)        | (6,548)        |
| Future income tax liabilities            | -               | -                 | -        | -            | (2,211,552)      | -              |
| Debt                                     | -               | -                 | (26,334) | (16,851)     | (1,103,790)      | (85,188)       |
| Net balance                              | 20,967          | 121               | (25,840) | (34,909)     | (3,207,961)      | (79,569)       |
| Equivalent in US dollars                 | 21,081          | 125               | (34,601) | (22,581)     | (484,373)        | (47,755)       |

Accounts receivable and other current and long-term assets relate to goods and services taxes, income taxes, value-added taxes and insurance receivables.

We recorded \$424.2 million in future income tax liabilities resulting from our acquisitions, which were valued in local currencies. We revalue these liabilities at the end of each reporting period at the exchange rate at that time, and record the non-cash gain or loss in that period's net earnings.

### *Interest rate risk*

Interest rates determine how much interest we pay on our debt, and how much we earn on our cash and cash equivalents, which can affect future cash flows.

Much of our debt has a floating interest rate. The average interest rate on our debt at December 31, 2010 was 5.94%, compared to 5.45% at the end of 2009. We earned an average of approximately 0.51% in interest on our cash and cash equivalents this year, compared to 0.83% in 2009.

We don't actively manage our exposure to changes in interest rates.

### *Price risk*

Our profitability depends on the price of gold, which is affected by many things, including the sale or purchase of gold by central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and

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demand, and the political and economic conditions of the world's major gold-producing countries. We don't hedge against changes in the price of gold.

The cost of production, development and exploration varies depending on the market prices of certain mining consumables, including diesel fuel and electricity. We are evaluating a hedge against changes in the price of diesel fuel.

Electricity is regionally priced in Turkey and China and semi-regulated by the federal governments of those countries, which reduces the risk of price fluctuations. We don't hedge against changes in the price of electricity.

### *Sensitivity analysis for key variables*

|   | A change of | Would change our after-tax net earnings by |
|---|-------------|--|
| Currency values against the US dollar   | 1%          | \$5.6 million                              |
| Price of gold (based on the expectations and assumptions we used in our 2010 outlook) | 10%         | \$66.8 million                             |
| Interest rate on debt   | 10%         | \$0.5 million                              |
| Interest earned on cash and cash equivalents  | 10%         | \$0.3 million                              |
| Price of diesel fuel  | 10%         | \$1.8 million                              |

### **Other risks and uncertainties**

#### *Exploration and development*

The cost and results of our exploration and development programs affect our profitability and value. The life of a mine is fixed based on its mineral reserves, so we actively seek to replace and expand our reserves, mainly through exploration, acquisition and the development of our existing operations. Exploring for minerals involves many risks and may not lead to new economically viable mining operations or yield new reserves to replace and expand current reserves. Our reserve estimates are based on certain assumptions and affected by the inherent limitations of the estimation process.

Acquiring title to mineral properties is a detailed and time-consuming process. We take steps, in accordance with industry standards, to verify and secure legal title to mineral properties that we have, or are seeking, an interest in. Although we take every precaution to ensure that legal title to our properties is properly recorded in our name, there can be no assurance we will ultimately secure title on every property. Legal title to our properties depends on the laws in the countries we operate in, and their appropriate and consistent application.

#### *Operations*

The business of gold mining involves many operational risks and hazards. We work to reduce the risks associated with our projects by setting high operational standards, hiring and training appropriately skilled personnel, and making improvements to our operations. We maintain adequate insurance to cover normal business risk. We rely on a number of key employees. Our success depends on attracting and retaining qualified personnel in a competitive labour environment.

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### *Environment*

Our activities are subject to extensive federal, provincial, state and local laws and regulations that govern environmental protection and employee health and safety. We need governmental permits and have to provide associated financial assurance to carry on certain activities. We are also subject to various reclamation-related conditions imposed under federal, state or provincial air, water quality and mine reclamation rules and permits. While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws and permits, any future changes to these laws could adversely affect our financial condition, liquidity or results of operations.

### *Permits*

We are required to obtain and maintain a wide range of government permits for our projects and operations. There is no assurance that we will be able to get them on a timely basis, or at all.

### *Laws and regulations*

Our mining operations and exploration activities are subject to extensive federal, provincial, state and local laws and regulations that govern prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. These laws and regulations are subject to change, which may restrict our ability to operate. We draw on the expertise and commitment of our management team, advisors, employees and contractors to ensure compliance with current laws, and we foster a climate of open communication and co-operation with regulatory bodies.

### *Litigation*

All industries, including mining, are subject to legal claims that can be with and without merit. Defence and settlement costs can be substantial, even for claims that have no merit. We describe the legal status of our worldwide projects and operations in our annual information form.

The litigation process is inherently uncertain, so there can be no assurance that the resolution of a legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition.

### *Political risk*

We operate in four countries outside of North America: Turkey, China, Brazil and Greece. Our operations in these countries may be subject to political, economic and other risks that may affect our future operations and financial position.

## **Other information**

### **Critical accounting policies and estimates**

We are required to make estimates that affect the amount of assets, liabilities, contingent liabilities revenue and expenses we report. We have identified the following critical accounting policies and estimates. You can find all of our significant account policies in note 2 of our 2010 consolidated financial statements.

### *Inventories*

We value finished goods, work-in-process, heap leach ore and stockpiled ore at the average production cost or its net realizable value – whichever is lower.

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We consider ore stacked on our leach pads and in process at our mines as work-in-process inventory and record their value in earnings, and include them in the cost of sales on based on ounces of gold recovered, using the following assumptions in our estimates:

- the amount of gold we estimate is in the ore stacked on the leach pads
- the amount of gold we expect to recover from the stacks
- the amount of gold in the mill circuits
- the gold price we expect to realize when the gold is recovered

If our estimates or assumptions are inaccurate, we could be required to write down the value we have recorded on our work-in-process inventories, which would reduce our earnings and working capital. At December 31, 2010, the average cost of inventory was significantly below its net realizable value.

### *Reserves and resources*

Our estimates for Kışladağ, Efemçukuru, Tanjianshan, Jinfeng, White Mountain, Perama, Tocantinzinho, Eastern Dragon and Vila Nova are based on the definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum, and in compliance with *Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects* (NI 43-101), developed by the Canadian Securities Administrators.

You will not be able to compare the mineral reserve and resources information in this report with similar information from U.S. companies. The United States Securities & Exchange Commission (SEC) defines a mineral reserve as the part of a mineral deposit that can be economically and legally extracted or produced. It does not recognize the terms measured, indicated and inferred mineral resources (mining terms under NI 43-101 and the JORC Code), and does not accept them in reports and registration statements. You should not assume that:

- the mineral reserves defined in this report qualify as reserves under SEC standards
- the measured and indicated mineral resources in this report will ever be converted to reserves
- the inferred mineral resources in this report are economically mineable, or will ever be upgraded to a higher category

### *Value beyond proven and probable reserves*

On acquisition of a mineral property, we prepare an estimate of the fair value of the exploration potential of that property and record this amount as an asset, called value beyond proven and probable (VBPP), as at the date of acquisition. As part of our annual business cycle, we prepare estimates of proven and probable reserves for each mineral property. The change in reserves, net of production, is used to determine the amount to be converted from VBPP to proven and probable reserves subject to amortization.

### *Mining interests*

We depreciated most of our mining properties, plant and equipment using the unit-of-production method, where the value of property is reduced as reserves are depleted. We base this on mining rates and our estimates of reserves. If these change, we could be required to write down the recorded value of our mining properties, plant and equipment, or to increase the amount of future depreciation, depletion and amortization expense, both of which would reduce our earnings and net assets.

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At the end of every year, we assess whether there has been an impairment of our capitalized mining properties, plant and equipment. If there were an impairment, we would be required to write down the recorded value of our mining properties, plant and equipment, which would reduce our earnings and net assets.

For producing properties, we base our assessment on the future net cash flows we expect the property will generate. There will be an impairment if metal prices are lower, production costs have increased, or metal recoveries are lower than previously estimated.

For non-producing properties, we base our assessment on whether there are factors that might indicate the need for a writedown. There will be an impairment if we believe current economics or permitting issues will prevent us from recovering the costs we have deferred for the property.

At December 31, 2010, based on an average projected gold price for 2011 of \$1,400 per ounce decreasing to a long-term price of \$1050 per ounce by 2014, the estimated undiscounted net cash flow from our mining properties, plant and equipment exceeded their carrying values.

### *Goodwill and impairment testing*

We account for business combinations using the purchase method of accounting. We record the fair market value of assets acquired and liabilities assumed as of the date of acquisition, and record any excess of the purchase price over fair value as goodwill. The assumptions underlying fair value estimates are subject to significant risks and uncertainties.

We review and evaluate the carrying amount of goodwill every year by comparing the fair value of our reporting units to their carrying amounts. If a reporting unit's carrying value exceeds its fair value, we compare its carrying value to the implied fair value of its goodwill, and charge the amount the carrying value exceeds fair value to operations.

At December 31, 2010, our consolidated balance sheet included \$365.9 million in goodwill for Sino Gold (\$363.7 million) and Tanjianshan (\$2.2 million). We used a discount rate of 9% to calculate the net present value of cash flows from Tanjianshan to estimate its implied fair value. We used a discount rate of between 7% and 9% to calculate the net present value of cash flows from Sino Gold mines in order to estimate their fair values. There was no impairment of goodwill for either unit.

### *Operating costs*

We calculate cash operating costs according to the Gold Institute Standard. Future operating costs include estimates of foreign currency exchange and inflation trends.

### *Stock-based compensation*

We use the Black-Scholes Model to calculate the fair value of stock options that have been given to employees, officers and directors. This model uses assumptions of share price, volatility and expected life of options.

### *Asset retirement obligations*

We estimate the mine closure date, the credit-adjusted risk-free rate, the inflation rate and the timing reclamation costs to determine the carrying value of an asset retirement obligation.



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### *Income taxes*

We record income taxes using income tax rates we expect to apply in the years we estimate the temporary differences will be recovered or settled. Where the tax laws and regulations are unclear or subject to varying interpretations, these estimates could change, and materially affect the amount of income tax liabilities recorded at the balance sheet date.

### *Financial instruments*

We report investments classified as held for trading or available for sale, and derivative financial instruments, at fair value, and include unrealized gains or losses in earnings. We use the published price in an active market when it's available, or calculate fair value using inputs observed from the market.

### *Pension plans*

We use various actuarial assumptions to estimate our obligations and expenses, including a long-term estimate of the expected rate of return on plan assets, the discount rate, the rate of salary escalation and the average remaining service period of active employees expected to receive benefits.

|   | December 31, 2010 |         | December 31, 2009 |         |
|---|-------------------|---------|-------------------|---------|
|   | Pension plan      | SERP    | Pension plan      | SERP    |
| Key assumptions - pension plans   |                   |         |                   |         |
| Expected long term-rate of return on plan assets                                  | 6.50%             | 6.50%   | 6.50%             | 6.50%   |
| Discount rate beginning of year   | 6.00%             | 6.00%   | 7.50%             | 7.50%   |
| Discount rate end of year   | 5.50%             | 5.50%   | 6.00%             | 6.00%   |
| Rate of salary escalation   | 4.50%             | 4.50%   | 4.50%             | 4.50%   |
| Average remaining service period of active employees expected to receive benefits | 5 years           | 5 years | 5 years           | 5 years |

### **Changes in accounting policies**

We adopted an accounting policy for long-term investments in the second quarter of this year. We use the equity method to account for Investments in significantly influenced companies, where we adjust the original cost of the shares for our share of post-acquisition earnings or losses, less dividends.

### **New accounting developments**

#### **Business combinations (Section 1582)**

In January 2009, the Canadian Institute for Chartered Accountants (CICA) issued Section 1582, Business combinations, which requires that:

- all assets and liabilities of an acquired business be recorded at fair value at acquisition
- obligations for contingent consideration and contingencies be recorded at fair value at the acquisition date
- acquisition-related costs be expensed as incurred
- restructuring charges be expensed in the periods after the acquisition date

The section applies prospectively to business combinations with an acquisition date on or after the beginning of the first annual reporting period on or after January 1, 2011. We have not yet adopted this standard.

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### **Consolidations (Section 1601) and non-controlling interest (Section 1602)**

In January 2009, the CICA issued Section 1601, Consolidations, and Section 1602, Non-Controlling Interests.

Section 1601 establishes standards for preparing consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. We have not yet adopted these standards.

### **International financial reporting standards (IFRS)**

Canadian GAAP for publicly listed companies will be replaced with IFRS for fiscal years beginning on or after January 1, 2011.

We will begin reporting our financial statements in accordance with IFRS in the first quarter of 2011, and restate comparative information. Converting to IFRS will affect our accounting policies, information technology and data systems, internal controls over financial reporting, and disclosure controls and procedures. The transition may also affect business activities, such as foreign currency and certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

We have started the transition process from current Canadian GAAP to IFRS. We have established a project team that is led by finance management and have designated the appropriate resources to the project to develop an effective plan. We will continue to assess our resource and training requirements as the project progresses. The team makes regular progress reports to the Audit Committee of the Board of Directors on the status of our transition to IFRS.

Our conversion has four phases:

#### *Phase 1 – Scoping and planning (completed in 2008)*

- establish a project management team and organizational structure, including oversight of the process
- develop a project management plan, stakeholder analysis and communication strategy
- carry out an initial assessment of the key areas where the IFRS transition may have a significant impact and present significant challenges

#### *Phase 2 – Detailed assessment (completed in the third quarter of 2010)*

- conduct in-depth technical analysis to understand potential impacts, make decisions on accounting policy choices and draft accounting policies
- identify additional resource and training requirements and processes for preparing financial statements, establishing IT system requirements and preparing detailed transition plans

#### *Phase 3 – Implementation (in progress)*

- identify and carry out the implementation requirements for management's accounting choices
- develop sample financial statements, implement business and internal control requirements, calculate the opening balance sheet at January 1, 2010 and complete other transitional reconciliations and disclosure requirements

This phase will be completed with our annual financial reporting under IFRS in 2011.

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### *Phase 4 – Post-implementation*

- continuous monitoring of changes in IFRS throughout the implementation process
- assessing their impacts on the company and our reporting

### *Progress update*

We began implementing Phase 3 of our plan in the fourth quarter of 2010, and made progress in the following areas:

- identifying and amending internal controls over financial reporting and business processes affected by IFRS
- determining and selecting accounting policies
- development of Eldorado's IFRS Accounting Policy Manual
- preparing draft annual mock-up financial statements and notes under IFRS

As we complete the implementation phase, and as changes to IFRS standards may continue to occur, the differences and impacts described below may be subject to change.

We have evaluated the options available to us, and plan to apply the following exemptions:

- we are applying IFRS 3, Business Combinations, prospectively from January 1, 2010 (the transition date)
- we are applying IFRS 2, Share-Based Payments, only to share-based payments granted after November 7, 2002 that had not vested as of the transition date
- we are applying the borrowing cost exemption and will apply IAS 23, Borrowing Costs, prospectively from the transition date
- we have chosen to recognize all cumulative actuarial gains and losses for all defined benefit plans that exist at the transition date in opening retained earnings
- we have chosen to apply IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities, for changes in these liabilities prospectively from the transition date

These may have a significant impact on our results.

### **Significant accounting differences**

We have identified the following areas where the accounting differences between Canadian GAAP and existing IFRS may have an impact on our consolidated financial statements. This is not, however, a complete list of changes that will result from the transition to IFRS. It is intended to highlight the areas we believe to be most significant.

The International Accounting Standards Board (IASB) has significant ongoing projects that are expected to result in new and/or revised accounting standards. We can measure the final impact of IFRS on our consolidated financial statements only when we know all of the standards that will apply at the conversion date. The differences we describe below are based on existing Canadian GAAP and IFRS at December 31, 2010.

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### *Impairment of assets*

Canadian GAAP generally uses a two-step approach to impairment testing:

- first, compare asset carrying values with undiscounted future cash flows to determine whether there is an impairment
- if so, measure it by comparing asset carrying values with fair values

International Accounting Standard (IAS) 36, Impairment of Assets, uses a one-step approach for both testing for and measuring impairment:

- compare asset carrying values directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows)

This can result in more writedowns if the carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis but could not be supported on a discounted cash flow basis.

IAS 36 also requires any previous impairment losses to be reversed if circumstances change and the impairments are reduced. Canadian GAAP does not allow impairment losses to be reversed.

### *Provision for reclamation and rehabilitation*

The key areas of difference between IFRS and Canadian GAAP include:

- the discount rate used
- the re-measurement requirements
- the constructive obligation concept

Under IFRS, a liability must be recognized at the time the entity becomes legally or constructively obliged to rehabilitate disturbance resulting from mining activities. Under Canadian GAAP, a liability is only recognized when the entity is legally bound.

Discount rates should reflect the risks specific to the decommissioning provision. Unlike IFRS, discount rates for asset retirement obligations under Canadian GAAP are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date, whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation.

The use of the current discount rate for all changes in estimates combined with the requirement to re-measure the liability at each reporting date under IFRS, will significantly simplify the process required to measure any restoration liabilities because there will no longer be a need to record separate layers for the original liability and each subsequent upward revision in estimated cash flows. Under IFRS, accretion must be presented as an interest expense and included in Interest and financing costs on the statement of earnings. There is no prescribed presentation for asset retirement obligation accretion under Canadian GAAP.

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### *Business combinations*

There are certain differences between IFRS and Canadian GAAP when accounting for business combinations.

Canadian GAAP requires share-based consideration to be valued based on the announcement date share price. Under IFRS, share-based consideration must be valued based on its fair value at the acquisition date.

Under IFRS, restructuring costs and other transactions costs are expensed on acquisition. They are included in the purchase consideration under Canadian GAAP.

Under Canadian GAAP, after a business combination, we record non-controlling interest at the historical carrying value of the assets and liabilities of the acquired entity. Under IFRS, we record non-controlling interest based on its share of the fair value of the assets and liabilities of the acquired entity.

### *Income taxes*

Existing IFRS requires the recognition of deferred taxes in situations not required under Canadian GAAP. Specifically, a deferred tax liability (asset) is recognized for exchange gains and losses relating to foreign non-monetary assets and liabilities that are re-measured into the functional currency using historical exchange rates.

Similar timing differences are also recognized for the difference in tax bases between jurisdictions as a result of intra-group transfer of assets. Future tax liabilities for temporary tax differences on asset acquisitions are not recognized.

### *Property, plant and equipment*

Separate accounting for components of property, plant and equipment is more rigorously applied and broader under IFRS. Costs are allocated to significant parts of an asset if the useful lives differ, and each part is then separately depreciated.

