



Growing the leading global gold producer

Annual Report **2011**

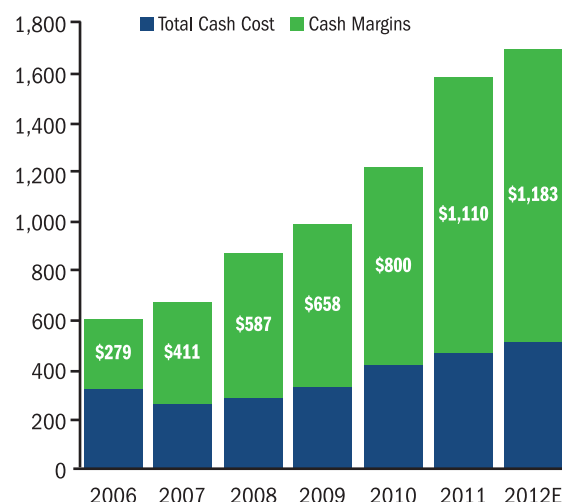
2011 Highlights

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

- Profit attributable to shareholders of the Company increased to \$318.7 million (2010: \$221.0 million)
- Basic earnings per share increased 41% to \$0.58 per share (2010: \$0.41 per share)
- Generated \$502.1 million in cash from operating activities before changes in non-cash working capital – an increase of 40% compared to \$357.9 million in 2010
- Produced 658,652 ounces of gold at a cash operating cost of \$405 per ounce
- Sold gold for an average realized price of \$1,581 per ounce, compared to \$1,223 per ounce in 2010
- Announced an improved formula for semi-annual dividends with additional step-ups as the average realized gold price increases. Dividend attributable to 2011 earnings: CDN\$0.15 (2010: CDN\$0.10)
- Commissioned Efemçukuru, our second gold mine in Turkey. Began mining during the third quarter and shipped approximately 20,000 contained ounces of gold in concentrate to Kışladağ, to be processed at the new concentrate treatment plant
- Continued construction activities at Eastern Dragon in China. Expect commissioning and production to start in the third quarter of 2012
- Prepared our first annual Sustainability Report to comply with the requirements of the Global Reporting Initiative (GRI) guidelines
- Announced the Plan of Arrangement for European Goldfields on December 18, 2011. The transaction closed on February 24, 2012

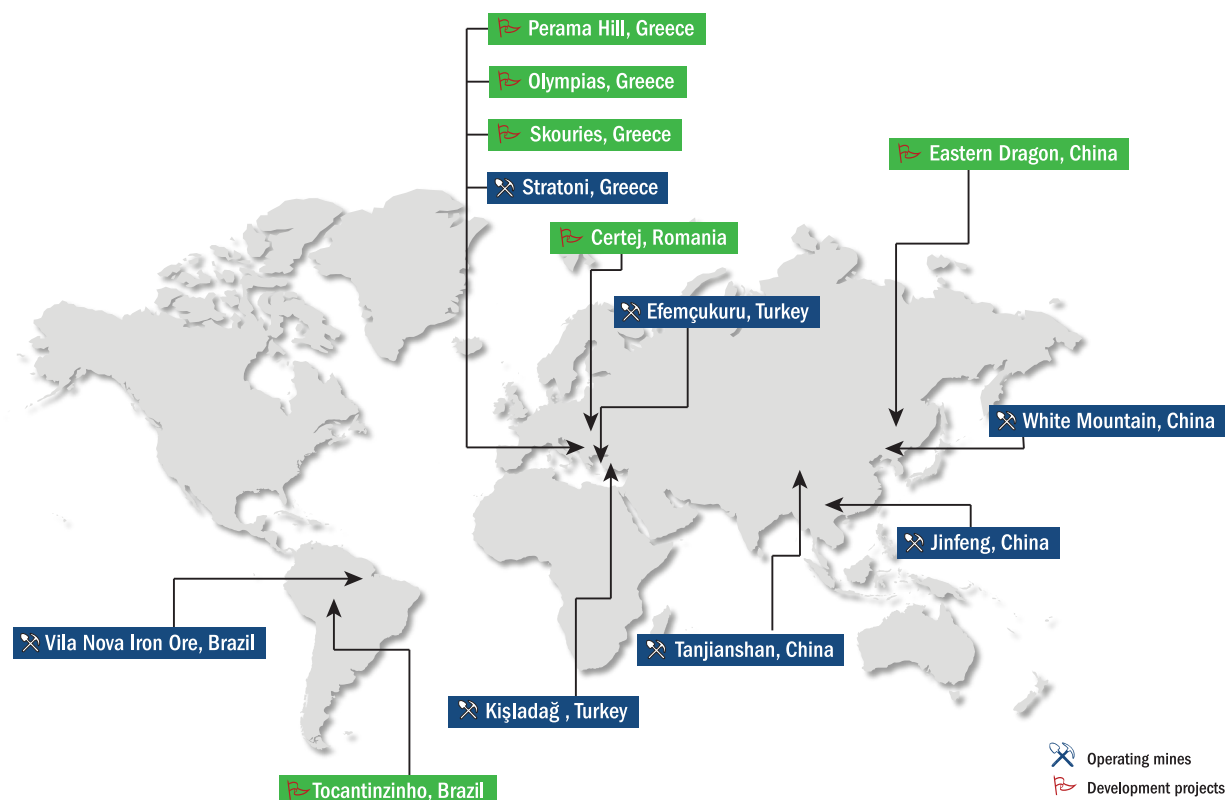
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Where we Operate

Eldorado Gold Corporation is a Canadian international gold producer with seven operating mines, three mines under construction, three development projects and an extensive exploration program. We operate in China, Turkey, Brazil, Greece and Romania. We are one of the lowest-cost gold producers, with young mines, robust margins and a strong balance sheet. We pay a semi-annual dividend based on the ounces of gold sold and the realized gold price and are well positioned to grow as we create and pursue new opportunities in gold and other resources. We expect to produce approximately 1.5 million ounces of gold annually by 2015.



Cover Images



1. Kışladağ
2. Efemçukuru
3. Jinfeng
4. Onsite Safety Meeting, White Mountain
5. Tanjianshan
6. White Mountain
7. Vila Nova iron ore

LETTER TO SHAREHOLDERS

Dear shareholders,

I am pleased to report on another successful year of growth and development for Eldorado. Our achievements were many – the start-up of our mine at Efemçukuru, an expansion at our Kışladağ mine and the acquisition of European Goldfields. In an environment of the strongest gold prices we've seen, Eldorado posted record earnings in 2011. The future also looks bright, and we are anticipating annualized production increases averaging 30% over the next four years, reaching 1.5 million ounces of gold by 2015.

Strong Operating Performance

We were very pleased with the operating performance of our gold mines in Turkey and China in 2011. These assets continue to perform exceptionally well. In 2011, we increased production for the sixth consecutive year to 658,652 ounces of gold at a cash operating cost of \$405 per ounce and a total cash cost of \$472 per ounce. And in Brazil, our iron ore mine marked its first full year of production, performing on target and increasing iron ore revenues by \$48.5 million over 2010.

Our strategic focus on being a low-cost operator of high-quality assets is paying off. In 2011, our per ounce margins increased to 70%, or \$1,110 per ounce of gold, keeping us in the lowest quartile of costs when compared with other gold producers.

With the successful commissioning of Efemçukuru in December 2011, we now operate two gold mines in Turkey. I would like to commend our technical team for bringing this project from initial discovery to an operating mine with expected annual production of 120,000 ounces of gold.

At Kışladağ, we completed our Phase III expansion of the mine, which increased capacity by 25% to 12.5 million tonnes per year. We also announced our plans for a Phase IV expansion that will double production from current levels to 25 million tonnes per year by 2015.

Our three operating mines in China also performed well over the year. At White Mountain, in particular, gold production was 31% higher than in 2010.

We have three existing development projects under way, in Brazil, Greece and China. In 2011, we continued to advance these projects – from submitting the environmental impact assessment for the Tocantinzinho mine in Brazil to significant construction activity at Eastern Dragon in China, which we expect to commission in the third quarter of 2012.

Finally, we are advancing numerous exploration projects in Turkey, China and Brazil.

A Focus on Social Responsibility

Social responsibility is an integral part of our business. We have always worked hard to protect the environment, invest in health and safety programs, develop infrastructure, and improve access to health care and education in the communities where we operate. This year we are publishing our first Sustainability Report to document our work in these areas and set a baseline for marking ongoing improvements.

Some of the highlights of our sustainability initiatives in 2011 include:

- providing over 2,200 man-hours of health, safety and environmental training to our employees and contractors worldwide,
- achieving 566 days without a lost-time incident at our Kışladağ mine in Turkey,
- reporting no significant environmental incidents at any of our operations,
- taking steps to certify our Kışladağ mine to the ISO 14001 standard,
- preparing to become a signatory to the International Cyanide Management Code, and
- being a good corporate neighbour by investing in infrastructure, health care and education in local communities near our operations.

LETTER TO SHAREHOLDERS



Financial Performance

Our solid operating performance translated into strong financial performance, supported by a gold price that remained at historic high levels throughout the year. This resulted in record earnings for Eldorado, with profit attributable to shareholders of the Company of \$318.7 million compared to \$221.0 million in 2010. Cash flow per share increased by 38% to \$0.91 per share, and our earnings per share increased by 41% to \$0.58. We have net cash of \$368.1 million, up 84% from 2010.

With our strong balance sheet, we are able to fund our development and exploration projects and accelerate repayment of debt. We also increased our dividend by 50% in 2011; CDN\$0.15 per share was attributable to 2011 performance.

Growth Ahead

On February 24, 2012, we announced the completion of our acquisition of European Goldfields, a company with 10 million ounces of gold reserves in projects in Greece, Romania and Turkey. With this strategic acquisition, we have significantly increased our gold reserves, making us the leading intermediate gold producer in the world.

There's more growth ahead. With the assets acquired from European Goldfields – one mine and three development projects – and our own mines and development projects, we expect annualized production growth of 30% over the next four years, reaching 1.5 million ounces of gold per year by 2015.

Eldorado is in a superb position going forward. We have a strong balance sheet, a diverse portfolio of high-quality and low-cost projects around the world, and the skills and expertise to deliver on our strategy.

As always, I would like to thank all of our employees worldwide – we would not be where we are today without their significant contributions and remarkable efforts. And I would also once again like to thank our shareholders for their ongoing support as we continue to grow as a quality gold company.

Sincerely,

A handwritten signature in black ink, likely belonging to Paul N. Wright.

Paul N. Wright
President & CEO
Eldorado Gold Corporation
March 21, 2012

Sustainability Report 2011



About this Report

Welcome to Eldorado Gold's first annual Sustainability Report. We are pleased to provide our health, safety, environmental and community performance for the 2011 calendar year.

GRI Reporting

This report includes performance indicators covering our five wholly or majority-owned gold mines, and one wholly owned iron ore mine. This data is as of year-end 2011 and does not include the European Goldfields' assets, which we acquired on February 24, 2012. Many of the performance indicators do not yet apply to our exploration, development and construction projects.