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### Opening balance sheet as at January 1, 2010

This draft opening balance sheet as at January 1, 2010 reflects our estimates of the most significant differences between Canadian GAAP and IFRS earnings, and our first-time adoption elections. It is preliminary and unaudited and may be adjusted for new IFRS pronouncements or other changes identified after the date of this MD&A.

| January 1, 2010<br>(\$ thousands)                                 | (see note) | Canadian GAAP    | Effect of<br>transition<br>to IFRS | IFRS             |
|---|------------|------------------|------------------------------------|------------------|
| <b>Assets</b>   |            |                  |                                    |                  |
| Cash and cash equivalents   |            | 265,369          | -                                  | 265,369          |
| Restricted cash   |            | 50,000           | -                                  | 50,000           |
| Marketable securities   |            | 13,951           | -                                  | 13,951           |
| Accounts receivable and other                                     |            | 32,041           | -                                  | 32,041           |
| Inventories   |            | 129,197          | -                                  | 129,197          |
| <b>Total current assets</b>                                       |            | <b>490,558</b>   |                                    | <b>490,558</b>   |
| Inventories   |            | 31,534           | -                                  | 31,534           |
| Restricted assets and other                                       |            | 8,265            | -                                  | 8,265            |
| Mining interests  | (ai) (c)   | 2,580,816        | (52,934)                           | 2,527,882        |
| Goodwill  |            | 324,935          | -                                  | 324,935          |
| <b>Total non-current assets</b>                                   |            | <b>2,945,550</b> | <b>(52,934)</b>                    | <b>2,892,616</b> |
| <b>Total assets</b>   |            | <b>3,436,108</b> | <b>(52,934)</b>                    | <b>3,383,174</b> |
| <b>Liabilities</b>  |            |                  |                                    |                  |
| Accounts payables and accrued liabilities                         |            | 154,124          | -                                  | 154,124          |
| Debt – current  |            | 56,499           | -                                  | 56,499           |
| Future income taxes   | (aii)      | 4,264            | (4,264)                            | -                |
| <b>Total current liabilities</b>                                  |            | <b>214,887</b>   | <b>(4,264)</b>                     | <b>210,623</b>   |
| Debt – long term  |            | 134,533          | -                                  | 134,533          |
| Pension fund obligation   | (b)        | 3,126            | 4,870                              | 7,996            |
| Asset retirement obligations                                      | (c)        | 26,566           | 429                                | 26,995           |
| Future income taxes   | (a)        | 390,242          | (34,967)                           | 355,275          |
| <b>Total non-current liabilities</b>                              |            | <b>554,467</b>   | <b>(29,668)</b>                    | <b>524,799</b>   |
| <b>Total liabilities</b>  |            | <b>769,354</b>   | <b>(33,932)</b>                    | <b>735,422</b>   |
| <b>Equity</b>   |            |                  |                                    |                  |
| Share capital   |            | 2,671,634        | -                                  | 2,671,634        |
| Contributed surplus   |            | 17,865           | -                                  | 17,865           |
| Accumulated other comprehensive income                            |            | 2,227            | -                                  | 2,227            |
| Deficit   |            | (51,116)         | (19,002)                           | (70,118)         |
| <b>Total equity attributable to equity holders of the Company</b> |            | <b>2,640,610</b> | <b>(19,002)</b>                    | <b>2,621,608</b> |
| <b>Non-controlling interest</b>                                   | (d)        | 26,144           | -                                  | 26,144           |
| <b>Total equity</b>   |            | <b>2,666,754</b> | <b>(19,002)</b>                    | <b>2,647,752</b> |
| <b>Total liabilities and equity</b>                               |            | <b>3,436,108</b> | <b>(52,934)</b>                    | <b>3,383,174</b> |

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### Explanatory notes – all amounts in \$1,000's

a) i) Under IFRS, we no longer recognize deferred income taxes on an asset acquisition. Reversing the deferred income tax liability recognized on our acquisition of Frontier results in the following adjustments at January 1, 2010: a \$51,440 decrease in mineral interest, a \$37,582 decrease in deferred income tax liabilities and a \$13,858 increase in deficit.

ii) Under IFRS, we calculate deferred income tax in the functional currency by translating the asset's tax basis using historical rates. Under Canadian GAAP, we calculated deferred income tax in the local currency, and then translated it into the functional currency at the period-end rate. Adopting IFRS results in the following adjustments at January 1, 2010: an \$1,864 decrease in mineral interest, a \$4,264 decrease in current deferred income tax liability, a \$2,615 increase deferred income tax liability and a \$215 increase in deficit.

b) i) Under IFRS, we recognize actuarial gains and losses arising from the re-measurement of employee future benefit obligations in other comprehensive income as they arise. Under Canadian GAAP, we applied the corridor method of accounting for these gains and losses, and recognized them only if they exceed specified thresholds. Adopting IFRS increases the carrying value of the net liability for employee future benefit obligations and deficit by \$2,095 to recognize cumulative net actuarial gains and losses as at January 1, 2010. We did not recognize any actuarial gains and losses under Canadian GAAP using the corridor approach.

ii) Under IFRS, we expense the cost of past service benefits awarded to employees under postemployment benefit plans over the periods in which the benefits vest, which usually corresponds to the period in which the benefits are granted. Under Canadian GAAP, we expensed past service costs over the weighted average service life of active employees remaining in the plan. Adopting IFRS increases account payables, accrued liabilities and deficit for employee future benefits in the statement of financial position by \$2,775 at January 1, 2010.

c) Under IFRS, a change in the current market-based discount rate changes the measurement of our provision for asset retirement obligations. Under Canadian GAAP, a change in the discount rate alone did not result in a re-measurement.

We have performed an analysis of the discount rate used to calculate the present value of our asset retirement obligations at January 1, 2010, re-measured it using the discount rate in effect at that date, and recorded an adjustment to the corresponding asset. This adjustment increases mining interest by \$370, increased asset retirement obligations by \$429 and increased deficit by \$59 at January 1, 2010.

d) Under IFRS, we include a subsidiary's non-controlling interest in the joint venture's net assets in equity, and allocate its share of the joint venture's comprehensive income directly to equity. Under Canadian GAAP, we presented the subsidiary's non-controlling interest as a separate item in its statement of financial position, between liabilities and equity, and deducted its non-controlling interest in the joint venture's net income and comprehensive income from its net income and comprehensive income. We reclassified non-controlling interest of \$26,144 at January 1, 2010, as determined under Canadian GAAP, to equity.

e) We have chosen to apply IFRS relating to business combinations prospectively from January 1, 2010, in accordance with IFRS transitional provisions, and have carried forward Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, without adjustment.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

December 31, 2010

The following is a summary of adjustments to our retained earnings on transition from Canadian GAAP to IFRS:

| (US\$ thousands)  | January 1, 2010 |
|---|-----------------|
| Retained earnings as reported under Canadian GAAP           | (51,116)        |
| Employee future benefits – actuarial gains and losses (b i) | (2,095)         |
| Employee future benefits – past service costs (b ii)        | (2,775)         |
| Deferred income tax (a)                                     | (14,073)        |
| Asset retirement obligation (c)                             | (59)            |
|   | (19,002)        |
| Retained earnings as reported under IFRS                    | (70,118)        |

### Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the CEO and CFO, as appropriate to allow for timely decisions about public disclosure.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as at December 31, 2010, as defined in the rules of the U.S. Securities and Exchange Commission and Canadian Securities Administration. Based on this evaluation, they concluded that our disclosure controls and procedures are effective in providing reasonable assurance that the information required to be disclosed in reports we filed or submitted under United States and Canadian securities legislation was recorded, processed, summarized and reported within the time periods specified in those rules.

We acquired Brazauro on July 20, 2010. We included Brazauro's operations in our annual assessment of disclosure controls and procedures for the year ended December 31, 2010, only to the extent they overlapped with internal control, as permitted by rules of certification.

### Internal controls over financial reporting

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, and used the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of our controls in 2010. Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2010 and provided a reasonable assurance of the reliability of our financial reporting and preparation of the financial statements.

No matter how well it's designed, however, any system of internal control has inherent limitations. Even systems determined to be effective can provide only reasonable assurance of the reliability of financial statement preparation and presentation.



# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

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December 31, 2010

On July 20, 2010, we completed our acquisition of Brazauro. We consider the acquisition of Brazauro non-material to our results of operations, financial position and cash flows from the date of acquisition through December 31, 2010, and believe that the internal controls and procedures at Brazauro have a non-material effect on our internal control over financial reporting. We are in the process of integrating the Brazauro operations and will be expanding our internal control over financial reporting compliance program to include Brazauro over the next year.

We did not include Brazauro in our annual assessment of internal control over financial reporting for the year ended December 31, 2010, as permitted by the Sarbanes-Oxley Act and applicable rules relating to business acquisitions. The Brazauro operations represented \$160.0 million of total assets and none of our consolidated revenues as at and for the year ended December 31, 2010.

KPMG LLP, an independent registered public accounting firm, has audited management's assessment of the effectiveness of internal control over financial reporting, and have expressed their opinion in their report included with our annual consolidated financial statements in Form 40-F.

### *Changes in internal control over financial reporting*

There have been no changes in our internal control over financial reporting during the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the following.

We completed the integration of the Sino Gold operations in 2010, and expanded our internal controls over financial reporting compliance program to include those operations. We also implemented a new ERP system in Vancouver and at our Turkish operations. Management used appropriate procedures to ensure internal controls were in place during and after the implementation.

### **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.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## of Financial Condition and Results of Operations

December 31, 2010

- 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.

We recommend that you review our annual information form, which include 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 long-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.

### Summary of quarterly results

| (\$000)            | 2010          |                |               |                | 2009          |                |               |                |
|--------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
|                    | First quarter | Second quarter | Third quarter | Fourth quarter | First quarter | Second quarter | Third quarter | Fourth quarter |
| Total revenues     | 181,479       | 206,443        | 190,305       | 212,948        | 52,206        | 80,147         | 81,608        | 144,506        |
| Net income (loss)  | 52,845        | 60,508         | 48,773        | 43,937         | 13,061        | 25,900         | 30,154        | 33,289         |
| Earnings per share |               |                |               |                |               |                |               |                |
| - basic            | 0.10          | 0.11           | 0.09          | 0.08           | 0.04          | 0.07           | 0.08          | 0.08           |
| - diluted          | 0.10          | 0.11           | 0.09          | 0.08           | 0.04          | 0.07           | 0.08          | 0.08           |

The increases in the quarterly results for 2010 result primarily from the acquisition of Sino Gold in the fourth quarter 2009.

## Management's Responsibility for Financial Reporting

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The management of Eldorado Gold Corporation is responsible for the integrity and fair presentation of the financial information contained in this annual report. Where appropriate, the financial information, including financial statements, reflects amounts based on management's best estimates and judgments. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has established and maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, financial information is reliable and accurate and transactions are properly recorded and executed in accordance with management's authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and segregation of responsibilities. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework*. Based on this assessment, management has concluded that as at December 31, 2010, the Company's internal control over financial reporting was effective.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets periodically with management, the Company's outside advisors and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the Company's shareholders.

KPMG, an independent registered public accounting firm, appointed by the shareholders, has audited the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) and has expressed its opinion in the auditors' report. The effectiveness of the Company's internal control over financial reporting as at December 31, 2010 has also been audited by KPMG, and their opinion is included in their report.



Paul N. Wright  
President and Chief Executive Officer



Edward Miu  
Chief Financial Officer

March 16, 2011  
Vancouver, British Columbia, Canada

# Report of Independent Registered Public Accounting Firm

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## To the Shareholders and Board of Directors of Eldorado Gold Corporation

We have audited the accompanying consolidated financial statements of Eldorado Gold Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, cash flows, shareholders' equity and comprehensive income for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eldorado Gold Corporation as at December 31, 2010 and 2009 and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

### *Other Matter*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Eldorado Gold Corporation's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2011 expressed an unmodified opinion on the effectiveness of Eldorado Gold Corporation's internal control over financial reporting.



Chartered Accountants  
Vancouver, Canada  
March 16, 2011

# Report of Independent Registered Public Accounting Firm

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## To the Board of Directors of Eldorado Gold Corporation

We have audited Eldorado Gold Corporation's (the Company) internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Controls and Procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

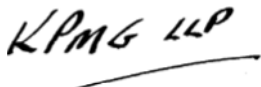
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Brazauro Resources Corporation (Brazauro) during the year ended December 31, 2010, and management excluded from its assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2010, Brazauro's internal controls over financial reporting associated with \$160.0 million of total assets and nil revenue included in the consolidated financial statements of the Company as of and for the year ended December 31, 2010. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Brazauro.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2010 and 2009, and the related consolidated statements of operations, cash flows, shareholder' equity, and comprehensive income for each of the years in the two-year period ended December 31, 2010, and our report dated March 16, 2011 expressed an unqualified opinion on those consolidated financial statements.



Chartered Accountants  
Vancouver, Canada  
March 16, 2011

# Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

|  | December 31,<br>2010 | December 31,<br>2009 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| <b>Assets</b>  |                      |                      |
| <b>Current assets</b>                                      |                      |                      |
| Cash and cash equivalents                                  | 314,344              | 265,369              |
| Restricted cash (note 5 and 12(e))                         | 52,425               | 50,000               |
| Marketable securities (note 6)                             | 8,027                | 13,951               |
| Accounts receivable and other (note 7)                     | 42,437               | 26,434               |
| Inventories (note 8)                                       | 147,263              | 129,197              |
| Future income taxes (note 15)                              | 606                  | -                    |
|  | 565,102              | 484,951              |
| Inventories (note 8)                                       | 29,627               | 31,534               |
| Investment in significantly influenced company (note 4(c)) | 6,202                | -                    |
| Restricted assets and other (note 9)                       | 19,328               | 13,872               |
| Mining interests (note 10)                                 | 2,793,722            | 2,580,816            |
| Goodwill (note 11)   | 365,928              | 324,935              |
|  | 3,779,909            | 3,436,108            |
| <b>Liabilities</b>   |                      |                      |
| <b>Current liabilities</b>                                 |                      |                      |
| Accounts payable and accrued liabilities                   | 152,781              | 157,250              |
| Debt - current (note 12)                                   | 98,523               | 56,499               |
| Future income taxes (note 15)                              | 2,915                | 4,264                |
|  | 254,219              | 218,013              |
| Debt - long-term (note 12)                                 | 68,140               | 134,533              |
| Asset retirement obligations (note 13)                     | 24,275               | 26,566               |
| Future income taxes (note 15)                              | 430,020              | 390,242              |
|  | 776,654              | 769,354              |
| <b>Non-controlling interests</b>                           | 36,021               | 26,144               |
| <b>Shareholders' equity</b>                                |                      |                      |
| Share capital (note 16(b))                                 | 2,814,679            | 2,671,634            |
| Contributed surplus  | 22,967               | 17,865               |
| Accumulated other comprehensive income                     | 998                  | 2,227                |
| Retained earnings (deficit)                                | 128,590              | (51,116)             |
|  | 2,967,234            | 2,640,610            |
|  | 3,779,909            | 3,436,108            |

Subsequent events (note 12)

Commitments and contingencies (note 19)

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



Robert R. Gilmore  
Director



Paul N. Wright  
Director

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Operations

**For the years ended December 31,**

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

|   | 2010     | 2009     |
|---|----------|----------|
|   | \$       | \$       |
| <b>Revenue</b>  |          |          |
| Gold sales  | 782,850  | 358,467  |
| Iron ore sales  | 8,325    | -        |
|   | 791,175  | 358,467  |
| <b>Expenses</b>   |          |          |
| Operating costs   | 282,465  | 132,464  |
| Depletion, depreciation and amortization                        | 106,791  | 38,658   |
| General and administrative                                      | 59,769   | 32,530   |
| Exploration   | 23,181   | 11,970   |
| Mine standby costs  | 1,335    | 2,580    |
| Accretion of asset retirement obligations (note 13)             | 1,564    | 291      |
| Foreign exchange loss (gain)                                    | 14,792   | (2,966)  |
|   | 489,897  | 215,527  |
| Gain on disposal of assets                                      | (592)    | (854)    |
| Gain on marketable securities                                   | (6,572)  | (1,689)  |
| Interest and financing costs                                    | 8,089    | 824      |
| Interest and other income                                       | (12,937) | (2,262)  |
|   | 477,885  | 211,546  |
| <b>Income before income taxes and non-controlling interests</b> | 313,290  | 146,921  |
| <b>Income tax (expense) recovery (note 15)</b>                  |          |          |
| Current   | (95,022) | (44,862) |
| Future  | 5,252    | 2,972    |
|   | (89,770) | (41,890) |
| <b>Non-controlling interests in income</b>                      | (17,457) | (2,627)  |
| <b>Net income for the year</b>                                  | 206,063  | 102,404  |
| <b>Weighted average number of shares outstanding</b>            |          |          |
| Basic   | 542,861  | 389,384  |
| Diluted   | 545,850  | 391,707  |
| <b>Earnings per share</b>                                       |          |          |
| Basic income per share  | 0.38     | 0.26     |
| Diluted income per share  | 0.38     | 0.26     |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

**For the years ended December 31,**

(Expressed in thousands of U.S. dollars)

|   | 2010      | 2009      |
|---|-----------|-----------|
|   | \$        | \$        |
| <b>Cash flows generated from (used in):</b>               |           |           |
| <b>Operating activities</b>                               |           |           |
| Net earnings for the year                                 | 206,063   | 102,404   |
| Items not affecting cash                                  |           |           |
| Accretion on asset retirement obligations                 | 1,564     | 291       |
| Depletion, depreciation and amortization                  | 106,791   | 38,658    |
| Unrealized foreign exchange loss (gain)                   | 17,974    | 281       |
| Future income taxes (recovery) expense                    | (5,252)   | (2,972)   |
| Gain on disposal of assets                                | (592)     | (854)     |
| Gain on marketable securities                             | (6,572)   | (1,689)   |
| Stock-based compensation (note 17(b))                     | 16,557    | 9,091     |
| Fair value of bonus cash award units                      | -         | (2,543)   |
| Pension expense (note 14)                                 | 2,517     | 1,689     |
| Non-controlling interest                                  | 17,457    | 2,627     |
|   | 356,507   | 146,983   |
| Changes in non-cash working capital (note 18)             | (64,432)  | 45,059    |
|   | 292,075   | 192,042   |
| <b>Investing activities</b>                               |           |           |
| Acquisition of subsidiaries net of cash received (note 4) | (6,083)   | 54,179    |
| Mining interests  |           |           |
| Capital expenditures                                      | (226,296) | (106,614) |
| Sales and disposals                                       | 23,756    | 35        |
| Marketable securities                                     |           |           |
| Purchases   | (11,983)  | (3,967)   |
| Proceeds on disposals                                     | 15,611    | 42,770    |
| Equity investment purchase                                | (6,727)   | -         |
| Pension plan contributions (note 14)                      | -         | (1,856)   |
| Restricted cash   | (2,463)   | -         |
| Restricted asset and other                                | (7,007)   | 1,877     |
|   | (221,192) | (13,576)  |
| <b>Financing activities</b>                               |           |           |
| Capital stock   |           |           |
| Issuance of common shares for cash                        | 35,907    | 25,201    |
| Dividend paid to non-controlling interest                 | (1,287)   | (149)     |
| Dividend paid to shareholders                             | (26,357)  | -         |
| Long-term and bank debt                                   |           |           |
| Proceeds  | 59,839    | 4,983     |
| Repayments  | (90,010)  | (4,983)   |
|   | (21,908)  | 25,052    |
| <b>Net increase in cash and cash equivalents</b>          | 48,975    | 203,518   |
| <b>Cash and cash equivalents - beginning of year</b>      | 265,369   | 61,851    |
| <b>Cash and cash equivalents - end of year</b>            | 314,344   | 265,369   |

## Supplementary cash flow information (note 18)

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Shareholders' Equity

**For the years ended December 31,**

(Expressed in thousands of U.S. dollars)

|   | 2010             | 2009             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Share capital</b>  |                  |                  |
| Balance beginning of year   | 2,671,634        | 931,933          |
| Shares issued upon exercise of share options, for cash                        | 35,895           | 25,201           |
| Estimated fair value of share options exercised                               | 12,020           | 10,045           |
| Share issued in consideration for interests acquired                          | 95,118           | 1,704,455        |
| Shares issued for cash upon exercise of warrants                              | 12               | -                |
| Balance end of year   | 2,814,679        | 2,671,634        |
| <b>Contributed surplus</b>  |                  |                  |
| Balance beginning of year   | 17,865           | 19,378           |
| Non-cash stock-based compensation   | 16,557           | 8,532            |
| Non-cash stock-based compensation on<br>Brazauro warrants & options converted | 565              | -                |
| Options exercised, credited to share capital                                  | (12,020)         | (10,045)         |
| Balance end of year   | 22,967           | 17,865           |
| <b>Retained earnings (deficit)</b>  |                  |                  |
| Balance beginning of year   | (51,116)         | (153,520)        |
| Dividends paid  | (26,357)         | -                |
| Net income for the year   | 206,063          | 102,404          |
| Balance end of year   | 128,590          | (51,116)         |
| <b>Accumulated other comprehensive income (loss)</b>                          |                  |                  |
| Balance beginning of year   | 2,227            | (5,971)          |
| Other comprehensive (loss) income   | (1,229)          | 8,198            |
| Balance end of year   | 998              | 2,227            |
| <b>Total shareholders' equity</b>   | <b>2,967,234</b> | <b>2,640,610</b> |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

**For the years ended December 31,**

(Expressed in thousands of U.S. dollars)

|   | 2010     | 2009      |
|---|----------|-----------|
|   | \$       | \$        |
| Net earnings for the year ended December 31,  | 206,063  | 102,404   |
| Other comprehensive income  |          |           |
| Unrealized gains on available-for-sale investments  | 13,480   | 129,418   |
| Reversal of unrealized gains on available-for-sale investments on acquisition of subsidiary (note 4 (a)(b)) | (11,424) | (122,617) |
| Realized (gains) losses on available-for-sale investments transferred to net income                         | (3,245)  | 1,717     |
| Future income taxes on changes in available-for-sale investments  | (40)     | (320)     |
| Other comprehensive (loss) income   | (1,229)  | 8,198     |
| Comprehensive income for the year ended December 31,  | 204,834  | 110,602   |

See accompanying notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## 1. Nature of operations

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 and Brazil. The Company acquired control of Sino Gold Mining Ltd. (“Sino Gold”) in December 2009, along with its two producing mines, Jinfeng and White Mountain, as well as the Eastern Dragon development project. It also completed in July 2010 the acquisition of Brazauro Resources Corporation (“Brazauro”), whose main asset is the Tocantinzinho exploration and development project in Tapajós, Brazil.

## 2. Significant accounting policies

### (a) Basis of presentation and principles of consolidation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and presented in United States dollars. As disclosed in note 23, Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States (“US GAAP”). The consolidated financial statements include the wholly owned and partially owned subsidiaries of the Company, the most significant of which are presented below:

| Subsidiary                                   | Location | Ownership interest | Status       | Operations and development projects owned |
|--|----------|--------------------|--------------|---|
| Qinghai Dachaidan Mining Ltd (QDML)          | China    | 90%                | Consolidated | TJS Gold Mine                             |
| Tüprag Metal Madencilik Sanayi ve Ticaret AS | Turkey   | 100%               | Consolidated | Kışladağ Gold Mine<br>Efemcukuru Project  |
| Unamgen Mineração e Metalurgia S/A           | Brazil   | 100%               | Consolidated | Vila Nova Iron Ore Mine                   |
| Thracean Gold Mining SA                      | Greece   | 100%               | Consolidated | Perama Hill Project                       |
| Sino Guizhou Jinfeng Mining Limited          | China    | 82%                | Consolidated | Jinfeng                                   |
| Sino Gold Jilin BMZ Mining Limited           | China    | 95%                | Consolidated | White Mountain                            |
| Heihe Rockmining Limited                     | China    | 95%                | Consolidated | Eastern Dragon                            |

All material inter-company balances and transactions have been eliminated.

### (b) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates include assumptions and estimates relating to determining defined ore bodies, value beyond proven and probable reserves, fair values for purposes of purchase price allocations for business acquisitions, asset impairment analysis, valuation of derivative contracts, determination of recoverable metal on leach pads, reclamation obligations, non-cash stock-based compensation and warrants, pension benefits, valuation allowances for future income tax assets, the provision for income tax liabilities, future income taxes and assessing and evaluating contingencies. Actual results could differ from these estimates.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **2. Significant accounting policies** (continued)

### *(c) Cash and cash equivalents*

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible to cash and that have maturity dates of three months or less from the date of acquisition. Cash and cash equivalents and restricted cash are designated as held-for-trading and measured at fair value.

### *(d) Inventories*

- i. Product inventory consists of stockpiled ore, ore on leach pads, crushed ore, in-circuit material at properties with milling or processing operations, doré awaiting refinement and unsold bullion, all of which are valued at the lower of average cost and net realizable value. Product inventory costs consist of direct production costs including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation, depletion and amortization of mining interests.

Inventory costs are charged to operations on the basis of ounces of gold sold. The Company regularly evaluates and refines estimates used in determining the costs charged to operations and costs absorbed into inventory carrying values based upon actual gold recoveries and operating plans.

Inventories for which processing and sale is not expected to complete within one year is classified as non-current.

- ii. Materials and supplies inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, which are valued at the lower of average cost and replacement cost and, where appropriate, less a provision for obsolescence.

### *(e) Investments*

Marketable securities and investments in equity securities held for the purpose of trading are classified as held-for-trading and those that are not held for the purpose of trading are classified as available-for-sale.

Investments classified as available-for-sale are reported at fair value with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss until such gains or losses are realized or until a decline in fair value is determined to be other than temporary. Factors that contribute to an other than temporary decline include a significant and prolonged period during which fair value is below cost, and the existence of a significant adverse change in the market and economic environment in which the Company operates, which indicate the prospects for recovery in the fair value of the investment are compromised in the near term.

Investments classified as held-for-trading are reported at fair value with unrealized gains or losses included in earnings in "Gain on marketable securities".

Investments in significantly influenced companies are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses less dividends.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **2. Significant accounting policies** (continued)

### *(f) Deposits*

Deposits, such as those required by governmental authorities for possible environmental liabilities, are classified as held-for-trading and measured at fair value.

### *(g) Financial instruments*

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

Derivative financial instruments are reported at fair value with unrealized gains or losses included in earnings. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

### *(h) Mining interests*

Mining interests include acquisition costs, development expenditures and property, plant and equipment recorded at cost. Cost includes expenditures incurred on properties under development and the estimated fair value of any related asset retirement obligation at the time the obligation is originally recorded. Significant payments related to the acquisition of land and mineral rights are capitalized as incurred.

Mineral properties, buildings, plant and equipment, and other assets whose estimated useful life is the same as the remaining life of the mine are depreciated, depleted and amortized over the mine's estimated life using the units of production method calculated based on proven and probable reserves. Capitalized development costs related to a multi-pit operation are amortized on a pit-by-pit basis over the pit's estimated life using the unit of production method calculated based on proven and probable reserves related to each pit. Furniture and fixtures, vehicles, computers and other plant and equipment whose estimated useful lives are less than the remaining life of the mine are depreciated on a straight-line basis over the estimated useful life of the assets.

When events or changes in circumstances suggest impairment of long-lived assets, estimated undiscounted future net cash flows are calculated using estimated future gold prices, proven and probable reserves, value beyond proven and probable reserves, and estimated net proceeds from the disposition of assets on retirement less operating, sustaining capital and reclamation costs.

If projected undiscounted future cash flows are less than the carrying value, the estimated fair value is calculated using discounted future net cash flows and the asset is written down to fair value with an impairment charge to operations. Management assesses the asset for impairment by comparing its fair value, determined using best estimates of fair value based on the information available.

### *(i) Goodwill*

Goodwill is the excess of the cost of an acquired business over the net amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired. Goodwill is allocated to a reporting unit and any potential goodwill impairment is identified by comparing the carrying amount of the reporting unit with its fair value. If any potential impairment is identified, the impairment loss is quantified by comparing the carrying amount to its fair value and is recognized in earnings.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **2. Significant accounting policies** (continued)

### *(j) Exploration and development*

Exploration costs are charged against operations as incurred until a mineral resource having economic potential is identified on a property, from which time a property is considered to be a development project and such expenditures are capitalized as development costs. After the property is placed into production, costs incurred that increase production volume or extends the life of the mine are capitalized.

A mineral resource is considered to have economic potential when it is expected that proven and probable reserves can be economically developed considering long-term metal prices. Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

- i. There is a probable future benefit that will contribute to future cash inflows;
- ii. The Company can obtain the benefit and control access to it, and;
- iii. The transaction or event giving rise to the benefit has already occurred.

### *(k) Deferred financing charges*

Deferred financing costs represent the issuance costs of the Company's long-term debt. Deferred costs are netted against the carrying value of long-term debt on the consolidated balance sheet and amortized using the effective interest rate method over the expected term of the related liability.

### *(l) Foreign currency translation*

Monetary assets and liabilities denominated in currencies other than the United States dollar are translated into United States dollars using rates of exchange in effect at the balance sheet date. Revenue and expense items denominated in foreign currencies are translated at average rates. Non-monetary items are translated at historical rates. Any gains and losses are reflected in earnings.

### *(m) Capital lease obligations*

Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for as capital leases. Assets recorded under capital leases are amortized on a straight-line basis over the lesser of the term of the lease and the life of the asset. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

### *(n) Asset retirement obligations*

Asset retirement obligations ("AROs") represent the estimated net present value of statutory, contractual or other legal obligations relating to site reclamation and restoration costs that the Company will incur on the retirement of assets and abandonment of mine and exploration sites.

The carrying value of property, plant, equipment and mining interests are increased by the same amount as the ARO liability recognized as such obligations are incurred. The amount is amortized to income over the useful life of the related asset. AROs are determined in compliance with recognized standards for site closure and mine reclamation established by government regulation.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **2. Significant accounting policies** (continued)

Over the life of the asset, imputed interest on the ARO liability is charged to operations as “accretion of asset retirement obligations” using the discount rate used to establish the ARO. The offset of accretion expense is added to the balance of the ARO.

Where information becomes available that indicates a recorded ARO is not sufficient to meet, or exceeds, anticipated obligations, the ARO obligation is adjusted accordingly and the adjustment is added to, or deducted from, the carrying value of property, plant and equipment and mining interest. In the event that the adjustment occurs after the mine in question has closed, the adjustment is included in earnings.

### *(o) Stock-based compensation*

Stock-based compensation is measured at the estimated fair value of the consideration received or the estimated fair value of the equity instruments issued or liabilities incurred, whichever estimate is more reliable. Compensation expense is recognized on the graded method over the stock option vesting period. The fair values recognized attributable to unvested stock options that are forfeited are credited to earnings as they occur.

Bonus cash award units are considered liability awards and are measured at the amount by which the quoted market value of the shares covered by the grant exceeds the option price. Deferred share units are liability awards recorded at the quoted market price at the grant date. The corresponding liability is marked to market at each reporting date.

### *(p) Income taxes*

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using income tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in rates is included in operations. A future income tax asset is recorded when the probability of realization is more likely than not.

### *(q) Revenue recognition*

Revenue from the sale of bullion is recognized when persuasive evidence of an arrangement exists, the bullion has been shipped, title has passed to the purchaser, the price is fixed or determinable, and collection is reasonably assured.

### *(r) Earnings (loss) per share*

Basic earnings per share is computed by dividing net income or loss by the weighted average number of outstanding common shares for the year.

The computation of diluted earnings per share reflects the dilutive effect of the exercise of stock options and warrants outstanding as at year-end using the treasury stock method.

### *(s) Capitalization of interest*

Where the Company has secured debt financing to finance the cost of specific capital projects, interest is capitalized on the related construction and development project until the project begins commercial operation or the development ceases.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **2. Significant accounting policies** (continued)

### *(t) Stripping costs*

Stripping costs incurred during the production phase of a mine are considered production costs and are included in the cost of inventory produced during the period in which stripping costs are incurred, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs are capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional reserves. Stripping costs incurred to prepare the ore body for extraction are capitalized as mine development costs (pre-stripping). Capitalized stripping costs are amortized on a unit-of production basis over the economically recoverable proven and probable reserves to which they relate. Production is deemed to have commenced when saleable minerals are extracted from an ore body.

### *(u) Mine standby and restructuring costs*

Mine standby costs and costs related to restructuring a mining operation are charged directly to expense in the period incurred. Examples of mine standby costs are labour, maintenance and mine support costs during temporary shutdowns of a mine. Examples of restructuring costs are severance payments to employees laid off as a result of outsourcing the mining function.

### *(v) Defined benefit pension plan*

Defined benefit pension plan obligations and expense are based on actuarial determinations. The projected benefit method prorated on service is used to determine the accrued benefit obligation and expense. Actuarial assumptions used to determine defined benefit pension plan liabilities are based upon best estimates of expected plan investment performance, salary escalation rates and retirement dates of employees. The expected return on plan assets is estimated based on the fair value of plan assets, asset allocation and expected long-term returns on these components.

Past service costs are amortized on a straight-line basis over the expected average remaining service period of active members at the time of the past service event.

Differences between the actuarial liabilities and the amounts recorded in the financial statements will arise from changes in plan assumptions, changes in benefits or through experience as results differ from actuarial assumptions. Cumulative differences that are greater than 10% of either the fair value of the plan assets or the accrued benefit obligation, whichever is greater, are amortized over the expected average remaining service period of active members.

### *(w) Comparative figures*

Certain comparative figures have been reclassified to conform to the current year's presentation.

## **3. Changes in accounting policies and new accounting developments**

### *Business Combinations (Section 1582)*

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, *Business Combinations*, which requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also requires that acquisition-related costs be expensed as incurred and that restructuring charges be expensed in the periods after the acquisition date. The Section applies



# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 3. Changes in accounting policies and new accounting developments (continued)

prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. The Company has not yet adopted this standard.

#### *Consolidations (Section 1601) and Non-Controlling Interest (Section 1602)*

In January 2009, the CICA issued Section 1601, *Consolidations*, and Section 1602, *Non-Controlling Interests*. Section 1601 establishes standards for preparing consolidated financial statements and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has not yet adopted these standards.

#### *International Financial Reporting Standards*

Canadian public companies will be required to prepare their financial statements in accordance with IFRS, as issued by the International Accounting Standards Board, for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements. The Company will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis and provide comparative data on an IFRS basis as required.

### 4. Acquisitions

#### *(a) Sino Gold*

Eldorado acquired all of the outstanding Sino Gold Securities not previously held by Eldorado on December 15, 2009, pursuant to a Scheme Implementation Deed dated August 26, 2009, as amended October 27, 2009 (the "Scheme Deed"), with Sino Gold, by way of schemes of arrangement (the "Schemes") under the laws of Australia (the "Transaction").

Pursuant to the Schemes, Eldorado acquired all of the outstanding ordinary shares of Sino Gold ("the Sino Gold Shares") not previously held by Eldorado that, together with the Sino Gold Shares already held by Eldorado, constituted 100% of the issued and outstanding Sino Gold Securities following the implementation of the Transaction. All outstanding options to purchase Sino Gold Shares were cancelled pursuant to the Schemes in connection with the implementation of the Transaction.

Consideration for the Sino Gold Shares acquired was common shares of Eldorado ("Eldorado Shares"), with the number issued based on a share exchange ratio of 0.55 Eldorado Share for each Sino Gold Share. Consideration for cancellation of Sino Gold Options was Eldorado Shares, with the number issued calculated with reference to the share exchange ratio, the exercise price and time value for such Sino Gold Options and whether the Sino Gold Options were "in the money" or not.

Eldorado issued an aggregate of 131,772,777 common shares in the capital of Eldorado, either directly or indirectly as CHESS Depository Interests ("CDIs"), through CHESS Depository Nominees Pty Limited, to former shareholders and option holders of Sino Gold pursuant to the Scheme Deed in connection with the implementation of the Schemes.

Eldorado previously acquired 57,968,029 Sino Gold Shares (19.8%) on July 27, 2009, pursuant to a Share Purchase and Sale Agreement (the "Share Purchase Agreement") dated June 3, 2009, as amended on July 10, 2009, with Gold Fields Australasia (BVI) Limited ("GFA") in consideration for 27,824,654 Eldorado

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 4. Acquisitions (continued)

Shares and a purchase price adjustment right. In connection with the implementation of the Schemes, Eldorado has issued a further 4,057,762 Eldorado Shares to GFA pursuant to the purchase price adjustment provisions of the Share Purchase Agreement. A total of 135,830,539 Eldorado Shares (including those issued to GFA) were issued in connection with the implementation of the Schemes.

The business combination has been accounted for as a purchase transaction, with Eldorado being identified as the acquirer and Sino Gold as the acquiree. For accounting purposes, Eldorado acquired control of Sino Gold on December 4, 2009 and these consolidated financial statements include the results of Sino Gold from December 4, 2009.