This report has been prepared to comply with the requirements of the Global Reporting Initiative (GRI) G3.1 Guidelines (www.globalreporting.org/resource/library/G3.1-Sustainability-Reporting-Guidelines.pdf). We have assessed this report internally and are confident that it meets the requirements for the GRI Application Level C.

The performance indicators contained in this report reflect issues that are relevant to our operations. The GRI Index and a glossary are found at the end of the report.

Materiality

This Sustainability Report includes information that we believe is material to our stakeholders and operations. Material issues are selected based on their relevance to our Corporate Responsibility

values, and their effects on employees, surrounding communities, investors and other interested parties.

Exclusions

Although our exploration and development projects are not yet at appropriate stages to be included in all aspects of this report, they are incorporated in the discussion and statistics when appropriate. Performance data from our Vancouver head office is not included unless indicated otherwise.

Contact

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Highlights for 2011

Environment

We are in compliance with environmental standards at all of our operations

None of our operations had significant environmental spills (meaning immediate recovery is not possible, there will be an eventual recovery from the effects, or the effects are permanent)

We continue significant reclamation of the waste dump at Kışladağ

Employee Relations

We continue to have excellent employee relations

We had no employee strikes at any of our operations

None of our operations reported incidents of discrimination

Community

Eldorado's operations collectively provided over US\$3 million in charitable donations, medical supplies, school supplies, and infrastructure in 2011

We aim to hire as many employees as possible from each operation's region to support the local economies. 62.2% of our employees worldwide are from the same province or state

We continue our work to create a sustainable, economic vineyard at our Efemçukuru mine

We also support education in the communities around our operations by providing scholarships and internships to local students

Our Stakeholders

We strive to be inclusive when engaging with stakeholders. Our stakeholders include employees, contractors, suppliers, investors, local community members around our operations, all levels of governments in the countries in which we operate and non-governmental organizations (NGOs). We have continuous dialogue with governments, local community members and indigenous peoples. Company employees, contractors and investors also have multiple modes of communication open to them to gain information and voice any potential concerns regarding corruption, environmental effects and safety. Eldorado also maintains a whistle-blowing policy that is open to all stakeholders.

Goals for 2012

Health & Safety

Zero fatalities

Zero lost-time incidents

To continue to improve the safety culture in all countries where we have operations

To improve health, safety and environmental incident prevention through increased communication between all sites by standardizing the software used to collect data

To improve and standardize tracking for non-lost-time incidents (medical aid, first aid and near misses). These will enable us to increase safety awareness and better target potential LTIs

Environment

No significant environmental incidents

To become an International Cyanide Management Code signatory at all of our cyanide-using operations

To become ISO 14001 certified for environmental management at Kışladağ

Communication

To improve transparency by continuing to publish annual sustainability reports as per the GRI guidelines

SUSTAINABILITY REPORT 2011

Employees

Over 4,500 employees and contractors worldwide make Eldorado what it is today. Wherever possible, we hire from local communities. We pay competitive wages and help contribute to building lifelong skills, which provide social and economic benefits to the nearby area.

Number of Employees at 2011 Year-End

Site	Male	Female	Contractors	Total
Efemçukuru	283	19	57	359
Kışladağ	590	29	330	949
Eastern Dragon	71	21	240	332
Jinfeng	717	74	473	1,264
Tanjianshan	375	80	256	711
White Mountain	383	70	439	892
Vila Nova	39	4	258	301
Perama Hill	8	3	–	11
Vancouver	28	16	–	44
Total	2,494	316	2,053	4,863

Annual Employee Turnover

Site	%
Efemçukuru	2.98%
Kışladağ	3.23%
Jinfeng	7.59%
Tanjianshan	13.63%
White Mountain	7.51%
Vila Nova	27.91%
Total	7.59%

Employee turnover is higher at Vila Nova due to the high number of short-term contracts in a region that culturally has a low rate of long-term, full-time positions

Percentage of Employees Covered by Collective Bargaining Agreements (Not Including Contractors)

Site	%
Efemçukuru	0.0%
Kışladağ	75.8%
Jinfeng	100.0%
Tanjianshan	7.5%
White Mountain	100.0%
Vila Nova	100.0%
Total	67.2%

Efemçukuru is currently in the process of formalizing collective bargaining agreements, which are expected to be complete by early 2012.

Average Hours of Training per Employee

Site	Hours
Efemçukuru	140.1
Kışladağ	38.3
Jinfeng	16.6
Tanjianshan	31.8
White Mountain	21.0
Eastern Dragon	40.0
Vila Nova	9.2
Average per employee	38.93

Percentage of Employees Receiving Regular Performance Reviews (Not Including Contractors)

Site	%
Efemçukuru *	2.7%
Kışladağ	69.3%
Jinfeng	100.0%
Tanjianshan	98.0%
White Mountain	89.1%
Eastern Dragon	95.7%
Vila Nova	0.0%
Total	78.6%

* Not representative due to the mine starting up mid-year.

Ratio of Average Entry-Level Wage per Hour to Local Minimum Wage per Hour

Site	Ratio
Efemçukuru	1.3
Kışladağ	2.7
Jinfeng	2.4
Tanjianshan	2.1
White Mountain	1.5
Vila Nova	1.5

Publications

Eldorado employees publish two internal magazines each quarter: one for our Turkish operations and one for our Chinese operations. Each magazine highlights various aspects of the operations, including community initiatives, employee profiles, and various achievements.

Health & Safety

Health and safety is our top priority. When an employee's health is affected or they are injured, the effects extend from the employee to his or her family and community, as well as mine production. We have set ambitious objectives for health and safety standards, and we believe that by continuously improving our training and other safety initiatives, we can achieve a culture of safety with zero fatalities and lost-time incidents (LTIs).

LTIs are any work-related incidents that require an employee to take time off work; the frequency rate (LTIFR) is the number of incidents per million man-hours worked. Occupational diseases result from workplace exposure to a chemical, physical or biological agent; examples include lead poisoning or heatstroke. The lost-day rate is the average number of work days lost per million man-hours worked.

Working Towards our Safety Goals



All lost-time incidents, occupational diseases and fatalities are preventable. We are deeply saddened by the death of a local contractor at our Jinfeng mine

this year due to a rock fall. We have undertaken a rigorous investigation of the accident and are updating our safety procedures to prevent similar incidents. Eldorado's goal remains to have zero fatalities, zero lost-time incidents and zero occupational diseases. In working toward this goal, all reported incidents are investigated, and the findings are shared between operations. Contractors pose an increased safety risk to our operations; to alleviate this risk, Eldorado checks their previous work records and includes them in safety training workshops with our employees.

Safety Key Performance Indicators (Employees and Contractors)

Site	LTIFR	Occupational Diseases	Lost-Day Rate	Fatalities
Efemçukuru	3.08	0	54.2	0
Kışladağ	1.85	0	5.5	0
Jinfeng *	1.49	0	185.9	1
Tanjianshan	1.76	0	18.9	0
White Mountain	2.09	0	24.8	0
Vila Nova	7.00	0	89.7	0

* Without the fatality, Jinfeng's lost-date rate would have been 120.4.



Tocantinzinho employees



Forest fire training, Efemçukuru

Environment

Environmental issues are a key influence in Eldorado's decision-making process. Employees and contractors for each project and operation are required to uphold the highest environmental standards through all stages of exploration, operation and closure. During development, we conduct extensive environmental testing and studies to determine firm baseline data and characteristics for air, water, soil and biodiversity. This becomes part of the Environmental Impact Assessment (EIA). All of Eldorado's mines also have closure plans, which are created as part of the permitting process.

Waste

Most of the mining waste at our operations consists of overburden, waste rock and tailings. When overburden and rock can potentially pose toxicity risks, we carefully plan how and where it is placed. For example, at Kışladağ, sulphide waste is encapsulated within an oxide layer in a designed waste dump. In open pit mines, the topsoil will eventually be used during rehabilitation and decommissioning. It cannot be stored over two metres high or the seeds and active microbes in the soil are no longer viable when the material is placed on stockpiles or dam walls for revegetation. If required, tailings are stored on a lined pad, and during rehabilitation will be covered with soil to prevent any residual toxins from causing harmful environmental effects.



Native plant, White Mountain

Total Amount of Land Used at Each Operation Since Project Inception (Hectares)

Site	Hectares
Efemçukuru	33
Kışladağ	461
Jinfeng	285
Tanjianshan	277
White Mountain	205
Vila Nova	108
Total	1,369

Waste at Each Operation (Tonnes)

Site	Overburden	Rock	Tailings and Sludges
Efemçukuru	0	224,772	102,915
Kışladağ	26,383	18,338,610	0
Jinfeng	0	2,092,372	1,544,965
Tanjianshan	0	2,858,299	1,087,086
White Mountain	0	1,081,022	708,883
Vila Nova	0	1,983,384	82,897
Total	26,383	26,578,459	3,526,746

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Water

Water is emerging as an increasingly important global issue in our world. Eldorado has set goals to assure the quality of discharged water and to recycle water wherever possible. Jinfeng, White Mountain and Efemçukuru all have access to more water than they require, and have treatment plants for the excess water to be discharged. The Kışladağ mine has built a rainwater catchment area as an additional water source.

Surface water is drawn from lakes, rivers and areas where water naturally collects above ground. Groundwater is drawn from wells or from below ground. Rainwater is collected from rainfall in constructed collection areas. Reused water has already been used in operations, processes or offices and is recirculated. None of Eldorado's operations use municipal water.



White Mountain

Water Withdrawn at Each Operation by Source (Cubic Meters)

Site	Surface Water	Groundwater	Rainwater	Reused Water	Total Withdrawn
Efemçukuru	0	158,238	336,029	343,968	158,238
Kışladağ	0	863,386	637,560	16,689,066	863,386
Jinfeng	1,837,785	0	0	2,294,999	1,837,785
Tanjianshan	593,040	0	0	837,516	593,040
White Mountain	0	1,281,046	0	1,944,461	1,281,046
Vila Nova	36,843	18,288	0	1,296,000	55,131
Total	2,467,668	2,320,958	973,589	23,406,010	4,788,626

Water Efficiency (Cubic Metres per Ounce of Gold)

Site	m ³ /oz
Efemçukuru	*
Kışladağ	5.27
Jinfeng	10.34
Tanjianshan	5.16
White Mountain	15.76
Total	7.91

*Efemçukuru is not included due to the mid-year start of production.

ISO 14001

Eldorado's Kışladağ mine is working toward meeting the International Organization for Standardization (ISO) standards for environmental management: ISO 14001. Kışladağ has completed an environmental risk assessment for each workplace area, and has updated standard procedures and forms to meet the ISO requirements. Workforce training is ongoing to increase environmental awareness for all staff, and an internal audit was completed in December 2011. In early 2012, we plan to address any deficiencies found by the internal audit, and we will then apply for an external audit to gain certification. For more information regarding ISO 14001, please visit: www.iso.org/iso/iso_14000_essentials.

Energy

Eldorado's operations are generally located in rural areas that have no access to renewable energy sources such as wind and solar power. Most of Eldorado's direct energy comes from fossil fuels and electricity. We recognize that energy is one of the biggest cost factors for our operations and that how we use it impacts our environment. We continue to look for the most energy-efficient processes and strive to reduce energy requirements at each of our operations.

Direct energy is used by us in the form of gasoline and diesel fuels for on-site equipment, and electricity for power-processing plants and buildings.

Direct Energy Used per Operation (Gigajoules)

Site	GJ
Efemçukuru	46,886
Kışladağ	240,647
Jinfeng	620,059
Tanjianshan	279,555
White Mountain	195,027
Vila Nova	7,976
Total	1,390,150

Energy Efficiency (Gigajoules per Ounce of Gold)

Site	GJ/oz
Efemçukuru	*
Kışladağ	0.85
Jinfeng	3.49
Tanjianshan	2.43
White Mountain	2.40
Total	2.03

*Efemçukuru is not included due to the mid-year start of production.



Materials

Cyanide

Gold generally occurs at concentrations of less than 0.001% (by mass) in ore. As gold is not soluble in water, cyanide is used to dissolve the gold so that it can be removed from the ore.

Close to 1.1 million metric tonnes of hydrogen cyanide are produced globally each year, with only around 6% used in gold mining. Cyanide is used extensively in the nylon and plastics industries, as well as in fire retardants, food processing and cosmetics.

Protective measures are taken at each site to ensure worker and environmental safety. For example, appropriate personal protective equipment must be worn in all areas in which cyanide is in use, and plastic balls cover ponds containing cyanide to deter birds.

The International Cyanide Management Institute (ICMI) developed the Cyanide Code, which outlines best practices for cyanide from production to disposal.

Eldorado has done preliminary audits of its operations and plans to apply for Code certification for all of its cyanide-using mines in 2012. By becoming Code signatories, we aim to ensure that all of our operations are using the world's best practices in regard to cyanide use. For more information regarding the Cyanide Code, please visit: www.cyanidecode.org.

For more information regarding the use of cyanide in mining, please visit: www.gold.org/about_gold/sustainability/environmental.

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Lime

Lime is used in gold mining as an additive to the cyanide solution. This keeps the solution at a safe pH level. Contact with lime can cause irritation to the skin and eyes, and we apply the same safety precautions for lime as we do for cyanide.

Carbon

Activated carbon is used to extract the gold and cyanide compound from slurry. The gold is then stripped from the carbon, which is then recirculated. It does not pose risks to workers.

Hydrochloric Acid

After the gold is stripped from the carbon, diluted hydrochloric acid is used to remove impurities from the carbon before it is reused. Hydrochloric acid is an irritant; personal protective equipment and training are required to protect workers from coming in contact with the acid.

Sulphuric Acid

Sulphuric acid is used at Jinfeng to produce suitable conditions for bacteria to expose the gold contained in sulphide minerals for subsequent leaching. Sulphuric acid is produced at Tanjianshan by converting sulphur dioxide from the gas produced by the roaster, and is sold. This eliminates toxic air emissions that result as a byproduct of roasting. Personal protective equipment, training and stringent procedures are in place for employees who work with sulphuric acid.

Sodium Hydroxide

Sodium hydroxide is used as a pH modifier for stripping gold from carbon and electro-winning. At the Efemçukuru concentrate treatment plant, it is used as the pH modifier for leaching. Sodium hydroxide is an irritant; personal protective equipment and training are required to protect workers from coming in contact with the acid.

Materials Used at Each Operation (Tonnes)

Site	Cyanide	Lime	Carbon	Hydrochloric Acid	Sulphuric Acid	Sodium Hydroxide
Efemçukuru	0	14	0	0	1	0
Kışladağ	5,050	63,742	69	474	0	1,598
Jinfeng	1,256	19,426	28	178	4,428	177
Tanjianshan	572	3,589	6	94	72,000*	29
White Mountain	925	1,845	26	104	0	674
Total	7,803	88,616	129	850	4,429	2,478

*Sulphuric acid is produced at Tanjianshan and sold. It is not included in the total sulphuric acid used.

Community

Eldorado strives to maintain strong relations with its neighbours to earn and keep the social licence to operate in a given area. We seek to improve the standard of living through added economic activity in local areas, increased job availability, added infrastructure, enhanced medical and educational services, and by teaching skills to improve employability. Eldorado's sites practise transparency by communicating with nearby communities about mine activities.



Disputes Relating to Land Use, Customary Rights of Local Communities, and Indigenous Peoples

Site	Disputes
Efemçukuru	0
Kışladağ	0
Jinfeng	6
Tanjianshan	0
White Mountain	0
Vila Nova	2
Total	8

Land Use Disputes

At Jinfeng, four separate road blockages were staged relating to land compensation and compensation for flood damage; all were resolved. Another dispute was raised over land encroachment by a contractor, and settlements are ongoing. There was also a dispute between local villagers and the county government over land compensation and water supply concerns. It began with road blockages at Jinfeng, and resulted in a temporary shutdown of underground production and processing. The government resolved the dispute with the villagers as it is responsible for land compensation payments.

At Vila Nova, there were two disputes with settlers in the mine area regarding compensation for previous improvements. In 2011, we reached an agreement with one of the settlers; negotiations with the second are ongoing.

Human Rights

Eldorado holds itself to the highest human rights standards. China is considered at risk for forced and child labour, and Eldorado has set in place practices to prevent the use of forced or child labour at any of our operations. As the top reason of forced and child labour is poverty, Eldorado is committed to increasing direct and indirect economic contributions to local areas around all of our operations to reduce the need for forced or child labour.

Economic Contribution

Local communities are benefiting from job, health and safety skills development, which will create employment opportunities well beyond the life of the mine. For example, Eldorado has provided training to community members employed in Efemçukuru's vineyard and agricultural project to provide income for future generations.



Local farmer near Kışladağ

Eldorado's direct economic contribution to local communities is extensive through:

- wages to local employees,
- charitable donations, and
- taxes and royalties to governments.

In 2010, Tüprag, Eldorado's wholly owned subsidiary operating Kışladağ and Efemçukuru, was ranked the 30th highest corporate taxpayer in Turkey.

Engagement & Communication

Eldorado begins its formal communication with local communities during the pre-mining stage, when we conduct a social impact assessment. We continue to meet with locals to inform them about the mine, and to determine what initiatives would best serve the community's needs. Regional students, teachers and government officials frequently tour our operations to gain a better understanding of our practices to keep workers, the environment and surrounding communities safe.

Number of Households Resettled at Each Operation Since Project Inception

Site	Number
Efemçukuru	0
Kışladağ	12
Jinfeng	50
Tanjianshan	0
White Mountain	37
Vila Nova	0
Total	99

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Community Initiatives

Efemçukuru

The village of Efemçukuru is located two kilometres south of our newest gold mine in Turkey. As part of our commitment to the communities we operate in, we are excited to help create a new sustainable industry in the region: wine production.

The area's climate is ideal for grape cultivation, and locals have been growing table grapes for many years. We have retained experts who have suggested that the region's conditions are also suitable for wine production. We have made a multi-year commitment to work in partnership with the local community and to provide resources to diversify land use. Following the purchase of land surrounding the mine, we employed villagers to cultivate the soil. Initially, the villagers planted 2.5 hectares with Cabernet Sauvignon, Merlot and Chardonnay vines.

In phase two of the project, the villagers will plant an additional 2.5 hectares with Pinot Noir, Chardonnay and Sauvignon Blanc vines. In a few years, the project is expected to produce 40 tonnes of white and 25 tonnes of red wine.

Kışladağ

Kışladağ has multiple ongoing programs to improve the livelihood of locals living around the mine site. Many improvements focus on infrastructure such as paving roads and constructing water supply pipelines, sewage systems and buildings.

We fund scholarships, donate buildings and supplies, and make charitable donations to teachers and students in the area, in addition to granting internships to mining students. Many teachers, students, local villagers and government members visit the site to learn about the industry.

Eldorado funded a public health bus for the province of Uşak in 2004. The bus continues to travel around the province providing immunizations, basic medical check-ups, eye exams and x-rays to villagers: generally the elderly, women and children.

"We were quite satisfied with the interest and attention shown by the company staff. They are perfect in terms of occupational safety and sensitivity to the environment. I would like to thank the company for its economic support to the surrounding villages and districts of Uşak, and I wish health and happiness." – Celal Korkmaz, Teacher

Jinfeng

Jinfeng has established a strong community development program, providing funds, training and supplies to improve the local education systems, infrastructure and health care. Jinfeng routinely sends its International SOS (ISOS) Clinic staff to surrounding communities to provide free check-ups, x-rays and medicine.

Jinfeng has also provided relief to communities affected by natural disasters. Money and essential items were donated to victims of a large fire in Lihuai village, and water was supplied to multiple villages for drought relief.

Jinfeng also supports the local economies through hiring practices. For example,

38% of employees come from the local villages, the local community is given priority for small contracts (valued at US\$15,700 or less and that do not require specific expertise), and casual labour is always hired from the local communities.

Jinfeng has entered a cooperation program for community development with the Zhenfeng County Government, the first program of its kind in China. It includes:

inspection and guidance from the Provincial Safety Bureau,
updates and project information provided to governments via newsletters and monthly reports, and enhanced by periodic visits,
government assistance in promoting awareness and support for the mine,
government assistance in providing power to the area and paving the mine access road, and
a county work group.

Tanjianshan

Tanjianshan is in a very remote and isolated area of China. While there are no local communities surrounding it, we still make an effort to improve the communities throughout the province, despite the mine not having a direct impact on them. Each year, Eldorado sets aside US\$200,000 for donation to charity projects in the Qinghai province. This is part of a five-year charity agreement with the provincial government.

Tanjianshan's community initiatives are focused on education and medical improvements. We have donated money, school supplies, uniforms and computers, and have granted scholarships to students in the province. We upgraded the Mahai Village Medical Clinic and supplied medical equipment and training for the staff.

In addition, we have donated food, water, cash, and other essential items to families in the province affected by natural disasters. After the 2010 Qinghai Yushu earthquake, employees were encouraged to donate money for aid. The total sum collected was matched by the mine, in addition to the initial US\$100,000 cash donation.

White Mountain

White Mountain is located seven kilometres from the town of Baishan. Eldorado staff work closely with all levels of government in the area, who recognize the mine as a model operation. Government members frequently tour the mine site to monitor environmental and safety standards, speak with staff and stay up to date with the operation.

Before we began mining, a community had to be relocated. White Mountain built a modern 37-home village for the community families. Residents from this and other local villages are given priority for employment, as well as for purchasing and project contracts.

White Mountain also has community development projects to improve education and provide water supply to nearby towns, road access from major cities to the mine and surrounding areas, and medical care.