The cost of acquisition comprises the fair value of Eldorado shares issued, based on the issuance of 135,830,539 Eldorado shares at \$10.61 per share based on the share price around the announcement date of the Transaction, for a total of \$1,441,162, the original cost of the Sino Gold common shares previously acquired of \$263,293 based on the share price at their acquisition date of July 27, 2009, which amount is net of the reversal of the unrealized gain of \$122,617 included in other comprehensive income, plus Eldorado's transaction costs of \$24,010, for total consideration of \$1,728,465.

Eldorado received net cash proceeds from the Sino Gold Transaction of \$53,771. Net cash proceeds result from the cash balance acquired of \$77,781 less acquisition costs incurred of \$23,602 in the year 2009 and \$408 in the year 2010 for total acquisition costs incurred of \$24,010.

The allocation of the purchase price is as follows:

|   | \$               |
|---|------------------|
| 131,772,777 common shares of Eldorado issued as CDIs  | 1,398,109        |
| 4,057,762 common shares of Eldorado issued to GFA   | 43,053           |
| 27,824,654 common shares of Eldorado issued to GFA, being the cost of 57,968,029 Sino Gold shares previously acquired | 263,293          |
| Transaction costs   | 24,010           |
|   | <u>1,728,465</u> |

The above purchase price has been allocated as follows:

| Fair value of net assets acquired   | \$               |
|---|------------------|
| Cash  | 77,781           |
| Restricted cash   | 50,000           |
| Accounts receivable and other   | 21,171           |
| Inventory   | 38,791           |
| Mining interests and property, plant and equipment, including value beyond proven and probable reserves | 1,799,377        |
| Goodwill  | 363,690          |
| Accounts payable and accrued liabilities  | (74,737)         |
| Asset retirement obligations  | (19,249)         |
| Debt  | (191,121)        |
| Future income taxes   | (319,386)        |
| Non-controlling interests   | (17,852)         |
|   | <u>1,728,465</u> |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 4. Acquisitions (continued)

The acquired goodwill of \$363,690 relates to the China reporting segment (note 22) and none of it is expected to be deductible for tax purposes.

The preliminary purchase price allocation was finalized as at December 31, 2010. Changes from that originally reported include a reduction of \$58,523 to mining interest, an increase of \$40,993 to goodwill, a reduction of \$1,464 to accounts payable and accrued liabilities, a reduction of \$16,474 to future income taxes and an increase in the purchase price of \$408.

Sino Gold is a gold exploration and mining company in China. The Company operates the Jinfeng and White Mountain Gold Mines in the Guizhou Province and Jilin Province respectively. The Company also has a major development project, Eastern Dragon, which is planned to commence commercial production in 2011.

#### *(b) Brazauro*

Eldorado completed the acquisition of all of the issued and outstanding common shares of Brazauro that it did not already own on July 20, 2010. As a result, Eldorado acquired a 100% interest in the Tocantinzinho exploration and development project in Tapajós, Brazil as well as the option agreements on two early-stage exploration projects, Piranhas and Água Branca, also located in the Tapajós district of Brazil.

Under the terms of the arrangement, former Brazauro shareholders received 0.0675 of an Eldorado common share for each Brazauro share held, as well as 1/3 of a share of TriStar Gold Inc. ("TriStar"), a new exploration company that Eldorado agreed to fund with C\$10 million. TriStar holds certain exploration properties owned by Brazauro prior to the arrangement.

The Company issued 5,993,898 common shares and paid the C\$10 million in connection with this transaction. Eldorado incurred acquisition costs of \$3,474.

As at the date of the transaction, Eldorado held 14,326,000 common shares of Brazauro with a total cost of \$7,071, net of the reversal of the unrealized gain of \$11,424 included in other comprehensive income at the date of the acquisition.

This transaction has been accounted for as an acquisition of assets and liabilities because Brazauro was in the development stage. These consolidated financial statements include 100% of Brazauro results commencing July 20, 2010.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 4. Acquisitions (continued)

The allocation of the purchase price to the assets and liabilities of Brazauro is as follows:

|   |                |
|---|----------------|
| Purchase price:                         | \$             |
| Share consideration                     | 95,118         |
| Brazauro warrants and options converted | 565            |
| Brazauro warrants previously held       | 294            |
| Cash consideration                      | 9,479          |
| Cost of shares previously acquired      | 7,071          |
| Transaction costs                       | 3,474          |
| Total purchase price                    | <u>116,001</u> |
| Fair value of net assets acquired:      | \$             |
| Cash                                    | 7,278          |
| Accounts receivables and other          | 73             |
| Mining interests                        | 155,964        |
| Liabilities                             | (560)          |
| Future income taxes payable             | (46,754)       |
|   | <u>116,001</u> |

Eldorado paid net cash of \$5,675 as a result of the Brazauro transaction. This net reduction of cash was a result of an acquired cash balance of \$7,278 less cash consideration of \$9,479 and transaction costs of \$3,474.

#### (c) Serabi Mining Plc ("Serabi")

In June 2010, the Company acquired 120,000,000 common shares of Serabi for \$5,375. This represents a 26.8% interest in Serabi. The investment in Serabi is being accounted for under the equity method as follows:

|                                     |              |
|-------------------------------------|--------------|
|                                     | \$           |
| Original purchase                   | 5,375        |
| Additional purchase during the year | 1,352        |
| Equity loss                         | (525)        |
| Balance at December 31, 2010        | <u>6,202</u> |

Additionally, the Company acquired 2,500,000 special warrants for \$1,352 in December 2010 in order to maintain its 26.8% ownership percentage. Each special warrant is convertible to one ordinary common share and one half of one purchase warrant with no further action by the Company upon Serabi obtaining a share listing on the TSX or TSX-V. If those conditions are not met by March 31, 2011, each special warrant is automatically convertible to 1.1 of an ordinary common share and 0.55 of one purchase warrant with no further action by the Company.

The Company initially purchased 120,000,000 common shares of Serabi, however, in anticipation of a listing application to a Canadian stock exchange Serabi consolidated the existing ordinary shares on the basis of 1 New Ordinary Share for every 10 Existing Ordinary Shares. Therefore, the Company's investment was revised to 12,000,000 new ordinary shares at the date of consolidation.

Serabi is a gold mining company that is focused on the Tapajos region of Northern Brazil.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 4. Acquisitions (continued)

(d) *Vila Nova Iron Ore project*

On August 5, 2009, the Company acquired the remaining 25% interest in its Vila Nova Iron Ore Project ("Vila Nova") from Mineração Amapari SA ("Amapari"), a Brazilian private company, in exchange for a Net Profits Interest royalty of 10% plus a sliding scale royalty based on the operating margin of the project.

### 5. Restricted cash

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

|  | December 31,<br>2010 | December 31,<br>2009 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Eastern Dragon CMB standby letter of credit loan – (note 12 (e)) | 52,425               | -                    |
| Eastern Dragon CCB loan – (note 12 (e))                          | -                    | 50,000               |
|  | 52,425               | 50,000               |

### 6. Marketable securities

|  | December 31,<br>2010 | December 31,<br>2009 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Marketable securities – Available-for-sale | 8,027                | 13,470               |
| Marketable securities – Held-for-trading   | -                    | 399                  |
| Warrants – Held-for-trading                | -                    | 82                   |
|  | 8,027                | 13,951               |

### 7. Accounts receivable and other

|   | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Value added and other taxes recoverable | 4,196                | 5,956                |
| Other receivables and advances          | 16,223               | 9,123                |
| Prepaid expenses and deposits           | 22,018               | 11,355               |
|   | 42,437               | 26,434               |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 8. Inventories

|                                     | December 31,<br>2010 | December 31,<br>2009 |
|-------------------------------------|----------------------|----------------------|
|                                     | \$                   | \$                   |
| <i>Current:</i>                     |                      |                      |
| Ore stockpiles                      | 39,483               | 37,503               |
| In-process inventory including doré | 62,366               | 56,098               |
| Materials and supplies              | 45,414               | 35,596               |
|                                     | 147,263              | 129,197              |
| <i>Non-current: <sup>(1)</sup></i>  |                      |                      |
| Ore stockpiles                      | 15,659               | 15,987               |
| In-process inventory                | 13,968               | 15,547               |
|                                     | 29,627               | 31,534               |

<sup>(1)</sup> Non-current inventories represent material not scheduled for processing within the next twelve months at the Company's TJS mine.

### 9. Restricted assets and other

|   | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Restricted long-term asset – SERP (note 14) | 7,872                | 7,066                |
| Restricted credit card deposits             | 656                  | 618                  |
| Restricted marketable securities long-term  | -                    | 156                  |
| Accounts receivable long-term               | 352                  | 2,477                |
| Environmental guarantee deposit             | 10,448               | 3,442                |
| Accrued pension benefit asset (note 14)     | -                    | 113                  |
|   | 19,328               | 13,872               |

### 10. Mining interests

|                              | December 31, 2010 |  |                |
|------------------------------|-------------------|--|----------------|
|                              | Cost              | Accumulated depreciation, depletion and amortization | Net book Value |
|                              | \$                | \$   | \$             |
| Producing properties         | 1,671,989         | 263,982  | 1,408,007      |
| Properties under development | 1,319,358         | 867  | 1,318,491      |
| Iron ore property            | 49,588            | 2,828  | 46,760         |
|                              | 3,040,935         | 267,677  | 2,773,258      |
| Other mineral interests      | 24,511            | 4,047  | 20,464         |
|                              | 3,065,446         | 271,724  | 2,793,722      |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 10. Mining interests (continued)

|                              | December 31, 2009 |  | Net book value   |
|------------------------------|-------------------|--|------------------|
|                              | Cost              | Accumulated depreciation, depletion and amortization |                  |
| Producing properties         | \$ 1,616,794      | \$ 159,361   | \$ 1,457,433     |
| Properties under development | 1,021,981         | 516  | 1,021,465        |
| Iron ore property            | 47,464            | 252  | 47,212           |
|                              | 2,686,239         | 160,129  | 2,526,110        |
| Other mineral interests      | 57,496            | 2,790  | 54,706           |
|                              | <u>2,743,735</u>  | <u>162,919</u>                                       | <u>2,580,816</u> |

Included in producing properties and other mineral interest is \$473,495 (2009 – \$339,242) and \$16,975 (2009 – \$52,163) respectively, related to assets that are not being depreciated, including value beyond proven and probable, and construction in progress.

The amount of capitalized interest during the year ended December 31, 2010 included in mining interest was \$2,897 (2009 – nil).

### 11. Goodwill

|   | December 31, 2010 | December 31, 2009 |
|---|-------------------|-------------------|
| Balance at beginning of year                                      | \$ 324,935        | \$ 2,238          |
| Acquisitions during the year (note 4 (a))                         | -                 | 322,697           |
| Adjustments to preliminary purchase price allocation (note 4 (a)) | 40,993            | -                 |
| Balance at end of year  | <u>365,928</u>    | <u>324,935</u>    |

### 12. Debt

|  | December 31, 2010 | December 31, 2009 |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <i>Current:</i>                                      |                   |                   |
| Jinfeng construction loan (a)                        | 21,139            | -                 |
| White Mountain fixed asset project loan (c)          | 9,749             | 3,633             |
| White Mountain working capital project loan (c)      | 6,176             | 5,991             |
| White Mountain working capital loan (d)              | 7,549             | -                 |
| Eastern Dragon CMB standby letter of credit loan (e) | 48,317            | -                 |
| Eastern Dragon HSBC revolving loan facility (f)      | 5,593             | -                 |
| Eastern Dragon CCB loan (e)                          | -                 | 46,875            |
|  | <u>98,523</u>     | <u>56,499</u>     |
| <i>Long-term:</i>                                    |                   |                   |
| Jinfeng construction loan (a)                        | 52,951            | 97,867            |
| White Mountain fixed asset project loan (c)          | 15,189            | 24,214            |
| Jinfeng working capital loan (b)                     | -                 | 12,452            |
|  | <u>68,140</u>     | <u>134,533</u>    |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 12. Debt (continued)

Principal debt repayments are as follows:

|  | 2011   | 2012   | 2013   | 2014   | Total   |
|--|--------|--------|--------|--------|---------|
|  | \$     | \$     | \$     | \$     | \$      |
| Jinfeng construction loan (a)                        | 21,139 | 21,139 | 21,139 | 12,079 | 75,496  |
| White Mountain fixed asset project loan (c)          | 9,749  | 9,981  | 5,208  | -      | 24,938  |
| White Mountain working capital project loan (c)      | 6,176  | -      | -      | -      | 6,176   |
| White Mountain working capital loan (d)              | 7,549  | -      | -      | -      | 7,549   |
| Eastern Dragon CMB standby letter of credit loan (e) | 48,317 | -      | -      | -      | 48,317  |
| Eastern Dragon HSBC revolving loan facility (f)      | 5,593  | -      | -      | -      | 5,593   |
|  | 98,523 | 31,120 | 26,347 | 12,079 | 168,069 |

#### (a) Jinfeng construction loan

In 2009, Guizhou Jinfeng Mining Ltd. ("Jinfeng"), our 82% owned subsidiary, entered into a RMB 680.0 million (\$102,674) construction loan facility ("the construction loan") with China Construction Bank ("CCB").

The construction loan has a term of 6 years commencing from February 27, 2009 and is subject to a floating interest rate adjusted annually at the prevailing lending rate stipulated by the People's Bank of China for similar loans with a 5% discount. The applicable interest rate as at December 31, 2010 is 6.08% (after 5% discount). The construction loan is secured against the following:

- i. Sino Gold corporate guarantee;
- ii. pledge of 82% shares held by Sino Gold in Jinfeng;
- iii. mortgage on all fixed assets of Jinfeng with a value above \$100;
- iv. mortgage on Jinfeng mining license and exploration license; and
- v. mortgage on land use right.

While the construction loan is outstanding, Jinfeng is required to obtain written consent from CCB before transferring funds to Sino Gold or any of its subsidiaries and must have a leverage ratio of 64% or lower in order to distribute dividends to its shareholders.

Principal repayment of this loan is as follows: for the years 2011, 2012 and 2013 – quarterly payments of RMB 35.0 million (\$5,285); for the year 2014 – quarterly payments of RMB 32.5 million (\$4,907); and for the year 2015 a final payment of RMB 130.0 million (\$19,626). Any pre-payments are applied to reduce future payments starting from the final payment. During 2010, Jinfeng pre-paid RMB 180.0 million (\$27,178) on the outstanding balance of this loan, leaving a balance owing of RMB 500.0 million (\$75,496) at December 31, 2010.

Deferred financing costs in the amount of \$1,743 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 for net deferred financing costs at December 31, 2010 of \$1,406.

#### (b) Jinfeng working capital loan

In 2009, Jinfeng entered into a RMB 85.0 million (\$12,834) working capital loan ("the working capital loan") with CCB.

The working capital loan has a term of 3 years and was due on August 17, 2012. This loan was 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.



# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 12. Debt (continued)

While the working capital loan was outstanding, Jinfeng was required to obtain written consent from CCB before transferring funds to Sino Gold or any of its subsidiaries and was required to have a leverage ratio of 64% or lower in order to distribute dividends to its shareholders.

During 2010, Jinfeng pre-paid the full amount on this loan.

#### (c) *White Mountain project loan*

In 2008, Sino Gold Jilin BMZ Mining Limited (White Mountain”), our 95% owned subsidiary, entered into a project loan (“project loan”) with CCB. The project loan has two components:

- i. A fixed asset loan of RMB 190.1 million (\$28,703) with final payment due on September 2013; and
- ii. a working capital loan of RMB 40.9 million (\$6,176) due in November 2010.

The interest rate on the project loan is the prevailing lending rate stipulated by the People’s Bank of China, adjusted annually for the fixed asset loan and twice a year for the working capital loan. The applicable interest rates as at December 31, 2010 are 5.76% and 5.81% respectively.

The project loan is secured by a Sino Gold corporate guarantee and White Mountain’s fixed assets with a value above \$100.

Principal repayment of the fixed asset loan is as follows: September 2010 – RMB 24.8 million (\$3,765) (paid); September 2011 – RMB 64.5 million (\$9,749); September 2012 – RMB 66.1 million (\$9,981); September 2013 – RMB 34.7 million (\$5,208).

During 2010, White Mountain made the first payment on the fixed asset loan and extended the working capital loan for one additional year to November 15, 2011.

#### (d) *White Mountain working capital loan*

In 2010, White Mountain entered into a RMB 50.0 million (\$7,549) working capital loan with China Merchants Bank (“CMB”).

The working capital loan has a term of one year and is due on September 1, 2011. This loan is subject to a floating interest rate adjusted annually to the prevailing lending rate stipulated by the People’s Bank of China for similar loans. The applicable interest rate as at December 31, 2010 is 5.31%.

This loan is secured by a letter of guarantee issued by Eldorado.

In January 2011, White Mountain pre-paid the full amount of this loan.

#### (e) *Eastern Dragon facilities*

##### *CCB loan*

In 2008, Heihe Rock Mining Industry Development Company Limited (“Eastern Dragon”), our 95% owned subsidiary, entered into a RMB 320.0 million (\$48,317) Standby letter of credit loan (“LC loan”) with CCB. The interest rate on this loan as at December 31, 2009 was 5.40%.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 12. Debt (continued)

The LC loan was collateralized by way of irrevocable letter of credit drawn on CCB. The letter of credit is collateralized by Sino Gold's funds held by Bank of China Sydney Branch as restricted cash.

During the 2010 year, the LC loan was repaid and the restricted cash was released.

#### *China Merchants Bank – project-financing loan*

In 2009, Eastern Dragon entered into a RMB 450.0 million (\$67,946) project-financing loan ("project-financing loan") with China Merchants Bank ("CMB"). The project-financing loan has three components:

- i. A 5 year term, RMB 320.0 million (\$48,317) long term loan ("the long term loan") to replace the LC loan with CCB;
- ii. a 4 year term RMB 100.0 million (\$15,099) fixed asset loan ("the fixed asset loan"); and
- iii. a one year term RMB 30.0 million (\$4,530) working capital loan ("the working capital loan").

The project-financing loan is subject to a floating interest rate adjusted quarterly to 90% of the prevailing lending rate stipulated by the People's Bank of China for similar loans. The applicable interest rates as at December 31, 2010 are 5.60% for the long term loan and 5.23% for the fixed asset loan after discount.

The project-financing loan is secured by an irrevocable letter of Guarantee issued by Sino Gold. Under the terms of the agreement, the following conditions are required to be met before the first drawdown:

1. Obtain project approval from the Heilongjiang Provincial Development and Reform Commission;
2. Sino Gold to open an offshore banking business bank account with CMB and deposit \$40,000;
3. The aggregate of the amount deposited in the offshore account, Eastern Dragon registered capital and shareholder loan is at least \$84,660 (this threshold has been reached as at December 31, 2009).