We have also undertaken an agricultural project to create sustainable income for villagers beyond the life of the mine. We completed construction of five greenhouses in November, and engaged local university professors to select fruit and vegetable varieties. In the spring, a team of local villagers will be taught greenhouse farming skills, and the greenhouses will be given to their team to plant and harvest crops.

Monetary Amount of Charitable Donations and Community Development Spending in 2011, by Site

Site	Donations (US \$1,000)
Efemçukuru	557.4
Kışladağ	1,270.3
Jinfeng	801.1
Tanjianshan	134.3
White Mountain	327.6
Vila Nova	355.3
Total	3,446.0

Free, Prior and Informed Consent



Free, Prior and Informed Consent (FPIC) is a United Nations set of guidelines outlining the rights of locals and Indigenous Peoples. It is summarized by the UN as "information about and consultation on any proposed initiative and its likely impacts, with meaningful participation of indigenous peoples and representative institutions." "Free" means without coercion, and "prior" means having sufficient time to allow for information-gathering and discussion before a project starts. A project can only begin once the process is fully completed and an agreement has been reached. Stakeholders participate throughout all stages of the project life cycle.

Eldorado Gold is committed to following the principles of Free, Prior and Informed Consent, and we are beginning to introduce it at all of our sites. At Jinfeng, for example, a community relations team meets with the village elders to keep them informed and to give them an opportunity for input on project plans. These meetings began prior to any construction. At White Mountain, cooperation meetings are held between the government, university, community and mine staff. In addition to matters pertaining to the mine, discussions also include the local villages' agriculture and livestock, and White Mountain's greenhouse project. Eldorado's Beijing office plans to implement cooperation programs based on this model at each of Eldorado's Chinese operations. Jinfeng has already begun to coordinate similar meetings with the local Shaping township government.

In Turkey, senior mine executives meet with locals in their traditional tea houses and discuss plans for the mines. Like the Chinese meetings, the plans are not limited to the mines: Eldorado staff use these opportunities to hear locals' concerns about their infrastructure, labour, education and medical systems.

GLOSSARY

Absenteeism Rate

The absenteeism rate is the average number of days taken off work per employee, including sick time and personal leave. The absenteeism rate does not include paid vacation time.

Artisanal Mining

Artisanal mining is small-scale, generally individual or family-run mining. Generally, artisanal mining is labour-intensive, with minimal capital expenditures, safety standards, and access to markets.

Collective Bargaining Agreements

Collective bargaining agreements are between the company and workers' organizations, such as trade unions.

Continuous Improvement (CI)

Eldorado's Jinfeng mine created the CI program, which has now been instituted at White Mountain. It is based on soliciting employee improvement suggestions, and reviewing and implementing these. A significant part of this program is focused on using employees' ideas to improve safety practices.

Direct and Indirect Energy

Direct energy is used by the company in fuel for on-site equipment and electricity for power processing and other direct applications. Indirect energy is the energy associated with business travel, product transportation and other applications where energy is not immediately consumed by the company.

Discharged Water

Discharged water is used by a mine, and is then collected, treated and released back into a water body.

Endemic Diseases

Endemic diseases are those that occur frequently in a given area, such as malaria in Brazil.

Environmental Impact Assessment (EIA)

An EIA is a study done on an intended project area in the pre-construction phase as part of the permitting process. The EIA extensively covers many environmental aspects, such as air, water, and dust quality, and flora and fauna in the area. This data is used throughout the mine life and rehabilitation to gauge the effect of the mine and the remedial measures on the environment.

Free, Prior and Informed Consent (FPIC)

FPIC is a set of United Nations guidelines outlining the rights of locals and indigenous peoples. It promotes the rights of locals to have input regarding

plans in all life-cycle stages, in a timely manner and free from coercion.

Garimpeiros

Garimpeiros are artisanal miners in Brazil.

Global Reporting Initiative (GRI)

The GRI is a widely used voluntary framework that seeks to improve transparency through sustainability reporting. The first set of guidelines was released in 2000; the current version is G3.1.

Groundwater

Groundwater is collected from underground sources, including wells and water pumped from underground mines.

Incidents of Discrimination

Eldorado defines incidents of discrimination as any treatment of a person in an unethical matter. It can include the promotion or denial of promotion or benefits for reasons other than personal merit, or the harassment of employees due to cultural differences.

International Cyanide Management Institute (ICMI) and International Cyanide Management Code (ICMC)

The ICMC covers best practices for managing cyanide in all stages of its life cycle, created specifically by the ICMI for the gold mining industry. Companies can become signatory as a company, or on a mine-by-mine basis.

International Organization for Standardization (ISO); ISO 14001

ISO 14001 is a set of voluntary standards for environmental management best practices.

International SOS (ISOS) Clinic

ISOS is an organization providing medical and emergency care that meets international standards for expatriates. ISOS operates clinics at each of our Chinese operations.

Lost-Day Rate

The lost-day rate is the number of employee workdays lost due to LTIs per million man-hours worked.

Lost-Time Incidents (LTIs)

LTIs are workplace accidents in which employees sustain injuries that result in an inability to work.

Lost-Time Incident Frequency Rate (LTIFR)

The LTIFR is the number of lost-time incidents per million man-hours worked.

Municipal Water

Municipal water is drawn from a municipal source. Eldorado does not use municipal water at any of its operations.

Occupational Diseases

Occupational diseases are illnesses caused by workplace exposure to physical, chemical or mental agents. For example, occupational diseases can include stress-related diseases, illness due to prolonged proximity to toxic chemicals or heatstroke.

Overburden

Overburden is the waste rock stripped from an open pit mine above the ore body.

Rainwater

Rainwater is collected in specific catchment areas and used for various tasks. It does not include rainfall into leach pads and pregnant ponds.

Recycled and Reused Water

Recycled and reused water has been used in a task and is being re-circulated for use in other tasks. Recycled water has been treated before recirculation; reused water is not treated. We have reported recycled and reused water collectively as reused water.

Significant Environmental Spill

Eldorado defines a significant environmental spill as one that cannot be readily contained and remedied. A significant spill has medium- to long-term or permanent environmental effects.

Social Impact Assessments (SIAs)

SIAs are done in conjunction with environmental impact assessments prior to beginning construction in an area as part of the permitting process. Potentially affected communities are surveyed to determine the effects the mine could have on the local residents. Considerations include the population, current labour situation, local concerns and risk assessment.

Surface Water

Surface water is collected from any naturally occurring above-ground water source, such as oceans, lakes, rivers, and streams.

Tailings and Sludges

Tailings and sludges are waste residue that result from ore processing.

Waste Rock

Waste rock is material that is mined and stripped from the ore.

Withdrawn Water

Withdrawn water is the cumulative amount used from external sources. This includes surface, ground, rain and municipal water. Water efficiency is calculated from withdrawn water.

MINERAL RESERVES AND RESOURCES

As of December 31, 2011

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)
Gold							
Kışladağ							
Proven	114,955	0.91	3,368	Measured	121,590	0.88	3,436
Probable	344,915	0.64	7,148	Indicated	458,270	0.59	8,619
Proven+Probable	459,870	0.71	10,516	M+I	579,860	0.65	12,055
				Inferred	380,760	0.40	4,921
Efemçukuru							
Proven	1,016	12.42	406	Measured	1,122	13.68	494
Probable	4,007	8.30	1,069	Indicated	4,304	8.50	1,177
Proven+Probable	5,023	9.13	1,475	M+I	5,426	9.57	1,670
				Inferred	2,524	5.96	484
Perama							
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
Tanjianshan							
Proven	4,299	3.19	441	Measured	5,373	2.94	509
Probable	1,229	3.07	121	Indicated	3,820	2.52	309
Proven+Probable	5,528	3.16	562	M+I	9,193	2.77	818
				Inferred	3,137	3.50	353
Jinfeng							
Proven	8,671	3.74	1,043	Measured	12,119	3.59	1,397
Probable	8,661	3.75	1,045	Indicated	13,126	3.46	1,459
Proven+Probable	17,332	3.75	2,088	M+I	25,245	3.52	2,856
				Inferred	10,630	3.18	1,086
White Mountain							
Proven	3,776	3.70	449	Measured	4,892	3.62	569
Probable	2,072	3.65	243	Indicated	2,868	3.23	297
Proven+Probable	5,848	3.68	692	M+I	7,760	3.47	866
				Inferred	4,907	5.22	824
Eastern Dragon							
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

Continued on next page.

MINERAL RESERVES AND RESOURCES

As of December 31, 2011

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)
Gold continued							
Tocantinzinho							
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
Total Gold							
Proven	153,766	1.45	7,150	Measured	168,737	1.47	7,971
Probable	401,672	0.92	11,897	Indicated	544,920	0.85	14,923
Proven+Probable	555,438	1.07	19,047	M+I	713,657	1.00	22,893
				Inferred	419,874	0.63	8,559
Iron	Mineral Reserves				Mineral Reserves		
	Tonnes (x1000)	Grade Fe %			Tonnes (x1000)	Grade Fe %	
Vila Nova							
Proven	2,338	63.4	Measured		2,338	63.4	
Probable	6,603	60.0	Indicated		7,295	60.9	
Proven+Probable	8,941	60.9	M+I		9,633	61.5	
			Inferred		2,022	61.2	

Notes on Mineral Resources and Reserves:

1. Mineral reserves and mineral resources are as of December 31, 2011.
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 \$1250/oz, except for the Eastern Dragon and Tocantinzinho projects, which used \$1000/oz and the Efemçukuru mine which used \$825/oz.
2. Cut-off grades (gold g/t): Kışladağ: 0.20 g/t oxide, 0.31 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, 1.5 g/t 323 Pit; Jinfeng: 0.8 g/t open pit, 2.3 g/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., Manager, Mining for the Company, is responsible for the Kışladağ, Tanjianshan, Jinfeng open pit and Perama reserves; Norm Pitcher, P.Geo., Chief Operating Officer for the Company, is responsible for the Jinfeng underground, White Mountain, Eastern Dragon and Efemçukuru reserves; Sean Gregersen, P.Eng., Business Development Manager for the Company, is responsible for the Tocantinzinho 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): Kışladağ: 0.25 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., Director, Technical Services for the Company, is responsible for the Kışladağ, Efemçukuru, Perama, Tanjianshan, Tocantinzinho, Jinfeng, White Mountain and Eastern Dragon resources. Roberto Costa, principal of Roberto Costa Engenharia Ltda, is responsible for the Vila Nova iron resources.

GOLD PRODUCTION HIGHLIGHTS

	First Quarter 2011	Second Quarter 2011	Third Quarter 2011	Fourth Quarter 2011	Fourth Quarter 2010	2011	2010
Gold Production							
Ounces Sold	148,530	162,164	179,513	168,712	149,022	658,919	639,949
Ounces Produced	148,577	162,429	179,195	168,451	148,374	658,652	632,539
Cash Operating Cost (\$/oz) ^{1,3}	410	397	397	418	418	405	382
Total Cash Cost (\$/oz) ^{2,3}	462	477	463	486	460	472	423
Realized Price (\$/oz – sold)	1,397	1,510	1,700	1,686	1,373	1,581	1,223
Kışladağ Mine, Turkey							
Ounces Sold	50,832	66,392	87,121	80,572	59,741	284,917	279,025
Ounces Produced	50,833	66,688	86,788	80,339	59,815	284,648	274,592
Tonnes to Pad	2,341,635	3,194,051	3,520,220	3,374,541	2,021,057	12,430,447	10,372,719
Grade (grams/tonne)	1.04	0.92	0.90	0.97	1.00	0.95	1.06
Cash Operating Cost (\$/oz) ³	386	389	377	353	382	374	329
Total Cash Cost (\$/oz) ^{2,3}	408	411	401	379	354	398	339
Tanjianshan Mine, China							
Ounces Sold	28,493	31,977	26,935	27,564	30,710	114,969	116,765
Ounces Produced	28,493	31,977	26,935	27,567	30,710	114,972	113,864
Tonnes Milled	238,070	264,698	218,330	284,138	244,867	1,005,236	1,049,952
Grade (grams/tonne)	3.90	4.23	4.25	3.56	4.59	3.96	4.19
Cash Operating Cost (\$/oz) ³	402	343	353	415	349	377	383
Total Cash Cost (\$/oz) ^{2,3}	515	596	541	616	459	567	485
Jinfeng Mine, China							
Ounces Sold	48,518	46,381	44,187	38,672	38,282	177,758	182,026
Ounces Produced	48,564	46,350	44,202	38,641	37,560	177,757	181,950
Tonnes Milled	384,400	397,987	379,352	383,226	387,710	1,544,965	1,557,199
Grade (grams/tonne)	4.32	4.05	4.26	3.63	3.81	4.06	4.24
Cash Operating Cost (\$/oz) ³	430	401	424	525	486	442	425
Total Cash Cost (\$/oz) ^{2,3}	482	457	509	596	585	507	480
White Mountain Mine, China							
Ounces Sold	20,687	17,414	21,270	21,904	20,289	81,275	62,133
Ounces Produced	20,687	17,414	21,270	21,904	20,289	81,275	62,133
Tonnes Milled	140,211	192,558	191,157	184,956	169,669	708,882	622,418
Grade (grams/tonne)	5.71	3.71	4.15	4.29	4.06	4.37	3.98
Cash Operating Cost (\$/oz) ³	438	518	475	472	498	474	487
Total Cash Cost (\$/oz) ^{2,3}	475	564	519	519	536	517	522

¹ Cost figures calculated in accordance with the Gold Institute Standard.

² Cash operating costs, plus royalties and the cost of off-site administration.

³ Cash operating costs and total cash costs are non-IFRS measures. See the section "Non-IFRS Measures" of this annual report.

Financial Review



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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2011

Throughout this MD&A, *Eldorado*, *we*, *us*, *our* and *the Company* mean Eldorado Gold Corporation.

This year means 2011. All dollar amounts are in United States dollars unless stated otherwise.

The information in this MD&A is as of February 23, 2012. You should also read our audited consolidated financial statements for the year ended December 31, 2011. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements for the year ended December 31, 2011 are the Company's first set of consolidated financial statements prepared in accordance with IFRS and IFRS 1 "First-Time Adoption of IFRS" has been applied. We 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.

About Eldorado

Based in Vancouver, Canada, Eldorado owns and operates mines around the world. Its activities involve all facets of the 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%)
- Efemçukuru, in Turkey (100%)

Development gold projects:

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

Iron ore mine:

- Vila Nova, in Brazil (100%)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2011 highlights, corporate developments

Gold production increased 4% (658,652 ounces – 2011; 632,539 ounces – 2010).

Gold revenues increased 33% (\$1,042.1 million – 2011; \$782.8 million – 2010).

Basic earnings per share increased 41% (\$0.58 per share – 2011; \$0.41 per share – 2010).

Cash generated from operating activities before changes in non-cash working capital increased 40% (\$502.1 million – 2011; \$357.9 million – 2010). This is a non-IFRS measure. See page 38 for more information.

Paid dividends totalling CDN\$0.11 per share compared to CDN\$0.05 per share in 2010.

Paid down debt of \$92.4 million.

Efemçukuru completed start up of operations during which it produced concentrate containing approximately 20,000 contained ounces of gold.

The Company announced the results of a positive NI 43-101 compliant Technical Report for **Tocantinzinho**.

The Company completed **Kışladağ's Phase III expansion** which increased productive capacity at the mine by 25%, and announced the results of a study validating its intention to further double the mine capacity by the third quarter of 2014.

Corporate developments – acquisitions and financings

Completion of Revolving Credit Facility

On October 12, 2011 the Company entered into a \$280.0 million revolving credit facility with HSBC and a syndicate of four other banks (see page 40 for details related to the revolving credit facility).

Acquisition of European Goldfields Limited

On December 18, 2011 the Company announced that it had entered into a definitive agreement (the "Arrangement Agreement") with European Goldfields Limited ("European Goldfields") (TSX: EGU, AIM: EGU) pursuant to which Eldorado agreed to acquire all of the issued and outstanding common shares of European Goldfields by way of a plan of arrangement (the "Arrangement") under the *Yukon Business Corporations Act*.

European Goldfields is a precious metals development company with attributable gold reserves of 9.2 million ounces and multi-stage assets located in Greece, Romania and Turkey. The company currently operates the 95% owned Stratoni mine in Greece and is developing the 95% owned Skouries and Olympias projects in Greece and the 80.1% owned Certej project in Romania.

Under the Arrangement, shareholders of European Goldfields will receive 0.85 Eldorado shares and CDN\$0.0001 in cash per European Goldfields share (the "Exchange Ratio"). Each outstanding option of European Goldfields shall be exchanged for options of Eldorado that will entitle the holder to receive, upon the exercise thereof, Eldorado shares based upon the Exchange Ratio and otherwise on the same terms and conditions as in the original European Goldfields option. The total transaction value is approximately CDN\$2.4 billion.

The acquisition is estimated to result in an increase in the Company's mineral interest of \$2.6 billion, an increase in goodwill of \$427.5 million, an increase in deferred income taxes of \$477.7 million, and an increase in non-controlling interest of \$144.8 million. These preliminary numbers are based on the September 30, 2011 interim balance sheet figures of European Goldfields and the Company's share price on February 23, 2012 and are subject to change upon finalization of the purchase price allocation.

The acquisition is expected to have a minimal impact on the financial performance of the Company in 2012, with the exception of the recognition of approximately \$26.0 million in estimated transaction costs, which are immediately expensed under IFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2011 highlights, corporate developments *continued*

Aside from the transaction costs mentioned above, the major impacts of the acquisition on the Company's cash flows for the upcoming year are still to be determined as a result of development decisions to be made at a later date.

The shareholders of both Eldorado and European Goldfields approved the transaction on February 21, 2012 and court approval was obtained on February 22, 2012.

Investments in exploration companies

During 2011 Eldorado invested in the following exploration companies:

In September 2011 Eldorado entered into a share purchase agreement with Kopy Goldfields AB ("Kopy"), a company listed on the NASDAQ OMX First North exchange in Stockholm, Sweden, and acquired 1,700,000 ordinary shares of Kopy for \$2.5 million. The Company acquired an additional 1,000,000 ordinary shares of Kopy for \$1.8 million in October 2011 for a total investment of 2,700,000 ordinary shares. This represents a 28.9% interest in Kopy. Kopy holds seven exploration licences totalling 255 km² located in the Lena Goldfields north of Bodaibo in the Irkutsk Region of Russia.

In December 2011, Eldorado acquired 44,595,920 ordinary shares of Glory Resources Limited ("Glory") (ASX: GLY) for \$11.2 million. This represents a 19.9% interest in Glory. Glory acquired the Sappes Gold Project ("Sappes") in north-eastern Greece in December 2011.

Summarized Annual Financial Results

(\$ millions except as noted)	2011	2010	2009 ¹
Revenues ²	\$1,098.9	\$791.2	\$358.5
Gold sold (ounces)	658,919	639,949	360,226
Average realized gold price (\$/ounce)	\$1,581	\$1,223	\$995
Average London spot gold price (\$/ounce)	\$1,572	\$1,225	\$972
Earnings from gold mining operations ³	\$610.8	\$400.7	\$188.2
Profit attributable to shareholders of the Company	\$318.7	\$221.0	\$102.4
Earnings per share attributable to shareholders of the Company – Basic (\$/share)	\$0.58	\$0.41	\$0.26
Earnings per share attributable to shareholders of the Company – Diluted (\$/share)	\$0.58	\$0.40	\$0.26
Dividends paid – (CDN\$/share)	\$0.11	\$0.05	–
Cash flow from operating activities before changes in non-cash working capital ⁴	\$502.1	\$357.9	\$147.0
Cash and cash equivalents	\$393.8	\$314.3	\$265.4
Total Assets	\$3,960.4	\$3,685.4	\$3,436.1
Total long-term financial liabilities ⁵	\$63.2	\$113.4	\$161.1

¹Financial results prepared in accordance with CGAAP.

²Revenues include proceeds from the sale of iron ore produced by Vila Nova in the amount of \$56.8 million in 2011 (\$8.3 million – 2010; \$nil – 2009).

³Earnings from gold mining operations represent gross revenues less production costs and depreciation, depletion and amortization. This is a non-IFRS measure. Please see page 38 for discussion of non-IFRS measures.

⁴Cash flow from operating activities before changes in non-cash working capital is a non-IFRS measure. Please see page 38 for discussion of non-IFRS measures.

⁵Includes long-term debt net of deferred financing costs, defined benefit plans, and asset retirement obligations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Review of Annual Financial Results

Profit attributable to shareholders of the Company for the year ended December 31, 2011 increased to \$318.7 million, or \$0.58 per share, compared to \$221.0 million, or \$0.41 per share in 2010. The following main factors impacted our profit for the year as compared to 2010:

Gold revenues increased \$259.2 million, or 33% due to a 29% increase in the average realized gold price and a 3% increase in gold sales volume, while iron ore revenues increased \$48.5 million reflecting the first full year of Vila Nova production;

Production costs increased \$68.5 million, or 25% due to a full year of production costs at Vila Nova (\$30.3 million – 2011, \$4.3 million – 2010), higher operating costs at Kışladağ, and higher production taxes at Tanjianshan and Jinfeng related to changes in laws governing mining taxation;

Depreciation and amortization increased \$15.3 million, or 14% mainly as a result of an increase in the depreciation rate at Jinfeng due to a reduction in reserves, higher depreciation at White Mountain related to higher sales volume, and higher depreciation at Vila Nova due to a full year of operation (\$4.7 million – 2011, \$1.0 million – 2010);

Exploration expenses increased \$8.3 million due to an increase in the Company's worldwide exploration activities;

General and administrative expenses increased \$14.3 million, or 32% mainly as a result of the \$11.3 million special bonus awarded to senior management in the first quarter of 2011;

Income tax expense increased \$78.6 million or 90% due to: 1) higher taxable income; 2) withholding taxes paid on dividends from the Company's Turkish subsidiary, Tuprag; and 3) the impact of the weakening of the Turkish lira on the Company's tax asset base in Turkey. The effective tax rate increased from 27% to 32% year over year as a result of the impacts of items 2 and 3 discussed above.