In addition, before the drawdown on the fixed asset loan, Eastern Dragon should obtain the gold operation permit.

The working capital loan can be drawn down once the following conditions are satisfied:

- i. The project obtains the mining license;
- ii. the project has been developed and in production;
- iii. the gold operation permit has been granted; and
- iv. the safety production permit and environmental protection permit have been granted.

The project-financing loan requires Eastern Dragon to maintain a liability to asset ratio of 70% or lower, excluding shareholder loan and total banking debt cannot exceed RMB 550.0 million (\$83,045).

The project-financing loan is subject to an annual management fee of 10% of the annual interest on the drawn down amount.

No amounts were drawn down under the project-financing loan as at December 31, 2010.

#### *CMB Standby letter of Credit loan*

In January 2010, Eastern Dragon entered into a RMB 320.0 million (\$48,317) Standby letter of credit loan with CMB. This loan has a one year term and is subject to a floating interest rate adjusted

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 12. Debt (continued)

quarterly at 90% of the prevailing lending rate stipulated by the People's Bank of China for working capital loans. This loan is collateralized by way of a \$52,200 irrevocable letter of credit issued by Sino Gold to CMB.

On February 5, 2010, Eastern Dragon made a drawdown on this loan which was used to repay the LC loan with CCB.

In February 2011, this loan was extended for another year.

This loan is to be repaid when Eastern Dragon obtains the required project approval that will allow it to complete the first drawdown on the project-financing loan. This loan is subject to an annual management fee of 10% of the interest accrued on the drawn down and outstanding amount. This management fee is paid in advance quarterly. The interest rate on this loan as at December 31, 2010 is 5.23%.

#### (f) *HSBC revolving loan facility*

In May 2010, Eastern Dragon entered into a RMB 80.0 million (\$12,079) revolving facility ("the Facility") with HSBC Bank (China). The Facility can be drawn down in minimum tranches of RMB 1.0 million (\$151) 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 December 2010, the Facility was reviewed by the bank and was extended to November 30, 2011.

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 December 31, 2010, the security coverage is \$6,141.

As at December 31, 2010, RMB 37.0 million (\$5,593) had been drawn under this Facility.

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

Subsequent to December 31, 2010, Eastern Dragon drew RMB 11.6 million (\$1,752) under this Facility and the security coverage was increased to \$8,080.

#### (g) *Entrusted loan*

In November 2010, Eastern Dragon, HSBC Bank (China) and QDML, entered into a RMB 12.0 million (\$1,812) entrusted loan agreement.

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.

As at December 31, 2010, RMB 7.9 million (\$1,193) has been drawn under the entrusted loan.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 12. Debt (continued)

Subsequent to December 31, 2010, the entrusted loan was increased to RMB 50.0 million (\$7,550) and an additional RMB 21.1 million (\$3,186) was drawn down.

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

### 13. Asset retirement obligations

|   | December 31, 2010 |         |        |         |
|---|-------------------|---------|--------|---------|
|   | Brazil            | China   | Turkey | Total   |
|   | \$                | \$      | \$     | \$      |
| Balance at beginning of year              | 1,062             | 20,560  | 4,944  | 26,566  |
| Accretion during the year                 | 53                | 1,264   | 247    | 1,564   |
| Revisions to estimate of final obligation | 1,129             | (9,216) | 4,232  | (3,855) |
| Balance at end of year                    | 2,244             | 12,608  | 9,423  | 24,275  |
| Estimated undiscounted amount             | 3,805             | 22,127  | 39,533 | 65,465  |

|   | December 31, 2009 |        |        |        |
|---|-------------------|--------|--------|--------|
|   | Brazil            | China  | Turkey | Total  |
|   | \$                | \$     | \$     | \$     |
| Balance at beginning of year                      | 753               | 1,286  | 2,773  | 4,812  |
| Additions resulting from acquisition (note 4 (a)) | -                 | 19,249 | -      | 19,249 |
| Accretion during the year                         | 51                | 71     | 169    | 291    |
| Revisions to estimate of final obligation         | 258               | (46)   | 2,002  | 2,214  |
| Balance at end of year                            | 1,062             | 20,560 | 4,944  | 26,566 |
| Estimated undiscounted amount                     | 1,730             | 77,758 | 14,687 | 94,175 |

The net present values are computed using credit-adjusted risk-free interest rates of between 5% and 7%.

Revisions to the estimate of the discounted obligations in 2010 include \$1,129 related to Vila Nova, \$1,073 related to TJS, (\$3,257) related to Jinfeng, (\$3,425) related to White Mountain, (\$3,608) related to Eastern Dragon, \$3,423 related to Kışladağ and \$809 related to Efemçukuru. Revisions for 2009 include \$258 related to Vila Nova, (\$80) related to TJS, \$34 related to Jinfeng, \$1,972 related to Kışladağ and \$30 related to Efemçukuru.

### 14. Defined benefit plans

During the year ended December 31, 2008, the company implemented a defined benefit pension program with two components: a registered pension plan ("the Pension Plan") and a non-registered supplementary pension plan ("the SERP"). These plans, which are only available to certain qualifying employees, provide benefits based on an employee's years of service and final average earnings at retirement. There are no indexation features. Annual contributions to these plans are actuarially determined and made at or in excess of minimum requirements prescribed by legislation.

The Company's plans are actuarially evaluated for funding purposes on a three-year cycle. The Pension Plan and the SERP were last actuarially evaluated on January 1, 2008 and January 1, 2009 respectively for funding purposes and the next required valuation will be as of January 1, 2011 for the Pension Plan and January 1, 2012 for the SERP. The measurement date used to determine all of the accrued benefit obligation and plan assets for accounting information was December 31, 2010 and 2009.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 14. Defined benefit plans (continued)

The SERP is designed to provide supplementary pension benefits to qualifying employees affected by the maximum pension limits under the *Income Tax Act* and the Company is not required to pre-fund any benefit obligation under the SERP.

#### Total cash payments

Total cash payments for pension benefits for 2010, including cash contributed to the Pension Plan and the SERP and payments made directly to beneficiaries were \$167 (2009 – \$1,856). Based on minimum funding requirements, the Company may not need to make a contribution to the Pension Plan or to the SERP in 2011.

The estimated future pension payments for the next five years and thereafter are as follows:

|                                   | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 and later |
|-----------------------------------|------|------|------|------|------|----------------|
|                                   | \$   | \$   | \$   | \$   | \$   | \$             |
| Estimated future pension payments | 211  | 820  | 820  | 820  | 820  | 4,966          |

The details of the Company's benefit plans are as follows:

|  | December 31, 2010 |                | December 31, 2009 |                |
|--|-------------------|----------------|-------------------|----------------|
|  | Pension Plan      | SERP           | Pension Plan      | SERP           |
|  | \$                | \$             | \$                | \$             |
| <b>Accrued benefit obligation</b>            |                   |                |                   |                |
| Balance at beginning of year                 | 1,263             | 7,652          | 753               | 4,037          |
| Benefits paid                                | -                 | (167)          | -                 | -              |
| Current service cost                         | 122               | 681            | 102               | 484            |
| Interest cost                                | 81                | 483            | 69                | 369            |
| Actuarial losses (gains)                     | 62                | 2,483          | 219               | 2,121          |
| Foreign exchange                             | 132               | 740            | 120               | 641            |
| <b>Balance at end of year</b>                | <b>1,660</b>      | <b>11,872</b>  | <b>1,263</b>      | <b>7,652</b>   |
|  |                   |                |                   |                |
|  | December 31, 2010 |                | December 31, 2009 |                |
|  | Pension Plan      | SERP           | Pension Plan      | SERP           |
|  | \$                | \$             | \$                | \$             |
| <b>Plan assets</b>                           |                   |                |                   |                |
| Fair value at beginning of year              | 1,137             | -              | 848               | -              |
| Actual return on plan assets                 | 76                | -              | 48                | -              |
| Qualifying transfer                          | -                 | -              | 107               | -              |
| Foreign exchange                             | 126               | -              | 134               | -              |
| <b>Fair value at end of year</b>             | <b>1,339</b>      | <b>-</b>       | <b>1,137</b>      | <b>-</b>       |
| <b>Funded status</b>                         |                   |                |                   |                |
| Fair value of plan assets                    | 1,339             | -              | 1,137             | -              |
| Accrued benefit obligation                   | 1,660             | 11,872         | 1,263             | 7,652          |
| Plan (deficit) surplus                       | (321)             | (11,872)       | (126)             | (7,652)        |
| Unamortized actuarial losses (gains)         | 60                | 4,426          | 17                | 1,995          |
| Unamortized past service cost                | 166               | 1,805          | 222               | 2,418          |
| <b>Net accrued benefit asset (liability)</b> | <b>(95)</b>       | <b>(5,641)</b> | <b>113</b>        | <b>(3,239)</b> |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 14. Defined benefit plans (continued)

The Company has \$7,872 (2009 – \$7,066) in an investment account to fund its SERP obligation. The breakdown of the investment is provided in note 23(g). This amount is included in restricted assets and other (note 9).

The accrued benefit asset (liability) is included in the Company's balance sheet as follows:

|  | December 31, 2010 |                | December 31, 2009 |                |
|--|-------------------|----------------|-------------------|----------------|
|  | Pension Plan      | SERP           | Pension Plan      | SERP           |
|  | \$                | \$             | \$                | \$             |
| Restricted assets and other (note 9)     | -                 | -              | 113               | -              |
| Accounts payable and accrued liabilities | (95)              | (5,641)        | -                 | (3,239)        |
| <b>Total</b>                             | <b>(95)</b>       | <b>(5,641)</b> | <b>113</b>        | <b>(3,239)</b> |

The net expense recognized for the Company's defined benefit plans is as follows:

|                                     | December 31, 2010 |              | December 31, 2009 |              |
|-------------------------------------|-------------------|--------------|-------------------|--------------|
|                                     | Pension Plan      | SERP         | Pension Plan      | SERP         |
|                                     | \$                | \$           | \$                | \$           |
| Current service cost                | 122               | 681          | 94                | 445          |
| Interest cost                       | 81                | 483          | 63                | 340          |
| Expected gains on plan assets       | (76)              | -            | (62)              | -            |
| Amortization of net actuarial gains | -                 | 269          | (54)              | -            |
| Amortization of past service costs  | 80                | 877          | 72                | 791          |
| <b>Net pension expense</b>          | <b>207</b>        | <b>2,310</b> | <b>113</b>        | <b>1,576</b> |

#### Plan Assets

The assets of the Pension Plan and the amounts deposited in the SERP account are managed by a major investment management company and are invested only in conformity with the investment requirements of applicable pension laws.

The following table summarizes the defined benefit plans' weighted average asset allocation percentages by asset category at December 31:

|                      | December 31, 2010 |             | December 31, 2009 |             |
|----------------------|-------------------|-------------|-------------------|-------------|
|                      | Pension Plan      | SERP        | Pension Plan      | SERP        |
| Cash and equivalents | 4%                | 4%          | 1%                | 3%          |
| Fixed income         | 96%               | 51%         | 99%               | 49%         |
| Equity               | -                 | 45%         | -                 | 48%         |
| <b>Total</b>         | <b>100%</b>       | <b>100%</b> | <b>100%</b>       | <b>100%</b> |

#### Significant assumptions

The significant assumptions used are as follows:

|   | December 31, 2010 |         | December 31, 2009 |         |
|---|-------------------|---------|-------------------|---------|
|   | Pension Plan      | SERP    | Pension Plan      | SERP    |
| Expected long term rate of return on plan assets                                  | 6.50%             | 6.50%   | 6.50%             | 6.50%   |
| Discount rate beginning of year   | 6.00%             | 6.00%   | 7.50%             | 7.50%   |
| Discount rate end of year   | 5.50%             | 5.50%   | 6.00%             | 6.00%   |
| Rate of salary escalation   | 4.50%             | 4.50%   | 4.50%             | 4.50%   |
| Average remaining service period of active employees expected to receive benefits | 5 years           | 5 years | 5 years           | 5 years |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 14. Defined benefit plans (continued)

The assumptions for the expected long-term rate of return on plan assets for the purposes of the actuarial valuation are based on the asset mix of the portfolio, historical data from similar plans and the review of projected returns by asset class.

### 15. Income taxes

The significant components within the Company's future tax liability are as follows:

|  | December 31,<br>2010 | December 31,<br>2009 |
|--|----------------------|----------------------|
|  | \$                   | \$                   |
| Future income tax assets                                   |                      |                      |
| Mining interests   | 9,972                | 10,800               |
| Loss carry forwards  | 68,179               | 46,240               |
| Other  | 3,250                | 3,156                |
| Liabilities  | 10,241               | 9,394                |
|  | 91,642               | 69,590               |
| Valuation allowance  | (71,368)             | (54,885)             |
|  | 20,274               | 14,705               |
| Future income tax liabilities                              |                      |                      |
| Mining interests   | 443,287              | 397,076              |
| Unrealized gains on foreign exchange translation and other | 9,316                | 12,135               |
|  | 452,603              | 409,211              |
| <b>Net future income tax liabilities</b>                   | <b>432,329</b>       | <b>394,506</b>       |

This is represented on the balance sheet as:

|   | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| Current future income tax assets        | (606)                | -                    |
| Current future income tax liabilities   | 2,915                | 4,264                |
| Long-term future income tax liabilities | 430,020              | 390,242              |
|   | 432,329              | 394,506              |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 15. Income taxes (continued)

Income tax expense differs from the amount that would result from applying the combined statutory Canadian federal and provincial tax rates to income before income taxes. These differences result from the following items:

|  | 2010     | 2009     |
|--|----------|----------|
|  | \$       | \$       |
| Net income before taxes                      | 313,290  | 146,921  |
| Statutory tax rate                           | 28.50%   | 30.00%   |
| Tax expense at the statutory income tax rate | 89,288   | 44,076   |
| Tax effect of:                               |          |          |
| Losses not recognized                        | 9,859    | 8,455    |
| Difference in foreign tax rates              | (23,532) | (16,135) |
| Foreign exchange                             | 3,316    | (3,895)  |
| Withholding tax                              | 3,278    | -        |
| Adjustment due to change in tax rates        | -        | 5,638    |
| Non-deductible expense and other items       | 7,561    | 3,751    |
|  | 89,770   | 41,890   |

At December 31, 2010, the Company had available losses for income tax purposes of approximately \$111,014 (2009 – \$83,185) in Canada and Greece expiring in various years from 2011 to 2030.

The Company's Australian subsidiaries have losses for income tax purposes of \$26,384 that do not expire.

In addition, the Company's Brazilian subsidiaries have losses of \$60,842 (December 31, 2009 – \$41,702) that can be used to offset taxable income, and \$74,913 (December 31, 2009 – \$41,600) that can be used to offset income for social contribution tax. These losses have no expiry date and can be used to offset 30% of taxable income in any one year.

### 16. Shareholders' equity

#### (a) Authorized share capital

The Company'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 December 31, 2010 there were no non-voting common shares outstanding.



# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 16. Shareholders' equity (continued)

#### (b) Issued and outstanding share capital

| Voting common shares                                   | Number of shares   | Amount<br>\$     |
|--|--------------------|------------------|
| <b>Balance, January 1, 2009</b>                        | 368,278,029        | 931,933          |
| Shares issued upon exercise of share options, for cash | 5,203,013          | 25,201           |
| Estimated fair value of share options exercised        | -                  | 10,045           |
| Shares issued for acquisition of Sino Gold             | 163,655,193        | 1,704,455        |
| <b>Balance, December 31, 2009</b>                      | 537,136,235        | 2,671,634        |
| Shares issued upon exercise of share options, for cash | 5,056,216          | 35,895           |
| Estimated fair value of share options exercised        | -                  | 12,020           |
| Shares issued for acquisition of Brazauro              | 5,993,898          | 95,118           |
| Shares issued for cash upon exercise of warrants       | 843                | 12               |
| <b>Balance, December 31, 2010</b>                      | <b>548,187,192</b> | <b>2,814,679</b> |

#### (c) Accumulated other comprehensive income (loss)

Accumulated other comprehensive income includes the following:

|   | 2010       | 2009         |
|---|------------|--------------|
|   | \$         | \$           |
| Balance, beginning of year  | 2,227      | (5,971)      |
| Unrealized gains on available-for-sale investments  | 13,480     | 129,418      |
| Reversal on acquisition of subsidiary (note 4 (a) and (b))                                  | (11,424)   | (122,617)    |
| Realized losses (gains) on sale of available-for-sale investments transferred to net income | (3,245)    | 1,717        |
| Future income tax on changes in available-for-sale investments                              | (40)       | (320)        |
| <b>Balance, end of year</b>   | <b>998</b> | <b>2,227</b> |

### 17. Stock-based compensation

#### (a) Share option plans

The Company has two share option plans ("Plans") approved by the shareholders under which share purchase options ("Options") can be granted to directors, officers, employees and consultants.

The Company's Employee Plan, as amended from time to time, was established in 1994. Subject to a 10-year maximum, Employee Plan Options generally have a five-year term. Employee Plan Options vest at the discretion of the Board of Directors at the time an Option is granted, typically in three separate tranches over two years. As at December 31, 2010, a total of 5,424,669 Options (December 31, 2009 – 4,810,000) were available to grant to employees, consultants or advisors under the Employee Plan.

The Company's Directors and Officers Plan ("D&O Plan") was established in 2003 and amended in 2005. Subject to a 10-year maximum, D&O Plan Options generally have a five-year term. D&O Options vest at the discretion of the Board of Directors at the time an Option is granted, typically in three separate tranches over two years. As at December 31, 2010, a total of 4,990,394 Options (December 31, 2009 – 4,760,000) were available to grant to directors and officers under the D&O Plan.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 17. Stock based compensation (continued)

The continuity of share purchase options outstanding is as follows:

|                            | Weighted average exercise price Cdn\$ | Number of options | Contractual weighted average remaining life (years) |
|----------------------------|---------------------------------------|-------------------|---|
| Balance, December 31, 2008 | 5.71                                  | 13,438,914        | 3.9   |
| Granted                    | 9.80                                  | 748,000           |   |
| Exercised                  | 5.59                                  | (5,203,013)       |   |
| Forfeited                  | 6.46                                  | (55,000)          |   |
| Balance, December 31, 2009 | 6.11                                  | 8,928,901         | 3.3   |
| Granted                    | 13.30                                 | 5,448,842         |   |
| Exercised                  | 7.37                                  | (5,056,216)       |   |
| Forfeited                  | 11.76                                 | (601,003)         |   |
| Balance, December 31, 2010 | 9.49                                  | 8,720,524         | 3.5   |

At December 31, 2010, 5,423,758 share purchase options (December 31, 2009 – 5,528,557) with a weighted average exercise price of Cdn\$7.32 (December 31, 2009 – Cdn\$6.16) had vested and were exercisable.