Summarized Quarterly Financial Results

2011 (\$ millions except as noted)	Q1	Q2	Q3	Q4	2011 Total
Revenues	\$218.1	\$251.4	\$326.1	\$303.3	\$1,098.9
Gold sold (ounces)	148,530	162,164	179,513	168,712	658,919
Average realized gold price (\$/ounce)	\$1,397	\$1,510	\$1,700	\$1,686	\$1,581
Earnings from gold mining operations ¹	\$107.8	\$137.6	\$193.2	\$172.2	\$610.8
Profit attributable to shareholders of the Company	\$52.5	\$74.9	\$102.5	\$88.8	\$318.7
Earnings per share attributable to shareholders of the Company – Basic (\$/share)	\$0.10	\$0.14	\$0.19	\$0.16	\$0.58
Earnings per share attributable to shareholders of the Company – Diluted (\$/share)	\$0.10	\$0.14	\$0.19	\$0.16	\$0.58
Dividends paid– (CDN\$/share)	\$0.05	–	\$0.06	–	\$0.11
Cash flow from operating activities before changes in non-cash working capital	\$91.7	\$115.7	\$159.7	\$135.0	\$502.1

Continued on next page.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summarized Quarterly Financial Results *continued*

2010 (\$ millions except as noted)	Q1	Q2	Q3	Q4	2010 Total
Revenues ²	\$181.5	\$206.4	\$190.3	\$213.0	\$791.2
Gold sold (ounces)	163,446	172,826	154,655	149,022	639,949
Average realized gold price (\$/ounce)	\$1,110	\$1,195	\$1,231	\$1,373	\$1,223
Earnings from gold mining operations ¹	\$91.8	\$105.0	\$94.5	\$109.4	\$400.7
Profit attributable to shareholders of the Company	\$50.5	\$55.7	\$69.6	\$45.2	\$221.0
Earnings per share attributable to shareholders of the Company – Basic (\$/share)	\$0.09	\$0.10	\$0.13	\$0.08	\$0.41
Earnings per share attributable to shareholders of the Company – Diluted (\$/share)	\$0.09	\$0.10	\$0.13	\$0.08	\$0.40
Dividends paid– (CDN\$/share)	–	\$0.05	–	–	\$0.05
Cash flow from operating activities before changes in non-cash working capital ³	\$80.9	\$87.4	\$101.4	\$88.2	\$357.9

¹Earnings from gold mining operations represent gross revenues less production costs and depreciation, depletion and amortization. This is a non-IFRS measure.

²Revenues in Q4 include \$8.3 million in iron ore sales.

³Cash flow from operating activities before changes in non-cash working capital is a non-IFRS measure. Please see page 38 for discussion of non-IFRS measures.

Review of Quarterly Results

Profit attributable to shareholders of the Company for the quarter ended December 31, 2011 increased to \$88.8 million, or \$0.16 per share, compared to \$45.2 million, or \$0.08 per share for the same period in 2010. The following main factors impacted our profit as compared to the profit for the quarter ended December 31, 2010:

Gold revenues increased \$79.8 million, or 39% due to a 23% increase in the average realized gold price and a 13% increase in gold sales volume, while iron ore revenues increased \$10.6 million reflecting increased sales prices and volumes of iron ore. Vila Nova started up operations during the fourth quarter of 2010;

Production costs increased \$22.0 million, or 30% due to a full quarter of production costs at Vila Nova (\$12.4 million – 2011, \$4.2 million – 2010), higher gold sales volumes, higher operating costs at Kışladağ, and higher production taxes at Tanjianshan and Jinfeng related to changes in laws governing mining taxation;

Depreciation and amortization increased \$4.5 million, or 17% mainly as a result of an increase in the depreciation rate at Jinfeng due to a reduction in reserves and higher sales volume at Vila Nova;

Exploration expenses increased \$3.9 million due to an increase in the Company's worldwide exploration activities;

General and administrative expenses decreased \$3.7 million, or 22% mainly as a result of a one-time charge of \$3.3 million recorded in the fourth quarter of 2010 related to withholding taxes on employee options in China;

Income tax expense increased \$16.8 million or 59% due to higher taxable income. The effective tax rate decreased from 36% to 32% quarter over quarter as a result of the greater impact of the weakening of the Turkish lira on the Company's tax asset base in the last quarter of 2010 as compared to 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations highlights, outlook, and annual updates

Operating highlights and outlook¹

	2010	2011	2012 outlook ³
Total			
Gold ounces produced	632,539	658,652	730,000 to 775,000
Cash operating costs (\$ per ounce) ¹	382	405	430 to 450
Capital expenditure (\$ millions)	184.2	241.9	335.0
Kışladağ			
Gold ounces produced	274,592	284,648	285,000 to 295,000
Cash operating costs (\$ per ounce) ¹	329	374	385 to 395
Capital expenditure (\$ millions)	54.9	53.1	175.0
Tanjianshan			
Gold ounces produced	113,864	114,972	100,000 to 110,000
Cash operating costs (\$ per ounce) ¹	383	377	445 to 460
Capital expenditure (\$ millions)	17.1	8.9	10.0
Jinfeng			
Gold ounces produced	181,950	177,757	120,000 to 125,000
Cash operating costs (\$ per ounce) ¹	425	442	675 to 695
Capital expenditure (\$ millions)	15.1	32.2	50.0
White Mountain			
Gold ounces produced	62,133	81,275	75,000 to 80,000
Cash operating costs (\$ per ounce) ¹	487	474	535 to 550
Capital expenditure (\$ millions)	16.4	17.2	15.0
Efemçukuru			
Gold ounces produced	n/a	n/a	125,000 to 135,000
Cash operating costs (\$ per ounce) ¹	n/a	n/a	330 to 350
Capital expenditure (\$ millions)	69.0	103.8	30.0
Eastern Dragon			
Gold ounces produced	n/a	n/a	25,000 to 30,000
Cash operating costs (\$ per ounce) ^{1,2}	n/a	n/a	65 to 80
Capital expenditure (\$ millions)	10.9	24.3	45.0
Vila Nova			
Iron ore tonnes produced	182,808	537,958	560,000 to 600,000
Cash operating costs (\$ per tonne sold) ¹	41	64	65 to 75
Capital expenditure (\$ millions)	0.8	2.4	10.0

¹ Cash operating costs is a non-IFRS measure. See page 38 for more information.

² Eastern Dragon cash operating costs are net of silver by-product credits.

³ Outlook uses the following assumptions:

		Exchange Rates
Gold price:	\$1,700 per ounce	RMB vs USD 6.20
Iron ore price:	\$100 per tonne	Euro vs USD 1.40
Silver price:	\$35 per ounce	YTL vs USD 1.70
Oil price:	\$100 per barrel	Real vs USD 1.60

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Annual updates – Operations

Kışladağ

Operating Data	2011	2010
Tonnes placed on pad	12,430,447	10,372,719
Average treated head grade (g/t)	0.95	1.06
Gold (ounces)		
Produced	284,648	274,592
Sold	284,917	279,025
Cash operating costs (per ounce)	\$374	\$329
Total cash costs (per ounce)	\$398	\$339
Financial Data (millions)		
Revenues	\$455.3	\$339.1
Depreciation and Depletion	\$11.0	\$14.1
Earnings from Operations	\$327.2	\$226.9
Expenditure on Mining Interests	\$53.1	\$54.9

Gold production for 2011 of 284,648 ounces was 4%, or 10,056 ounces higher than 2010. Total tonnes placed on the leach pad per quarter increased after the first quarter of 2011 as a result of the completion of the Phase III upgrade of the crushing circuit to 12.5 million tonnes per year. The increase in quarterly gold production due to higher throughput was partially offset by lower grade ore placed on the leach pad as compared with 2010.

Gold inventory levels on the leach pad decreased by 38,940 ounces in 2011 as a result of intermediate leaching, begun in 2010. During 2011 a study was completed confirming the Company's expectation that the average recovery rate of all sulphide ore placed on the leach pad was higher than the feasibility study rate of 60% used in the leach pad inventory estimates since the mine began production. As a result, an adjustment was made to increase the estimated recoverable ounces remaining on the leach pad by 19,495 ounces using an average recovery rate of 62% for all sulphide ore.

The combination of higher operating costs and lower grade resulted in a higher average cash operating cost per ounce compared with 2010. Operating costs were higher than 2010 due to higher electricity, reagent, and maintenance costs associated with the higher throughput.

Capital expenditures at Kışladağ in 2011 included costs related to the completion of the Phase III crushing and screening circuit expansion as well as capitalized waste stripping and ongoing sustaining capital.

In 2011 a study was completed validating the Company's intention to double the mine capacity by the third quarter of 2014 to 25.0 million tonnes per year as a result of Kışladağ's increasing reserves. The expansion would include construction of additional process facilities as well as expansions to the leach pad and waste dumps to handle the higher plant throughput as well as an average of 8.0 million tonnes per year of low grade ore that would be transported directly from the pit to a dedicated run-of-mine (ROM) leach pad. Equipment sizing in the mining fleet would be increased to accommodate the additional ore and waste handling. Subject to receipt of required government permits, completion of the expansion is anticipated by the third quarter of 2014, at an estimated capital cost of \$354.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Tanjianshan

Operating Data	Total 2011	Total 2010
Tonnes Milled	1,005,236	1,049,952
Average Treated Head Grade (g/t)	3.96	4.19
Average Recovery Rate	82.1%	80.9%
Gold (ounces)		
Produced	114,972	113,864
Sold	114,969	116,765
Cash operating costs (per ounce)	\$377	\$383
Total cash costs (per ounce)	\$567	\$485
Financial Data (millions)		
Revenues	\$181.0	\$144.0
Depreciation and Depletion	\$30.0	\$25.5
Earnings from Operations	\$84.6	\$59.6
Expenditure on Mining Interests	\$8.9	\$17.1

Gold production for 2011 of 114,972 ounces was 1%, or 1,108 ounces higher than 2010 while tonnes milled and grade were lower than 2010 respectively. Extra tanks were installed during 2011 to increase the retention time of part of the leach circuit, which in turn improved the average recovery rate year over year from 80.9% to 82.1%. Additionally, flotation concentrate produced in prior years from ore mined from the Qinlongtan pit between 2007 and 2008 was added to the roaster feed; and, "scats", or partially milled "reject" stockpile material reclaimed by using a specialized crusher was added to the flotation circuits. These two stockpiled materials were responsible for approximately 10,000 ounces of extra production.

For the year, cash operating costs per ounce were 1.6% or \$6 per ounce lower than 2010 reflecting higher silver credits as a result of higher silver prices as compared with 2010. Total cash costs per ounce in 2011 were 17% higher than 2010 mainly due to the effect of higher gold prices on royalties, and the imposition of a new tax (ecological compensation fee) levied at a rate of 40RMB per tonne mined.