Options outstanding at December 31, 2010 are as follows:

| Range of exercise price Cdn\$ | December 31, 2010         |   |                                       |                     |                                       |
|-------------------------------|---------------------------|---|---------------------------------------|---------------------|---------------------------------------|
|                               | 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              | 2,584,473                 | 3.1   | 4.88                                  | 2,584,473           | 4.88                                  |
| \$5.00 to \$5.99              | 97,500                    | 1.9   | 5.26                                  | 97,500              | 5.26                                  |
| \$6.00 to \$6.99              | 866,000                   | 2.4   | 6.44                                  | 866,000             | 6.44                                  |
| \$7.00 to \$7.99              | 570,900                   | 1.8   | 7.26                                  | 570,900             | 7.26                                  |
| \$9.00 to \$9.99              | 403,200                   | 3.5   | 9.61                                  | 237,199             | 9.69                                  |
| \$11.00 to \$11.99            | 30,000                    | 3.5   | 11.40                                 | 20,000              | 11.40                                 |
| \$12.00 to \$12.99            | 251,000                   | 4.4   | 12.67                                 | 97,667              | 12.53                                 |
| \$13.00 to \$13.99            | 3,683,845                 | 4.3   | 13.23                                 | 738,817             | 13.23                                 |
| \$15.00 to \$15.99            | 200,000                   | 2.1   | 15.53                                 | 200,000             | 15.53                                 |
| \$16.00 to \$16.99            | 33,606                    | 1.4   | 11.40                                 | 11,202              | 19.16                                 |
|                               | <u>8,720,524</u>          | <u>3.5</u>  | <u>9.49</u>                           | <u>5,423,758</u>    | <u>7.32</u>                           |

#### (b) Stock-based compensation expense

The exercise prices of all Options granted during the period were at or above the market price at the grant date. Stock-based compensation expense is calculated using a Black-Scholes option pricing model to determine the estimated fair values of all Options granted. The value determined on the date an Option is granted is recorded over the vesting period of each respective option.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 17. Stock based compensation (continued)

This expense has been included in the undernoted expenses in the Consolidated Statements of Operations as follows:

|                 | 2010   | 2009  |
|-----------------|--------|-------|
|                 | \$     | \$    |
| Operating costs | 4,491  | 1,830 |
| Exploration     | 680    | 958   |
| Administrative  | 11,386 | 5,744 |
|                 | 16,557 | 8,532 |

The assumptions used to estimate the fair value of Options granted during the years ended December 31, 2010 and 2009 were:

|                                 | 2010            | 2009            |
|---------------------------------|-----------------|-----------------|
| Risk-free interest rate (range) | 1.69% – 1.99%   | 1.40% – 2.11%   |
| Expected volatility (range)     | 38% – 73%       | 64% – 76%       |
| Expected life (range)           | 0.8 - 2.8 years | 1.5 - 3.8 years |
| Expected dividends              | Nil             | Nil             |

The weighted average fair value per stock option (CAD\$) was \$4.12 (2009 – \$4.80).

#### (c) Bonus Cash Award Units plan

In August 2007, the directors adopted a Bonus Cash Award Units (“BCAU”) plan with an effective date of August 2, 2007. The plan provides for the Board of Directors (the “Directors”) to grant BCAUs to officers, employees and consultants subject to vesting and other conditions as determined by the Directors; however, the vesting period may not exceed five years from the grant date, but may be accelerated at the discretion of the Directors. The settlement of BCAUs must be made in cash and is calculated as the excess of trading price of Eldorado shares traded on the Toronto Stock Exchange (“TSX”) on the trading day on which the designated participant elects to exercise their BCAU over the trading price of Eldorado shares traded on the TSX on the grant day.

As of December 31, 2009, all Bonus Cash Award Units (“BCAUs”) awarded by the Company were exercised. The Company paid \$2,543 in bonus cash award units in the 2009 year. The related expense in the amount of \$559 is included in general and administrative expense in the Consolidated Statements of Operations.

#### (d) Deferred Share Units plan

On July 15, 2010 the Company adopted the Independent Directors Deferred Share Unit (“DSU”) Plan under which DSU’s 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. 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 December 31, 2010, 29,970 DSU’s were outstanding with a value of \$573, which is included in accounts payable and accrued liabilities.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 18. Supplementary cash flow information

|  | 2010     | 2009      |
|--|----------|-----------|
|  | \$       | \$        |
| Changes in non-cash working capital                                |          |           |
| Accounts receivable and other                                      | (14,307) | 25,386    |
| Inventories  | (12,452) | (19,799)  |
| Accounts payable and accrued liabilities                           | (37,673) | 39,472    |
|  | (64,432) | 45,059    |
| Supplementary cash flow information                                |          |           |
| Income taxes paid  | 93,056   | 46,317    |
| Interest paid  | 10,415   | 839       |
| Non-cash investing and financing activities                        |          |           |
| Shares, options and warrants issued on acquisition of subsidiaries | 95,683   | 1,704,455 |
| Increased in mineral interest financed by accounts payable         | -        | 750       |

### 19. Commitments and contingencies

#### a) Commitments

The Company's contractual obligations, not recorded on the balance sheet, at December 31, 2010, include:

|  | 2011    | 2012   | 2013  | 2014  | 2015 and later |
|--|---------|--------|-------|-------|----------------|
|  | \$      | \$     | \$    | \$    | \$             |
| Operating leases and property expenditures | 2,921   | 3,208  | 2,639 | 673   | -              |
| Purchase obligations                       | 114,487 | 23,853 | 1,467 | 1,501 | -              |
| Totals                                     | 117,408 | 27,061 | 4,106 | 2,174 | -              |

#### b) Contingencies

Due in part to the size, complexity and nature of the Company's operations, various social, political, environmental, land title, legal, permitting and tax matters are outstanding from time to time. In the opinion of management, these matters are not expected to have an adverse effect on the Company's consolidated financial position or operations.

### 20. Capital disclosure

Eldorado's objectives when managing capital are to:

- a) safeguard our ability to continue as a going concern,
- b) have sufficient capital to develop our mining projects and take them into production, and
- c) meet external capital requirements on our credit facilities.

The Company monitors capital based on the debt to adjusted capital ratio. Debt is defined as the total of current and long-term debt shown on the balance sheet. Adjusted capital includes all components of shareholders' equity, which includes accumulated comprehensive income, share capital, contributed surplus and deficit. Eldorado's strategy is to keep the debt to adjusted capital ratio below 40%. The debt to adjusted capital ratio at December 31, 2010 and December 31, 2009 was 5.62% and 7.23% respectively.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 21. Financial instruments

a) *Recognition, measurement and presentation*

Financial instruments are either measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held-for-trading financial assets and available-for-sale financial assets are measured on the balance sheet at fair value.

b) *Fair value*

The following table provides the carrying value and the fair value of financial instruments at December 31, 2010 and December 31, 2009:

|  | December 31, 2010     |                  | December 31, 2009     |                  |
|--|-----------------------|------------------|-----------------------|------------------|
|  | Carrying amount<br>\$ | Fair value<br>\$ | Carrying amount<br>\$ | Fair value<br>\$ |
| <b>Financial Assets</b>                  |                       |                  |                       |                  |
| <i>Held-for-trading</i>                  |                       |                  |                       |                  |
| Cash and cash equivalents                | 314,344               | 314,344          | 265,369               | 265,369          |
| Restricted cash                          | 52,425                | 52,425           | 50,000                | 50,000           |
| Marketable securities                    | -                     | -                | 481                   | 481              |
| Restricted assets and other              | 19,328                | 19,328           | 13,603                | 13,603           |
| <i>Available-for-sale</i>                |                       |                  |                       |                  |
| Marketable securities                    | 8,027                 | 8,027            | 13,626                | 13,626           |
| <i>Loans and receivables</i>             | 38,241                | 38,241           | 20,478                | 20,478           |
| <b>Financial Liabilities</b>             |                       |                  |                       |                  |
| Accounts payable and accrued liabilities | 147,045               | 147,045          | 154,011               | 154,011          |
| Debt                                     | 166,663               | 166,663          | 191,032               | 191,032          |

Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from relevant markets.

The fair value hierarchy established by CICA Handbook Section 3862 – Financial Instruments – Disclosures (“Section 3862”) establishes three levels to classify the inputs to valuation techniques used to measure fair value and is harmonized with disclosure requirements included in ASC Subtopic 820-10 on financial instruments under US GAAP. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 21. Financial instruments (continued)

Assets and liabilities measured at fair value on a recurring basis as at December 31, 2010 include:

|                            | Balance at<br>December 31,<br>2010<br>\$ | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>\$<br>(Level 1) | Other<br>Observable<br>Inputs<br>\$<br>(Level 2) | Unobservable<br>inputs<br>\$<br>(Level 3) |
|----------------------------|--|--|--|---|
| <b>Financial Assets</b>    |  |  |  |   |
| <i>Held for trading</i>    |  |  |  |   |
| Cash and cash equivalents  | 314,344                                  | 314,344  | -  | -   |
| Restricted cash            | 52,425                                   | 52,425   | -  | -   |
| Marketable securities      | -  | -  | -  | -   |
| Restricted asset and other | 19,328                                   | 19,328   | -  | -   |
| <i>Available for sale</i>  |  |  |  |   |
| Marketable securities      | 8,027                                    | 7,871  | -  | 156                                       |

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial assets and liabilities for the year ended December 31, 2010.

|   | Marketable Securities      |                              | Total<br>\$ |
|---|----------------------------|------------------------------|-------------|
|   | Held-for-<br>trading<br>\$ | Available-for-<br>sale<br>\$ |             |
| <b>Assets</b>                                   |                            |                              |             |
| Beginning balance                               | 174                        | 344                          | 518         |
| Total gains or losses (realized/unrealized)     |                            |                              |             |
| Included in earnings (or changes in net assets) | -                          | -                            | -           |
| Included in other comprehensive income          | -                          | -                            | -           |
| Purchases, issuances and settlements            | (174)                      | -                            | (174)       |
| Transfers in and/or out of Level 3              | -                          | (188)                        | (188)       |
| Ending Balance                                  | -                          | 156                          | 156         |

#### c) Financial risk management

Eldorado's activities expose it to a variety of financial risks, including credit risk, foreign exchange risk, interest rate risk, gold price risk and liquidity risk.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash and accounts receivable and environmental guarantee deposit. Eldorado deposits its cash and cash equivalents, including restricted cash, with high credit quality financial institutions as determined by rating agencies. As at December 31, 2010, approximately 44% of the Company's cash and cash equivalents, including restricted cash, are held with one financial institution. The Company considers this to be its only significant credit risk exposure.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 21. Financial instruments (continued)

The Company sells its gold bullion exclusively to large international financial institutions or on the Istanbul and Shanghai Gold Exchanges. Payment is normally in advance or within one week of receipt of shipment. The historical level of customer defaults is negligible which reduces the credit risk associated with trade receivables at December 31, 2010.

#### *Foreign exchange risk*

The Company operates principally in Canada, Turkey, China, Brazil and Greece, and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

Eldorado's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt are denominated in several currencies (mainly Canadian dollars, Turkish liras, Chinese renminbi and Brazilian real) which are subject to fluctuation against the US dollar.

As a result of the Company's acquisitions, Eldorado has recorded \$424,239 of future income tax liabilities on mining interests which are recorded in local currencies. The future income tax liabilities are monetary items that are revalued each period-end at current exchange rates, with the gain or loss recorded in net earnings in the period.

The Company is exposed to currency risk through the following financial assets and liabilities, value added tax and other taxes recoverable and future income tax asset and liabilities denominated in currencies other than US dollars at December 31, 2010:

|  | Canadian dollar | Australian dollars | Euro       | Turkish lira | Chinese renminbi | Brazilian real |
|--|-----------------|--------------------|------------|--------------|------------------|----------------|
| Cash and cash equivalents                | 24,587          | 134                | 102        | 1,386        | 536,644          | 1,269          |
| Marketable securities                    | 7,984           | -                  | -          | -            | -                | -              |
| Accounts receivable and other            | 2,078           | -                  | 516        | 16,837       | 137,174          | 10,898         |
| Future income tax receivable             | -               | -                  | -          | 659          | 1,192            | -              |
| Accounts payable and accrued liabilities | (13,682)        | (13)               | (124)      | (36,940)     | (567,629)        | (6,548)        |
| Loan                                     | -               | -                  | -          | -            | (1,103,790)      | -              |
| Future income tax liabilities            | -               | -                  | (26,334)   | (16,851)     | (2,211,552)      | (85,188)       |
| Net balance                              | 20,967          | 121                | (25,840)   | (34,909)     | (3,207,961)      | (79,569)       |
| Equivalent in US dollars                 | \$ 21,081       | \$125              | \$(34,601) | \$(22,581)   | \$ (484,373)     | \$(47,755)     |

Based on the balances as at December 31, 2010, a 1% increase/decrease in the exchange rates on that date would have resulted in a decrease/ increase of approximately \$5,681 in earnings before income taxes. There would be no effect in other comprehensive income.

Our cash flows from our operations are exposed to foreign exchange risk, as commodity sales are set in US dollars and a certain amount of our operating expenses are in the currency of the country in which our mining operations take place. We have elected not to actively manage our exposure to currency risk at this time.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. Eldorado's debt is exposed to interest rate risk as it is subject to floating interest rates. As at December 31, 2010 the average interest

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 21. Financial instruments (continued)

rate in Eldorado's debt was 5.94%. A 1% increase or decrease in the interest rate on debt held at December 31, 2010 would result in a \$48 decrease or increase in the Company's after-tax net earnings.

The approximate average interest rate earned by the Company in 2010 on its cash and cash equivalents was 0.51% (2009 – 0.83%). A 1% increase or decrease in the interest earned from financial institutions on deposits and money market investments held at December 31, 2010 would result in a \$28 increase or decrease in the Company's after-tax net earnings.

We have elected not to actively manage our exposure to interest rate risk at this time.

#### *Metal price risk and other price risk*

Eldorado is subject to price risk for fluctuations in the market price of gold and iron ore. Gold and iron ore prices are affected by numerous factors beyond our control, including central bank sales, producer hedging activities, the relative exchange rate of the US dollar with other major currencies, global and regional demand and political and economic conditions.

Worldwide gold and iron ore production levels also affect their prices, and the prices of these metals are occasionally subject to rapid short-term changes due to speculative activities. We have elected not to actively manage our exposure to metal price risk at this time. From time to time, we may use commodity price contracts to manage our exposure to fluctuations in the price of gold and iron ore.

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Eldorado's other price risk includes equity price risk, whereby the Company's investments in marketable securities are subject to market price fluctuation.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances and by using its lines of credit as required. Our treasury department monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities. Contractual maturities relating to debt are included in note 12.

### 22. Segmented information

During the year ended December 31, 2010, Eldorado had five reporting segments. The Brazil reporting segment includes the development activities of Vila Nova, Tocantinzinho and exploration activities in Brazil. The Turkey reporting segment includes the operations of the Kişladağ mine, development activities of the Efemçukuru development project and exploration activities in Turkey. The China reporting segment includes the operations of the Tanjianshan mine, Jinfeng mine, White Mountain mine, the Eastern Dragon development project and exploration activities in China. The Greece reporting segment includes development activities on the Perama Hill development project. The Other reporting segment includes the operations of the Company's corporate office and exploration activities in other countries.



# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## 22. Segmented information (continued)

Interest and other income for the year 2010 of \$1,173 (2009 – \$981) pertaining to the center of domicile are reflected in the “Other” segment of operations.

|                              | 2010           |                  |                |                |              | Total<br>\$      |
|------------------------------|----------------|------------------|----------------|----------------|--------------|------------------|
|                              | Turkey<br>\$   | China<br>\$      | Brazil<br>\$   | Greece<br>\$   | Other<br>\$  |                  |
| Net mining interests         |                |                  |                |                |              |                  |
| Producing properties         | 246,039        | 1,161,968        | -              | -              | -            | 1,408,007        |
| Properties under development | 170,555        | 754,754          | 181,406        | 211,776        | -            | 1,318,491        |
| Iron ore property            | -              | -                | 46,760         | -              | -            | 46,760           |
| Other mining interests       | 11,580         | 5,150            | 245            | -              | 3,489        | 20,464           |
|                              | <u>428,174</u> | <u>1,921,872</u> | <u>228,411</u> | <u>211,776</u> | <u>3,489</u> | <u>2,793,722</u> |
| Goodwill                     | -              | 365,928          | -              | -              | -            | 365,928          |

|                              | 2009           |                  |               |                |              | Total<br>\$      |
|------------------------------|----------------|------------------|---------------|----------------|--------------|------------------|
|                              | Turkey<br>\$   | China<br>\$      | Brazil<br>\$  | Greece<br>\$   | Canada<br>\$ |                  |
| Net mining interests         |                |                  |               |                |              |                  |
| Producing properties         | 196,066        | 1,261,367        | -             | -              | -            | 1,457,433        |
| Properties under development | 96,275         | 715,782          | -             | 209,408        | -            | 1,021,465        |
| Iron ore property            | -              | -                | 47,212        | -              | -            | 47,212           |
| Other mining interests       | 7,214          | 29,405           | 15,544        | -              | 2,543        | 54,706           |
|                              | <u>299,555</u> | <u>2,006,554</u> | <u>62,756</u> | <u>209,408</u> | <u>2,543</u> | <u>2,580,816</u> |
| Goodwill                     | -              | 324,935          | -             | -              | -            | 324,935          |

## Operations

|  | 2010           |                |                |              |                 | Total<br>\$    |
|--|----------------|----------------|----------------|--------------|-----------------|----------------|
|  | Turkey<br>\$   | China<br>\$    | Brazil<br>\$   | Greece<br>\$ | Other<br>\$     |                |
| Revenue                                  |                |                |                |              |                 |                |
| Gold sales                               | 339,151        | 443,699        | -              | -            | -               | 782,850        |
| Iron ore sales                           | -              | -              | 8,325          | -            | -               | 8,325          |
|  | <u>339,151</u> | <u>443,699</u> | <u>8,325</u>   | <u>-</u>     | <u>-</u>        | <u>791,175</u> |
| Expenses except the undernoted           | 102,498        | 212,638        | 7,952          | (2,274)      | 39,293          | 360,107        |
| Depletion, depreciation and amortization | 14,419         | 89,938         | 1,031          | -            | 1,403           | 106,791        |
| Exploration                              | 13,181         | 3,464          | 3,063          | -            | 3,473           | 23,181         |
| Mine standby costs                       | -              | -              | 1,335          | -            | -               | 1,335          |
| Interest and other (income) expense      | (10,271)       | (1,887)        | (8)            | -            | (771)           | (12,937)       |
| Gain on disposal of assets               | -              | (384)          | (206)          | -            | (2)             | (592)          |
|  | <u>219,324</u> | <u>139,930</u> | <u>(4,842)</u> | <u>2,274</u> | <u>(43,396)</u> | <u>313,290</u> |
| Income (loss) before tax                 | 219,324        | 139,930        | (4,842)        | 2,274        | (43,396)        | 313,290        |
| Income tax expense                       | (45,790)       | (43,708)       | -              | -            | (272)           | (89,770)       |
| Non-controlling interest                 | -              | (17,457)       | -              | -            | -               | (17,457)       |
| Net income (loss)                        | <u>173,534</u> | <u>78,765</u>  | <u>(4,842)</u> | <u>2,274</u> | <u>(43,668)</u> | <u>206,063</u> |

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## 22. Segmented information (continued)

### Operations

|  | 2009         |             |              |              |             | Total<br>\$ |
|--|--------------|-------------|--------------|--------------|-------------|-------------|
|  | Turkey<br>\$ | China<br>\$ | Brazil<br>\$ | Greece<br>\$ | Other<br>\$ |             |
| Revenue                                  |              |             |              |              |             |             |
| Gold sales                               | 233,133      | 125,334     | -            | -            | -           | 358,467     |
|  | 233,133      | 125,334     | -            | -            | -           | 358,467     |
| Expenses except the undernoted           | 71,902       | 68,643      | 169          | 519          | 20,221      | 161,454     |
| Depletion, depreciation and amortization | 12,015       | 25,665      | 73           | -            | 905         | 38,658      |
| Exploration                              | 6,074        | 1,001       | 2,284        | -            | 2,611       | 11,970      |
| Mine standby costs                       | -            | -           | 2,580        | -            | -           | 2,580       |
| Interest and other income                | (999)        | (278)       | (2)          | -            | (983)       | (2,262)     |
| Loss (gain) on disposal of assets        | -            | 501         | -            | -            | (1,355)     | (854)       |
| Income (loss) before tax                 | 144,141      | 29,802      | (5,104)      | (519)        | (21,399)    | 146,921     |
| Income tax (expense) recovery            | (29,752)     | (12,362)    | -            | (96)         | 320         | (41,890)    |
| Non-controlling interest                 | -            | (2,627)     | -            | -            | -           | (2,627)     |
| Net income (loss)                        | 114,389      | 14,813      | (5,104)      | (615)        | (21,079)    | 102,404     |

## 23. Differences between Canadian and United States GAAP

These consolidated financial statements have been prepared in accordance with Canadian GAAP.