Capital expenditures for the year included process plant upgrades, capitalized exploration costs and sustaining capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Jinfeng

Operating Data	Total 2011	Total 2010
Tonnes Milled	1,544,965	1,557,199
Average Treated Head Grade (g/t)	4.06	4.24
Average Recovery Rate	87.3%	86.4%
Gold (ounces)		
Produced	177,757	181,950
Sold	177,758	182,026
Cash operating costs (per ounce)	\$442	\$425
Total cash costs (per ounce)	\$507	\$480
Financial Data (millions)		
Revenues	\$277.9	\$222.0
Depreciation and Depletion	\$50.0	\$45.4
Earnings from Operations	\$137.8	\$88.3
Expenditure on Mining Interests	\$32.2	\$15.1

Gold production for 2011 of 177,757 ounces was 2%, or 4,193 ounces lower than 2010. This was mainly due to lower throughput and head grade. These two were partially offset by an improvement in recovery. Recovery was reduced in the fourth quarter of 2011 as increasing amounts of low grade stockpiled material were fed to the plant due to the completion of mining of the current phase of the open pit.

Cash Costs were 4% higher in 2011 or \$17 per ounce reflecting the impact of the decrease in treated head grade and the slightly lower throughput. Total cash costs increased 6% due to the effect of higher gold prices on royalties and production taxes.

A total of 689,737 tonnes of ore was mined from the open pit in 2011 (2010 - 1,432,278 tonnes). Mining of the open pit stopped in the second quarter pending completion of the acquisition of land required for a planned cutback. It is expected that the land purchase will be completed in 2012. A total of 494,422 tonnes of ore was mined from the underground (2010 - 405,015 tonnes). Additionally, a total of 360,806 tonnes of stockpiled ore was fed to the plant.

Capital expenditures for the year included capitalized underground development, process plant upgrades and sustaining capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

White Mountain

Operating Data	Total 2011	Total 2010
Tonnes Milled	708,882	622,418
Average Treated Head Grade (g/t)	4.37	3.98
Average Recovery Rate	81.8%	77.5%
Gold (ounces)		
Produced	81,275	62,133
Sold	81,275	62,133
Cash operating costs (per ounce)	\$474	\$487
Total cash costs (per ounce)	\$517	\$522
Financial Data (millions)		
Revenues	\$127.8	\$77.8
Depreciation and Depletion	\$24.2	\$19.0
Earnings from Operations	\$61.3	\$25.9
Expenditure on Mining Interests	\$17.2	\$16.4

Gold production for 2011 of 81,275 ounces was 31%, or 19,142 ounces higher than 2010 due to higher throughput and average grade, as well as increased recovery rates. The increase in tonnes was due to an increase in underground working faces as a result of increased mine development. Recovery at White Mountain is a function of the ore type that is being treated. Approximately 15% of the current orebody is sulphide material and recoveries are significantly lower in this material. During 2011, a caustic pre-treatment system was commissioned that provides significantly better recoveries in the sulphide material and slightly better recoveries in the oxide material. The system was commissioned in the fourth quarter.

Cash operating costs per ounce were 3% lower in 2011 or \$13 per ounce as the effect of the increase in head grade and recovery rates was partially offset by higher stope development and backfill costs.

Capital expenditures for the year included capitalized underground development, construction of the caustic pre-treatment facility and sustaining capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Efemçukuru

Operating Data	Total 2011	Total 2010
Tonnes Milled	112,612	–
Average Treated Head Grade (g/t)	8.21	–
Average Recovery Rate (to Concentrate)	89.5%	–
Gold (ounces)		
Produced	–	–
Sold	–	–
Average Realized Gold Price		
Cash operating costs (per ounce)	–	–
Total cash costs (per ounce)	–	–
Financial Data (millions)		
Revenues	–	–
Depreciation and Depletion	–	–
Earnings from Operations	–	–
Expenditure on Mining Interests	\$103.8	\$69.0

Efemçukuru began commissioning operations in June 2011 and treated 112,612 tonnes of ore at 8.21 g/t by year end. The operation encountered a number of challenges during commissioning that delayed the transition to commercial production until December 2011.

Mining operations were impacted by voids encountered as a result of unanticipated prior mine workings. The mine development plan was modified and accelerated during the second half of the year to develop extra working areas to increase ore production.

During commissioning of the processing facilities at Efemçukuru modifications were made to the tailings handling systems to reach design capacity. Approximately 20,000 ounces of contained gold in concentrate was produced during the year and shipped to Kışladağ for treatment at a plant constructed in the second half of 2011 to process Efemçukuru concentrate. The Kışladağ plant began commissioning at the end of 2011 and is expected to treat the concentrate accumulated during commissioning along with normal production so that no stockpile remains at the end of 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Vila Nova

Operating Data	Total 2011	Total 2010
Tonnes Processed	623,684	213,705
Iron Ore Produced	537,958	182,808
Average Grade (% Fe)	63.9%	64.1%
Iron Ore Tonnes		
Sold	473,387	89,074
Average Realized Iron Ore Price	\$120	\$94
Cash Costs (per tonne produced)	\$64	\$46
Financial Data (millions)		
Revenues	\$56.9	\$8.3
Depreciation and Depletion	\$4.6	\$1.0
Earnings from Operations	\$21.8	\$3.0
Expenditure on Mining Interests	\$2.4	\$0.8

Vila Nova produced 537,958 wet metric tonnes of iron ore at an average grade of 63.9% Fe during 2011. A total of 473,387 dry metric tonnes of iron ore in the form of lump and sinter feed was all sold on the spot market during 2011 at an average price of \$120 per dry metric tonne. The project commenced operations in 2010 but only recorded sales of iron ore during the fourth quarter of 2010 as a result of production and shipping difficulties. Production during 2011 reflected a full year of production and matched Company production targets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Annual updates – Development projects

Tocantinzinho

A total of \$3.4 million was spent on engineering and permitting activities related to completion of a positive prefeasibility study for Tocantinzinho in 2011. The study was based on a 4.4 million tonne per year open pit operation using a combination of flotation and cyanide leach to recover gold from the granite hosted orebody. Capital costs are estimated at \$383.5 million, including the infrastructure required to support the project. The average production rate is projected to be 159,000 ounces per year at an average cash cost of \$559/ounce.

In addition to the work carried out on the engineering studies, preparations were completed for the Environmental Impact Assessment (EIA) study, which was submitted to the state government in July 2011. Processing of the EIA application within the Brazilian government was delayed during the year due to a jurisdictional dispute between the state and federal governments over responsibility for permitting in the project area. By year end the jurisdictional dispute was resolved in favour of the state government.

Perama Hill

During 2011 the Company worked closely with the Greek government to advance the processing of the Preliminary Environmental Impact Assessment study (PEIA). Progress was made during the year to move the permitting process forward with the recognition of Perama Hill as a key development project by the government. The Company received PEIA approval in February 2012, and plans to submit the EIA report during 2012 to address outstanding technical issues, followed by an application to begin construction of the mine. The Company's public relations efforts continued during 2011, with a focus on maintaining and strengthening relations with the local villages as well developing relations with the local and state politicians. Capital expenditures totalling \$2.9 million included costs related to engineering and permitting activities, public relations activities and project management.

Eastern Dragon

A total of \$24.3 million was spent on construction at the Eastern Dragon project in 2011. During the year site buildings were enclosed and major mechanical and electrical phases of the plant were completed. In November construction was suspended pending receipt of permitting required to complete development of the mine. This includes construction on the tailings handling and storage facilities as well as the open pit and rock dump areas which are now scheduled for completion in 2012, corresponding with final completion of construction and commissioning of the plant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Annual updates – Exploration

A total of \$56.9 million was spent on exploration activities during 2011, including \$26.1 million in capitalized exploration costs. Exploration drilling in 2011 totalled approximately 120,000 metres at seventeen exploration projects in Turkey, China, Brazil, and Nevada.

Turkey

Kışladağ

At Kışladağ, over 10,700 metres of diamond drilling were completed in 2011. The drilling focused on planned infrastructure sites for the Phase IV expansion, areas along the periphery of the known deposit, and previously untested conceptual targets. No significant new zones of mineralization were intersected.

Comprehensive soil sampling and a three dimensional induced polarization survey were completed over an area of approximately 20 square kilometres surrounding the deposit, extending the existing survey data that were collected early in the exploration history of the deposit. Results of these programs are being integrated with lithological, alteration, and structural data to define drill targets for potential satellite ore bodies to be tested during 2012.

Efemçukuru

At Efemçukuru, approximately 9,500 metres of exploration drilling were completed during the year on the Kestane Beleni Northwest Extension and the Kokarpinar vein targets. The Kestane Beleni Northwest Extension target underlies a strong gold-in-soil anomaly along strike from the North, Middle, and South ore shoot resources. The 2011 drilling tested this target area over a strike length of approximately 750 metres to a depth of about 250 metres, and identified a new shallow zone of gold mineralization that remains open downdip. At the Kokarpinar vein, gold values were reported in four out of six drillholes targeting previously untested segments of the vein along strike from and below ore-grade surface samples.

Reconnaissance programs

Drilling campaigns were completed in 2011 at the AS gold-copper porphyry prospect (760 metres), the Malatya-Hasancelebi IOCG prospect (1,500 metres), the Sayacik porphyry Au prospect (1,770 metres), and the Sizma sediment-hosted gold prospect (3,450 metres). Multiple targets were tested at the AS, Sayacik, and MH projects, but results failed to improve on those from previous drilling campaigns; no further work is planned for these projects. At the Sizma project, the 2011 drilling program outlined a tabular, stratiform zone of anomalous to low-grade gold mineralization within a foliated sandstone/siltstone/mudstone sequence.

Mapping, geochemical sampling, and magnetic survey programs were completed during 2011 at early-stage projects in the Pontide Belt (Dolek and Sebin projects) and at the Atalan project in western Turkey. This work has defined drill targets at all of these projects, which will be tested during 2012.

China

Tanjianshan

The 2011 exploration program at Tanjianshan focused on resource conversion of the 323 Deposit, with approximately 10,300 metres drilled. The drilling confirmed and expanded the previously defined mineralized zones, and will support application for a mining license covering the deposit. Drilling was also completed at the Qinlongtan deeps and Zhongxinshang targets, and reconnaissance sampling and mapping programs were completed in the several areas of the Tanjianshan exploration licences.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Jinfeng

During 2011, drilling was completed on exploration targets in the Jinfeng district at the Jinluo, Qiaojiang, Da'ao, and Jinfeng 42 licence areas, and at the Jinfeng mine proper. Minesite drilling included surface and underground programs that targeted step-outs along the known major mineralized fault zones (F2, F3, F6), infilled gaps in the existing resource model, and tested conceptual targets developed during the year through a detailed reinterpretation of structural controls on mineralization. This program is ongoing, and is supported by positive results to date.