The material differences between Canadian GAAP and US GAAP affecting the Company are summarized below:

|  | 2010<br>\$ | 2009<br>\$ |
|--|------------|------------|
| <b>Statement of operations</b>   |            |            |
| Net earnings reported under Canadian GAAP                                    | 206,063    | 102,404    |
| Add (deduct) items subject to US GAAP  |            |            |
| Exploration costs (a)  | (8,814)    | (7,768)    |
| Capitalized interest expense (e)   | -          | 228        |
| Depreciation on capitalized interest (e)                                     | (402)      | (418)      |
| Bonus cash award units (f)   | -          | 198        |
| Depreciation related to start-up period (b)                                  | 125        | 225        |
| Loss on fair value of warrants issued on acquisition of Brazauro (i)         | (81)       | -          |
| Transaction costs on Sino Gold acquisition (j)                               | (408)      | (23,602)   |
| Sino Gold step acquisition gains (j)   | -          | 110,644    |
| Depreciation related to recording 100% of fair value of Sino Gold assets (j) | (4,898)    | (304)      |
| Foreign exchange loss on future income taxes increment relating to Sino (j)  | (1,464)    | -          |
| Future income taxes (c)  | (5)        | 343        |
| Non-controlling interest (h)   | 17,457     | 2,627      |
| Net earnings under US GAAP attributable to the Company                       | 207,573    | 184,577    |
| Attributable to non-controlling interest                                     | 12,559     | 2,323      |
| Attributable to common shareholders  | 195,014    | 182,254    |
| Other comprehensive income (loss) for the year under Canadian GAAP           | (1,229)    | 8,198      |
| Add (deduct) items subject to US GAAP:                                       |            |            |
| Pension plans (net of tax) (g)   | (1,805)    | (1,916)    |
| Comprehensive income under US GAAP attributable to the Company               | 191,980    | 188,536    |
| Attributable to non-controlling interest                                     | -          | -          |
| Attributable to common shareholders  | 191,980    | 188,536    |
| Basic and diluted earnings per share - US GAAP                               | 0.36       | 0.47       |

# Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

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

## 23. Differences between Canadian and United States GAAP (continued)

|   | 2010      | 2009      |
|---|-----------|-----------|
|   | \$        | \$        |
| <b>Accumulated other comprehensive income (loss)</b>                        |           |           |
| Balance under Canadian GAAP   | 998       | 2,227     |
| Pension plans (net of tax) (g)  | (6,457)   | (4,652)   |
| Balance under US GAAP   | (5,459)   | (2,425)   |
|   | 2010      | 2009      |
|   | \$        | \$        |
| <b>Assets</b>   |           |           |
| Total assets reported under Canadian GAAP                                   | 3,779,909 | 3,436,108 |
| Exploration costs (a)   | (46,714)  | (37,900)  |
| Future income taxes (c)   | 4,879     | 4,884     |
| Pension plan (g)  | -         | (113)     |
| Depreciation related to start-up period (b)                                 | (876)     | (1,001)   |
| Capitalized interest expense – net (e)                                      | 3,733     | 4,135     |
| Adjust non-controlling interest to fair value on Sino Gold acquisition (j)  | 165,039   | 182,247   |
| Goodwill adjustments related to Sino Gold acquisition (j)                   | 530,232   | 533,411   |
| Deferred financing costs (k)  | 1,406     | 1,743     |
| Total assets under US GAAP  | 4,437,608 | 4,123,514 |
| <b>Liabilities</b>  |           |           |
| Total liabilities reported under Canadian GAAP                              | 776,654   | 769,354   |
| Financial liability of warrants issued on acquisition of Brazauro (i)       | 431       | -         |
| Future income taxes related to Sino Gold acquisition (j)                    | 41,259    | 45,562    |
| Foreign exchange loss on future income taxes increment relating to Sino (j) | 1,464     | -         |
| Pension plans (g)   | 6,457     | 4,539     |
| Deferred financing costs (k)  | 1,406     | 1,743     |
| Total liabilities under US GAAP   | 827,671   | 821,198   |
| <b>Shareholders' equity</b>   |           |           |
| Shareholders' equity reported under Canadian GAAP                           | 2,967,234 | 2,640,610 |
| Cumulative adjustments to shareholders' equity:                             |           |           |
| Exploration costs (a)   | (46,714)  | (37,900)  |
| Future income taxes (c)   | 6,512     | 4,985     |
| Depreciation related to start-up period (b)                                 | (876)     | (1,001)   |
| Accumulated other comprehensive income - pension plans (g)                  | (6,457)   | (4,652)   |
| Financial liability of warrants issued on acquisition of Brazauro (i)       | (431)     | -         |
| Transaction costs on Sino Gold acquisition (j)                              | (24,010)  | (23,602)  |
| Sino Gold step acquisition gains (j)  | 110,644   | 110,644   |
| Share capital (j)   | 400,706   | 400,706   |
| Adjust non-controlling interest to fair value on Sino Gold acquisition (j)  | 165,039   | 182,247   |
| Foreign exchange loss on future income taxes increment relating to Sino (j) | (1,464)   | -         |
| Interest expense capitalized – net (e)                                      | 3,733     | 4,135     |
| Shareholders' equity under US GAAP attributable to Company                  | 3,573,916 | 3,276,162 |
| Non-controlling interest (h)  | 36,021    | 26,144    |
| Total shareholders' equity  | 3,609,937 | 3,302,316 |

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## 23. Differences between Canadian and United States GAAP (continued)

|   | 2010<br>\$ | 2009<br>\$ |
|---|------------|------------|
| <b>Cash flows (used in) generated from:</b>                                       |            |            |
| Operating activities under Canadian GAAP  | 292,075    | 192,042    |
| Exploration costs (a)   | (8,814)    | (7,768)    |
| Transaction costs on Sino Gold acquisition (j)                                    | (408)      | (23,602)   |
| Capitalized interest expense (e)  | -          | 228        |
| Operating activities under US GAAP (l)  | 282,853    | 160,900    |
| Investing activities under Canadian GAAP  | (221,192)  | (13,576)   |
| Exploration costs (a)   | 8,814      | 7,768      |
| Transaction costs on Sino Gold acquisition (j)                                    | 408        | 23,602     |
| Capitalized interest expense (e)  | -          | (228)      |
| Investing activities under US GAAP  | (211,970)  | 17,566     |
| Financing activities under Canadian and US GAAP                                   | (21,908)   | 25,052     |
| Net increase (decrease) in cash and cash equivalents for Canadian and US purposes | 48,975     | 203,518    |
| Cash and cash equivalents – beginning of year                                     | 265,369    | 61,851     |
| Cash and cash equivalents – end of year   | 314,344    | 265,369    |

A description of US GAAP that results in differences from Canadian GAAP is as follows:

(a) *Exploration costs*

Exploration costs are accounted for in accordance with Canadian GAAP as disclosed in note 2(j). For US GAAP purposes, exploration costs relating to unproven mineral properties are expensed as incurred until completion of an economic feasibility study, after which exploration and development costs are capitalized.

A difference in classification on the cash flow also arises as expenditures associated with capitalized exploration costs under Canadian GAAP are treated as an investing activity whereas under US GAAP, such exploration costs are expensed and shown in the operating section of the cash flow statement.

(b) *Deferred start-up costs and revenues*

US GAAP requires that operating profits and losses from newly commissioned operations be recorded at the time the first product is shipped. Canadian GAAP records operating profits and losses from the date commercial production commences. Under Canadian GAAP, deferred start-up costs and revenues are amortized over the life of the project.

(c) *Future income taxes*

Under US GAAP, the Company would record an decrease of \$5 (2009 – increase of \$343) in future income tax recovery related to the reconciliation items described under items (a), (b), (e) and (i) of this note.

(d) *Tax uncertainties*

US GAAP requires that the tax effect(s) of a tax position be recognized only if it is “more-likely-than-not” to be sustained based solely on its technical merits as of the reporting date. The more-likely-

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 23. Differences between Canadian and United States GAAP (continued)

than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit.

As a result of this adoption, the Company did not recognize any further increases or decreases in the liability for unrecognized tax benefits from that recorded under Canadian GAAP. A reconciliation of the beginning and ending amount of the unrecognized tax benefits is as follows:

|   | 2010    | 2009   |
|---|---------|--------|
|   | \$      | \$     |
| Balance at January 1,   | 11,110  | 6,930  |
| Additions based on tax positions related to the current year  | 276     | 87     |
| Reductions based on tax positions related to the current year | -       | (266)  |
| Additions for tax positions of prior years                    | 443     | 1,059  |
| Reductions for tax positions of prior years                   | (2,857) | -      |
| Additions on acquisition of Sino Gold                         | -       | 3,300  |
| Balance at December 31,                                       | 8,972   | 11,110 |

As at December 31, 2010, the Company had \$8,972 unrecognized tax benefits (2009 – \$11,110). If recognized, none of the unrecognized tax benefit would materially affect the effective tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income taxes. During the years ended December 31, 2010 and 2009, the Company recognized approximately \$nil and \$209 in interest and penalties, respectively. The Company had approximately \$209 and \$209 accrual for paying interest and penalties at December 31, 2010 and 2009, respectively.

The Company is subject to taxes in Canada, Brazil, China, Turkey and Australia. The tax years that remain subject to examination as of December 31, 2010 for these jurisdictions are:

|           |                                     |
|-----------|-------------------------------------|
| Canada    | 2001 to the present                 |
| Brazil    | 2006 to the present                 |
| China     | 2008 to the present                 |
| Turkey    | 2006 to the present                 |
| Australia | 2001 – 2002 and 2007 to the present |

#### (e) Interest expense

Under Canadian GAAP, where the Company has secured debt financing to finance the cost of specific projects, interest is capitalized on the related construction and development project until the project begins commercial operation or development ceases, at which time the interest is charged to operations. Under US GAAP, interest is capitalized on an interest avoidance basis. Under this method, regardless of the application of the loan proceeds, any interest incurred is capitalized to the cost of any development or construction project to the extent of the lesser of the interest cost incurred or the amount that can be attributed to the cost of any capital development or construction costs and any uncapitalized interest is charged to operations.

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 23. Differences between Canadian and United States GAAP (continued)

(f) *Bonus cash award units*

Under Canadian GAAP, bonus cash award units are measured at the amount by which the quoted market value of the shares covered by the grant exceeds the option price. US GAAP requires that awards classified as liabilities be measured at fair value at each reporting date. The fair value is estimated using an option pricing model.

(g) *Pension plans*

For US GAAP purposes, the Company is required to report the overfunded net asset or underfunded net liability of its defined benefit pension plans on its consolidated balance sheet. Changes in the funded status are recorded through other comprehensive income. The information set out below should be read in conjunction with the information disclosed under Canadian GAAP requirements for pension plans provided in note 14.

The funded status at the end of the year and the related amounts recognized on the statement of financial position for US GAAP purposes are as follows:

|                                  | 2010               |            | 2009               |            |
|----------------------------------|--------------------|------------|--------------------|------------|
|                                  | Pension Plan<br>\$ | SERP<br>\$ | Pension Plan<br>\$ | SERP<br>\$ |
| Funded status as at December 31, |                    |            |                    |            |
| Fair value of plan assets        | 1,339              | -          | 1,137              | -          |
| Benefit obligations              | 1,660              | 11,872     | 1,263              | 7,652      |
| Funded status                    | (321)              | (11,872)   | (126)              | (7,652)    |

|  | 2010               |            | 2009               |            |
|--|--------------------|------------|--------------------|------------|
|  | Pension Plan<br>\$ | SERP<br>\$ | Pension Plan<br>\$ | SERP<br>\$ |
| Amounts recognized in the balance sheet: |                    |            |                    |            |
| Non-current assets                       | -                  | -          | -                  | -          |
| Current liabilities                      | -                  | -          | -                  | -          |
| Non-current liabilities                  | 321                | 11,872     | 126                | 7,652      |
| Funded status                            | (321)              | (11,872)   | (126)              | (7,652)    |

|   | 2010               |            | 2009               |            |
|---|--------------------|------------|--------------------|------------|
|   | Pension Plan<br>\$ | SERP<br>\$ | Pension Plan<br>\$ | SERP<br>\$ |
| Amounts recognized in other comprehensive income: |                    |            |                    |            |
| Net actuarial loss (gain)                         | 60                 | 4,426      | 17                 | 1,995      |
| Past service cost (credit)                        | 166                | 1,805      | 222                | 2,418      |
| Funded status                                     | 226                | 6,231      | 239                | 4,413      |

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 23. Differences between Canadian and United States GAAP (continued)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2010 are as follows:

|   | 2010<br>\$ | 2009<br>\$ |
|---|------------|------------|
| Accumulated benefit obligation in excess of plan assets |            |            |
| Projected benefit obligation at end of year             | 13,532     | 8,915      |
| Accumulated benefit obligation at end of year           | 12,193     | 7,778      |
| Fair value of plan assets at end of year                | 1,339      | 1,137      |

The Company has \$7,872 in an investment account to fund its SERP obligation. This amount is included in restricted assets and other (note 9).

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2011 are as follows:

|                            | Pension Plan<br>\$ | SERP<br>\$ |
|----------------------------|--------------------|------------|
| Net actuarial loss (gain)  | -                  | 871        |
| Past service cost (credit) | 82                 | 898        |
| Total                      | 82                 | 1,769      |

#### *Pension plan asset information*

##### i. Investment objective and strategies

The investment objectives are to satisfy the plans' financial liabilities, and to achieve the highest long-term investment return that can be obtained within a below average degree of risk.

Target asset allocations for aggregate of the plans' assets, which were established in 2010, are 40% public equity investments and 60% fixed income investments. For tax efficiency, the registered plan assets are invested in fixed income securities.

The investment objectives for the plan assets have been reviewed with regard to the risk tolerance of the Company and characteristics of the plans, and their financial condition.

All assets are externally managed and invested in actively managed pooled funds. Managers are not permitted to invest outside of the asset classes outlined in the written agreements. Investment policies are established to ensure investment managers invest solely within the investment context they have been retained.

Derivatives are permitted investments as efficient substitutes for traditional securities and to manage exposure to risks, in accordance with the investment policies of the investment manager's pooled funds.

##### ii. Significant concentration of risk

Significant concentration of risk in the plans' assets relate to equity, interest rate, and operating risk. In order to increase investment return to satisfy contribution requirements, a portion of plans assets is allocated to equity investments that are expected to earn higher returns with more volatility than fixed

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 23. Differences between Canadian and United States GAAP (continued)

income investments over time. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, industry and market capitalization.

In order to reduce asset volatility relative to the liabilities, a higher portion of the plans' assets is allocated to fixed income investments that are exposed to interest rate risk. Rate increases generally will result in decline in fixed income assets while reducing the present value of liabilities.

Operating risks include the risks of inadequate diversification and weak controls. To mitigate these risks, the external fund manager's investments are diversified across and within asset classes in support of investment objectives. Policies to address operating risks include ongoing manager oversight, investment guideline, and periodic compliance reviews to ensure adherence.

#### iii. Expected long-term rate of return on assets.

The long-term return assumption at year-end 2010 is 6.5% for the plans and was developed based primarily inputs from advisors for long-term capital market returns, inflation, bond yields and other variables, adjusted for specific aspects for our investment strategy. Historical returns were considered where appropriate.

At December 31, 2010, actual one-year annual rate of return on pension plan assets was 6.5% (2009 – 6.8%) for the registered plan and 8.0% (2009 – 15.4%) for the supplemental retirement plan.

#### *Fair value of plan assets*

The fair value of our pension benefits plan assets at December 31, 2010 by asset category is as follows:

|                                      | Balance at<br>December 31,<br>2010 | Level 1 | Level 2 | Level 3 |
|--------------------------------------|------------------------------------|---------|---------|---------|
|                                      | \$                                 | \$      | \$      | \$      |
| <b>Pension Plan</b>                  |                                    |         |         |         |
| <i>Fixed Income</i>                  |                                    |         |         |         |
| Canadian Government                  | 752                                | 752     | -       | -       |
| US Government                        | 77                                 | 77      | -       | -       |
| Corporate Bonds (a)                  |                                    |         |         |         |
| Investment Grade                     | 441                                | 441     | -       | -       |
| High Yield                           | 14                                 | 14      | -       | -       |
|                                      | 1,284                              | 1,284   | -       | -       |
| <i>Cash and Cash Equivalents (b)</i> | 55                                 | 55      | -       | -       |
|                                      | 1,339                              | 1,339   | -       | -       |



# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## 23. Differences between Canadian and United States GAAP (continued)

| SERP                                 | Balance at<br>December 31,<br>2010 | Level 1 | Level 2 | Level 3 |
|--------------------------------------|------------------------------------|---------|---------|---------|
|                                      | \$                                 | \$      | \$      | \$      |
| <i>Equity</i>                        |                                    |         |         |         |
| Canadian Companies                   | 1,610                              | 1,610   | -       | -       |
| U.S. Companies                       | 979                                | 979     | -       | -       |
| International Companies              | 948                                | 948     | -       | -       |
|                                      | 3,537                              | 3,537   | -       | -       |
| <i>Fixed Income</i>                  |                                    |         |         |         |
| Canadian Government                  | 2,355                              | 2,355   | -       | -       |
| US Government                        | 240                                | 240     | -       | -       |
| Corporate Bonds (a)                  |                                    |         |         |         |
| Investment Grade                     | 1,383                              | 1,383   | -       | -       |
| High Yield                           | 42                                 | 42      | -       | -       |
|                                      | 4,020                              | 4,020   | -       | -       |
| <i>Cash and Cash Equivalents (b)</i> | 315                                | 315     | -       | -       |
|                                      | 7,872                              | 7,872   | -       | -       |

(a) "Investment Grade" bonds are those rated Baa3/BBB or higher by at least two rating agencies; "High Yield" bonds are those rated below investment grade.

(b) Primarily short-term investment funds to provide liquidity to plan investment managers.

The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

### (h) *Non-controlling interest*

For US GAAP purposes, non controlling interest, previously referred to as minority interest, should be reported as part of equity in the consolidated financial statements; losses should be allocated to the non controlling interest even when such allocation might result in a deficit balance, reducing the losses attributed to the controlling interest; changes in ownership interests should be treated as equity transactions if control is maintained and, upon a loss of control, any gain or loss on the interest disposed of should be recognized in earnings.

### (i) *Fair value of warrants*

Under Canadian GAAP, share purchase warrants are accounted for as equity and recorded at their historical cost. For US GAAP purposes, Eldorado's share purchase warrants issued as part of the Brazauro acquisition, which are priced in Canadian dollars, must be classified as liabilities at their fair

# Notes to the Consolidated Financial Statements

## December 31, 2010 and 2009

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

### 23. Differences between Canadian and United States GAAP (continued)

value with any resulting gains or losses being included in the calculation of US GAAP earnings. In these circumstances, a loss (gain) would be recorded by the Company when the fair value of the share purchase warrants increases (decreases).

(j) *Business combination*

The Company has accounted for the 2009 acquisition of Sino Gold in accordance with Section 1581 of the CICA Handbook as disclosed in note 4(a). For US GAAP purposes, the Company adopted ASC805 (SFAS No. 141R – Business Combinations). The effect of adopting the new requirements is outlined below with respect to the Sino Gold acquisition. Adoption of the new requirements in 2009 had no effect on prior year numbers.

The following provides an analysis of the significant accounting and disclosure differences between Section 1581 and ASC 805 on the Sino Gold acquisition (refer to note 4(a)):

i. Purchase price allocation

The allocation of the purchase price of the shares of Sino Gold based on final estimates is summarized as follows:

|   | US GAAP          |
|---|------------------|
|   | \$               |
| Final purchase price  |                  |
| 131,772,777 common shares of Eldorado issued as CDIs                | 1,786,842        |
| 4,057,762 common shares of Eldorado issued to GFA                   | 55,026           |
| Fair value of the Sino Gold shares originally acquired in July 2009 | 373,937          |
|   | <u>2,215,805</u> |

Fair value of net assets acquired based on final allocation:

|   | \$               |
|---|------------------|
| Cash  | 77,781           |
| Restricted cash   | 50,000           |
| Accounts receivable and other   | 21,171           |
| Inventory   | 38,791           |
| Mining interests and property, plant and equipment, including value beyond proven and probable reserves | 1,970,948        |
| Goodwill  | 893,922          |
| Accounts payable and accrued liabilities  | (74,737)         |
| Asset retirement obligations  | (19,249)         |
| Debt  | (191,121)        |
| Future income taxes   | (362,279)        |
| Non-controlling interests   | (189,422)        |
|   | <u>2,215,805</u> |

ii. Acquisition consideration and costs

Under existing Canadian GAAP, the value of shares issued in a business combination is determined based on the announcement date. Under US GAAP the value of shares issued in a business combination is determined based on the fair value of the shares at the date of closing. The effect of this difference is to increase share capital by \$400,706 and increase goodwill by a similar amount.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **23. Differences between Canadian and United States GAAP (continued)**

Under Canadian GAAP, step acquisitions are accounted for at original cost subject to equity accounting adjustments. Under US GAAP, acquisitions of equity interests prior to acquisition of control are included in the business combination accounting at fair value at the date of acquisition with any gain or loss being included within the determination of net income. Under US GAAP, net income and goodwill would be higher by \$110,644 in 2009.

Under Canadian GAAP, non-controlling interests are carried at the pro-rata value of the underlying assets and liabilities based on carrying values. Under US GAAP, non-controlling interests at the date of the business combination are recorded at fair value.

Under Canadian GAAP, transaction costs are included as a cost of an acquisition. Under US GAAP, transaction costs, including restructuring costs, are expensed in the statement of earnings. Under US GAAP, expenses would increase and goodwill arising on the business combination would be \$24,010 lower.

### iii. Goodwill

The \$893,922 of goodwill resulting from the acquisition is currently assigned to the China operating segment. The goodwill recognized is attributable primarily to the exposure to sustained increases in gold prices, over the long term price expectations used in the Company's fair value estimates and other factors. None of the goodwill is expected to be deductible for income tax purposes.

### iv. Deferred tax liabilities

The deferred tax liabilities of \$362,279 recognized upon acquisition under US GAAP are related primarily to the difference between the book basis and fair value of identifiable tangible assets.

### v. Pro forma information

The following supplemental pro forma information presents the financial results as if the acquisition of Sino Gold had occurred January 1, 2009 for the year ended December 31, 2009. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition of Sino Gold been completed on January 1, 2009, nor are they indicative of any future results.

Pro forma consolidated results, in thousands except per share date:

|                                     | Year ended<br>2009 |
|-------------------------------------|--------------------|
|                                     | \$                 |
| Revenue – gold sales                | 529,387            |
| Net income                          | (63,327)           |
| Basic net (loss) income per shares  | (0.12)             |
| Diluted net (loss) income per share | (0.12)             |

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Sino Gold to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and mineral interests, had been applied on January 1, 2009, as applicable, together with the consequential tax effects.

# Notes to the Consolidated Financial Statements

**December 31, 2010 and 2009**

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

## **23. Differences between Canadian and United States GAAP** (continued)

### *(k) Deferred financing costs*

Deferred financing costs represent legal, other professional and bank underwriting fees incurred in connection with the issuance of debt. Under Canadian GAAP, unamortized deferred financing costs are included as an offset to debt in liabilities. Under US GAAP such costs are included in assets as a deferred asset. Such fees are amortized over the life of the related debt using the interest method. Amortization of deferred financing costs is included in interest expense, net.

### *(l) Presentation of statement of cash flows*

Under Canadian GAAP, the presentation of the statement of cash flows includes a subtotal in the operating activities section that is not allowed under US GAAP.

### *(m) Adoption of new United States accounting pronouncements*

#### i. Fair value accounting

In January 2010, ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to transfers in and out of level 1 and 2 fair value measurements. The guidance was amended to clarify the level of disaggregation required for assets and liabilities and the disclosures required for inputs and valuation techniques used to measure the fair value of assets and liabilities that fall in either level 2 or level 3. The updated guidance was effective for the Company's fiscal year beginning January 1, 2010. The adoption had no impact on the Company's consolidated balance sheets, statement of operations or cash flows. Refer to note 21 for further details regarding the Company's assets and liabilities measured at fair value.

### *(n) Recently issued accounting pronouncements*

#### i. Business combinations

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance which requires a public entity to disclose pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. The update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The updated guidance is effective for the Company's fiscal year beginning January 1, 2011. The Company is evaluating the potential impact of adopting this guidance on the Company's consolidated financial statements.

#### ii. Fair value accounting

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require enhanced detail in the level 3 reconciliation. The updated guidance is effective for the Company's fiscal year beginning January 1, 2011. The Company expects minimal impact from adopting this guidance.

# Corporate Information

## DIRECTORS

Robert R. Gilmore <sup>(1) (2)</sup>  
Denver, CO, USA  
Non-executive Chairman of the Board  
(Independent Director)

John S. Auston <sup>(2) (4)</sup>  
West Vancouver, BC, Canada  
(Independent Director)

K. Ross Cory <sup>(1) (3)</sup>  
Vancouver, BC, Canada  
(Independent Director)

Geoffrey Handley <sup>(2) (4)</sup>  
Dover Heights, NSW, Australia  
(Independent Director)

Wayne D. Lenton <sup>(2) (4)</sup>  
Tucson, AZ, USA  
(Independent Director)

Jonathan A. Rubenstein <sup>(1) (3)</sup>  
Vancouver, BC, Canada  
(Independent Director)

Donald Shumka <sup>(1) (3)</sup>  
Vancouver, BC, Canada  
(Independent Director)

Paul N. Wright  
Vancouver, BC, Canada  
President & Chief Executive Officer  
Eldorado Gold Corporation

Committees of the Board of Directors  
(1) Audit Committee  
(2) Compensation Committee  
(3) Corporate Governance and Nominating  
Committee  
(4) Environmental, Health & Safety  
Committee

## OFFICERS

Paul N. Wright  
President & Chief Executive Officer

Ed Miu  
Chief Financial Officer

Norman S. Pitcher  
Chief Operating Officer

Dawn L. Moss  
VP, Administration and Corporate Secretary

## SENIOR MANAGEMENT

Dale L. Churcher  
VP, Engineering

Mark LeMessurier  
VP, China Operations

Peter D. Lewis  
VP, Exploration

Eduardo E. Moura  
VP, Corporate Development

Paul J. Skayman  
Senior VP, Operations

Nancy E. Woo  
VP, Investor Relations

## Brazil Operations

Lincoln Silva  
General Manager and Director  
Unamgen Mineração e Metalurgia S/A

## Turkey Operations

David A. Bickford  
Chairman of the Board of Directors and  
General Manager  
Tüprag Metal Madencilik Sanayi ve Ticaret  
Anonim Şirketi

## China Operations

Richard (Shilin) Li  
Managing Director, China

## Greece Operations

George Markopoulos  
General Manager and Director  
Thracean Gold Mining SA

## OFFICES

### Canada

Eldorado Gold Corporation  
Head Office  
1188 Bentall 5  
550 Burrard Street  
Vancouver, BC Canada V6C 2B5  
Tel: 604-687-4018  
Fax: 604-687-4026  
Toll-Free: 1-888-353-8166

### Brazil

Unamgen Mineração e Metalurgia S/A  
Avenida Olegário Maciel,  
1846 - Santo Agostinho  
Belo Horizonte, MG, Brazil  
CEP 30180-112  
Tel: 55-31-2101-3750  
Fax: 55-31-2101-3758

### China

Eldorado Gold Corporation  
Room 1001, West Tower,  
LG Twin Towers  
B-12 Jianguomenwai Avenue,  
Chaoyang District,  
Beijing, China 100022  
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Fax: 86-10-5828-7967

### Turkey

Tüprag Metal Madencilik Sanayi ve  
Ticaret A.S.  
Iran Caddesi  
Turan Emeksiz Sok. No. 1  
06700 Gaziosmanpaşa / Ankara  
Turkey  
Tel: 90-312-468-4536  
Fax: 90-312-468-2646

### Greece

Thracean Gold Mining SA  
27, Omirou Street  
Athens, Greece, 10672  
Tel: 30-210-3633930  
Fax: 30-210-3633383

## LEGAL COUNSEL

Fasken Martineau DuMoulin LLP  
Vancouver, BC, Canada

Dorsey & Whitney LLP  
Denver, CO, USA

## AUDITORS

KPMG LLP  
Chartered Accountants  
Vancouver, BC, Canada

# Shareholder Information

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## **Transfer Agent**

Valiant Trust Company  
600-750 Cambie Street  
Vancouver, BC Canada V6B 0A2  
Shareholder Inquiries Line (Toll-Free): 1-866-313-1872  
Email: [inquiries@valianttrust.com](mailto:inquiries@valianttrust.com)

## *In Australia:*

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Phone: 1 300 554 474 or (02) 8280 7111  
International: +61 2 8280 7111  
Fax: (02) 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## **Stock Exchanges**

The Toronto Stock Exchange  
Stock Symbol: ELD

The New York Stock Exchange  
Stock Symbol: EGO

Australian Securities Exchange  
Stock Symbol: EAU

## **Sources of Shareholder Information**

This Annual Report is one of several sources of information for shareholders of Eldorado Gold Corporation.

Other sources include:

The audited comparative financial statements published annually.

The comparative interim financial statements published quarterly.

The Management Proxy Circular describing the matters to be considered at the Annual Meeting of Shareholders.

The Annual Information Form, Form 40F and other corporate and continuous disclosure documents available on the Company's website, CDS SEDAR website ([www.sedar.com](http://www.sedar.com)), the US Securities and Exchange Commission EDGAR website ([www.edgar-online.com](http://www.edgar-online.com)) and the Australian Securities Exchange website ([www.asx.com.au](http://www.asx.com.au)).

## **Website Address:**

[www.eldoradogold.com](http://www.eldoradogold.com)

## **Investor Relations Email:**

[info@eldoradogold.com](mailto:info@eldoradogold.com)

**NOTICE TO READERS  
(the “Notice”)**

This Notice accompanies, and should be read in conjunction with, the 2010 Annual Report for Eldorado Gold Corporation (the “Annual Report”). The following excerpt was inadvertently omitted from the Annual Report, but was included as an insert to all securityholders of the Company in our April 7, 2011 mailing of the Annual Report and Management Proxy Circular.

**NOTICE TO ALL SECURITYHOLDERS**

Section 303A.11 of the NYSE Listed Company Manual permits foreign private issuers to follow home country practices in lieu of certain provisions of the NYSE Listed Company Manual. A foreign private issuer that follows home country practices in lieu of certain provision of the NYSE Listed Company Manual must disclose any significant ways in which its corporate governance practices differ from those followed by domestic companies. A description of the significant ways in which the Company’s governance practices differ from those followed by domestic companies pursuant to the NYSE Listed Company Manual is available on the Company’s website at [www.eldoradogold.com](http://www.eldoradogold.com).

# Cautionary Notes

## Cautionary Note about Forward-Looking Statements and Information

Certain statements and information in this Annual Report, including all statements that are not historical facts, are forward-looking statements and forward-looking information within the meaning of applicable US and Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to financial disclosure, estimates of future production, cash costs, and future growth, the future price of gold, estimation of mineral reserves and resources and estimates of exploration and development capital expenditures, permitting and our goals and strategies. Often, these statements include words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

With respect to forward-looking statements and information included in this Annual Report, we have made numerous assumptions including among other things, assumptions about the price of gold and other commodities; exchange rates; anticipated costs and expenditures; estimated production, mineral reserves and metallurgical recoveries; the impact of the integration of acquired businesses on our operation, financial position, reserves and resources and gold production; and the ability to achieve our goals. Even though our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statement or information will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements or information. Such risks, uncertainties and other factors include, among other things, the following: gold price volatility; risks of not meeting production and cost targets; discrepancies between actual and estimated production, mineral reserves and resources and metallurgical recoveries; mining operational and development risk; litigation risks; regulatory restrictions, including environmental regulatory restrictions and liability; risks of sovereign investment and operating in foreign countries; currency fluctuations; speculative nature of gold exploration; global economic climate; dilution; share price volatility; risks related to the integration of acquired businesses; ability to complete acquisitions; competition; the speculative nature of gold exploration; ability to obtain financing; environmental risks; share price volatility; community and non-governmental actions; and regulatory risks.

See our Annual Information Form and our quarterly and annual MD&A for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date of this Annual Report except as may be required by law. All forward-looking statements and information made in this document are qualified by this cautionary statement.

## Cautionary Note about Production Outlook, Guidance and Estimates

Readers are cautioned that production outlook, guidance and estimates are subject to a variety of factors that are likely to cause actual results to vary from our estimates, and such variations may be material. Forward-looking information generally involves risks and uncertainties as described above which are, in many instances, beyond our control, including: (i) global economic conditions; (ii) pricing and cost factors; (iii) unanticipated events or changes in current development plans, execution of development plans, future operating results, financial conditions or business over time; and (iv) unfavourable regulatory developments, that could cause actual events and results to vary significantly from those included in or contemplated by such statements. The production outlook, guidance and estimates reflect certain assumptions by us, which assumptions may differ with respect to future events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including, without limitation, a continuation of existing business operations on substantially the same basis as currently exists all of which assumptions are difficult to predict and many of which are beyond our control. Accordingly, there can be no assurance that the outlook, guidance and estimates are indicative of our future performance or that actual results would not differ materially from those in the outlook, guidance and estimates.

## Cautionary Note to US Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource”, “inferred mineral resource” used herein are Canadian mining terms used in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) under the guidelines set out in the Canadian Institute of Mining and Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time. These definitions differ from the definitions in the United States Securities & Exchange Commission (“SEC”) Industry Guide 7. In the United States, a mineral reserve is defined as a part of a mineral deposit which could be economically and legally extracted or produced at the time the mineral reserve determination is made.

While the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource”, and “inferred mineral resource” are recognized and required by Canadian regulations, they are not defined terms under standards in the United States and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained herein concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies in SEC filings. With respect to “indicated mineral resource” and “inferred mineral resource”, there is a great amount of uncertainty as to their existence and a great uncertainty as to their economic and legal feasibility. It can not be assumed that all or any part of an “indicated mineral resource” or “inferred mineral resource” will ever be upgraded to a higher category. Accordingly, information herein containing descriptions of our mineral deposits may not be comparable to similar information made public by US companies subject to the reporting and disclosure requirements under US federal securities laws and the rules and regulations thereunder.





WORLD  
GOLD  
COUNCIL  
MEMBER

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