Exploration elsewhere in the district tested soil and outcrop geochemical anomalies associated with mineralized fault zones for Jinfeng-style mineralization (Jinluo, Qiaojiang, Jinfeng 42 licence areas), and broad antiformal folds for stratiform mineralization similar to that present at the nearby Shuiyindong gold deposit (Da'ao licence). The best results were obtained from mineralized fault zones at the Qiaojiang licence area and at the Weiruo prospect in the Jinluo licence areas.

White Mountain

Infill and stepout drilling of the White Mountain deposit was completed during the year from both surface and underground drill stations. The surface drilling program expanded the deep ore lens discovered in late 2010 at the northern end of the deposit with two new high grade intercepts. Underground exploration drilling was successful in filling in gaps in the existing resource, and targeted areas of Inferred Resources along the margins of the main deposit.

Elsewhere in the White Mountain district, drilling was completed at the Xiaoshiren and Zhenzhumen prospects. Both prospects represent similar structural/stratigraphic settings to that characterizing the White Mountain deposit. At Xiaoshiren, 4,500 metres of drilling tested targets along strike and down dip from high-grade surface trenches and 2010 drillhole intersections. At the previously undrilled Zhenzhumen prospect, one of the four drillholes completed (1,300 metres total) intersected a high grade, near-surface baritic breccia zone that is texturally and mineralogically similar to the White Mountain orebody, yet occurs at a deeper stratigraphic level.

Eastern Dragon

No significant exploration activities were conducted during 2011 at the Eastern Dragon project.

Brazil

Tocantinzinho

At the Tocantinzinho project, the 2011 exploration program tested targets peripheral to the known deposit defined by soil geochemistry surveys, geophysical surveys (induced polarization, magnetic), and surface exposures of mineralized material. Grid-based auger drilling was employed to further define targets within broad gold-in-soil anomalies prior to drilling. Approximately 17,500 metres were drilled during the year. The best gold intercepts in the program consisted of narrow but high grade zones associated with fault zones or quartz+sulphide veins. Along the Tocantinzinho Trend southeast of the deposit and beneath garimpo workings south of the deposit. Also in 2011, existing soil surveys were extended into areas west, east, and north of the main deposit. The surveys identified several new targets to be tested in 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reconnaissance

At the Agua Branca project, 1,532 metres of drilling tested targets at the Carlinho and Camarao Hill zones. At Camarao Hill, drillhole AB46 intersected an interval of 154 metres grading 1.1 g/t Au and extended known mineralization 250 metres to the northeast of previous drilling. Based on the results of this drillhole and the exploration potential of the surrounding area, Eldorado exercised its option to earn 100% of the Agua Branca project through a \$1.9 million payment to the owner.

West of Tocantinzinho at the Piranhas project, exploration activities completed in 2011 included extending the existing area of soil sampling, and employing grid-based auger drilling to define diamond drilling targets within a broad gold-in-soil anomaly.

Nevada

At the Buffalo Canyon project, reverse circulation and diamond drilling completed in 2011 (3,700 metres) targeted several different styles of mineralization exposed at surface. No significant mineralization was intersected, and Eldorado's option on the project was dropped.

Non-IFRS measures

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

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

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

Cash operating cost

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

\$ millions (except for gold ounces sold and per ounce amounts)	2011	2010
Production costs – excluding Vila Nova (from consolidated income statements)	316.2	273.7
Less:		
By-product credits	(5.2)	(2.8)
Total cash cost	311.0	270.9
Less:		
Royalty expense and production taxes	(43.9)	(26.7)
Cash operating cost	267.1	244.2
Gold ounces sold	658,919	639,949
Total cash cost per ounce	472	423
Cash operating cost per ounce	405	382

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Non-IFRS measures *continued*

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 IFRS.

Financial condition

Operating activities before changes in non-cash working capital generated \$502.1 million in cash this year, compared to \$357.9 million in 2010.

Capital expenditures

We invested \$272.8 million in capital expenditures, mine development, mining licences and other assets this year.

Mine development and capitalized exploration expenditures totalled \$146.1 million:

- \$103.8 million at Efemçukuru
- \$24.3 million at Eastern Dragon
- \$15.1 million at Tocantinzinho
- \$2.9 million at Perama Hill.

Spending at our producing mines (including capitalized exploration) totalled \$113.8 million:

- \$53.1 million at Kişladağ, mostly related to the Phase III expansion
- \$32.2 million at Jinfeng, mostly related to tailings dam construction and underground mine development
- \$17.2 million at White Mountain, mainly related to underground mine development exclude Xiaoshiren
- \$8.9 million at Tanjianshan, mainly related to processing plant upgrades
- \$2.4 million at Vila Nova, mainly related to processing plant upgrades.

We also spent \$9.9 million on land acquisitions in Turkey. The remaining \$3.0 million related to fixed assets for our corporate offices in Canada, Brazil, Turkey and China.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Capital resources

\$ millions	2011	2010
Cash and cash equivalents	393.8	314.3
Working capital	408.8	320.3
Restricted collateralized accounts	55.4	52.4
Debt – current and long-term	81.0	166.7

Chinese regulations governing cash movements require that our existing debt only be paid from cash flows generated from our Chinese operations that are party to the loan.

Cash and cash equivalents of \$290.1 million are held by the Company's operating entities in China and Turkey, where the cash was generated. No income tax liability has been recognized for the potential repatriation of these funds. If the cash held in these entities is repatriated by way of dividends to the parent company, withholding taxes would be due on the amounts at the rate of 10% for Turkey, and 5% to 10% for China.

Management believes that the working capital at December 31, 2011, together with future cash flows from operations, is sufficient to support our planned and foreseeable commitments.

Contractual obligations

As at December 31, 2011

\$ millions	2012	2013	2014	2015 and beyond	Total
Debt	81.7	–	–	–	81.7
Capital leases	0.1	0.1	–	–	0.2
Operating leases	10.3	3.6	3.5	1.9	19.3
Purchase obligations	81.8	5.1	1.1	0.6	88.6
Totals	173.9	8.8	4.6	2.5	189.8

Purchase obligations in 2012 relate primarily to mine expansion projects at Kışladağ, mine development projects at Tocantinzinho and Eastern Dragon as well as operating and maintenance supply contracts at our operating mines. The table does not include interest on debt.

Debt

Revolving Credit Facility

On October 12, 2011 the Company entered into a \$280 million revolving credit facility with HSBC and a syndicate of four other banks. The credit facility matures on October 12, 2015 and is secured by the shares of SG Resources and Tuprag Metal SA, wholly owned subsidiaries of the Company that own the Company's assets in Turkey. Loan interest is set at the lesser of LIBOR plus an interest rate margin, or Prime rate plus an interest rate margin dependent on a leverage ratio pricing grid. At the Company's current leverage ratio interest charges and fees are LIBOR plus a margin of 1.75%, and an annual undrawn standby fee of 0.40%. The credit facility contains covenants that restrict, among other things, the ability of the Company to incur additional indebtedness exceeding \$200.0 million, make distributions in certain circumstances, sell material assets and carry on a business other than one related to the mining business. Significant financial covenants include a maximum debt to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio of 3.5:1 and a minimum EBITDA to interest of 3:1.

The credit facility is intended to be used for growth opportunities and for general corporate purposes. No

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

amounts were drawn down under the revolving credit facility as at December 31, 2011.

Eastern Dragon

Standby line of credit

In January 2010, Rock Mining Industry Development Company Limited ("Eastern Dragon"), our 95% owned subsidiary, entered into a RMB 320.0 million (\$50.8 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. This loan is collateralized by way of a restricted cash deposit for \$52.2 million as funding of the irrevocable letter of credit issued by Sino Gold to CMB. The interest rate on this loan as at December 31, 2011 was 5.90%. 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.

On February 5, 2010, Eastern Dragon made a drawdown on this loan which was used to repay its letter of credit loan with CCB. Subsequent to December 31, 2011, this loan was extended for a second year term to January 2013 and the annual management fee of 10% of the interest accrued on the outstanding amount paid quarterly was removed. In addition, the floating interest rate is now adjusted monthly at the prevailing lending rate. The collateral by way of a restricted cash deposit has been increased to \$56.5 million.

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

Project financing loan

In 2009, Eastern Dragon entered into a RMB 450.0 million (\$71.4 million) project financing loan with China Merchants Bank ("CMB").

The loan has three components:

- a long-term loan of RMB 320.0 million (\$50.8 million), with a five-year term, to replace the standby letter of credit with China Construction Bank
- a fixed asset loan of RMB 100.0 million (\$15.9 million) with a four-year term
- a working capital loan of RMB 30.0 million (\$4.8 million) with a one-year term

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 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:

- Obtain project approval from the Heilongjiang Provincial Development and Reform Commission;
- Sino Gold to open an offshore banking business bank account with CMB and deposit \$40.0 million;
- The aggregate of the amount deposited in the offshore account, Eastern Dragon registered capital and shareholder loan is at least \$84.7 million (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:

- The project obtains the mining license;
- The project has been developed and in production;
- The gold operation permit has been granted; and
- 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 share-holder loan and total banking debt cannot exceed RMB 550.0 million (\$87.3 million) and it is subject to an

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 2011.

HSBC revolving loan facility

In May 2010, Eastern Dragon entered into a RMB 80.0 million (\$12.7) revolving facility ("the 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 draw-down. The Facility has a term of up to one year. Subsequent to December 31, 2011, the Facility was reviewed by the bank and was extended to November 30, 2012. The interest rate on this loan as at December 31, 2011 was 6.71%.

In December 2011, Eastern Dragon repaid RMB12.5 million (\$2.0 million) on the Facility. As at December 31, 2011, RMB 65.0 million (\$10.3 million) was outstanding.

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, 2011, the security coverage is \$11.3 million. This Facility is to be repaid in full when Eastern Dragon obtains the required project approval that will allow it to complete the second drawdown on the project-financing loan.

Entrusted loan

In November 2010, Eastern Dragon, HSBC Bank (China) and QDML, entered into a RMB 12.0 million (\$1.9 million) entrusted loan agreement, which was subsequently increased to RMB 180.0 million (\$28.6 million) in June 2011.

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

The entrusted loan can be drawn down in tranches. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown. Each draw down has a term of three months and can be rolled forward at the discretion of QDML. The interest rate on this loan as at December 31, 2011 was 4.59%. As at December 31, 2011, RMB 119.0 million (\$18.9 million) had been drawn under the entrusted loan. Subsequent to December 31, 2011, RMB 15.0 million (\$2.4 million) was drawdown on this loan. The entrusted loan has been recorded on a net settlement basis.

Jinfeng

Construction loan

In 2009, Guizhou Jinfeng Mining Ltd. ("Jinfeng"), our 82% owned subsidiary entered into a RMB 680.0 million (\$107.9 million) 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 95% of the prevailing lending rate stipulated by the People's Bank of China for similar loans. The applicable interest as at December 31, 2011 is 6.27% (after 5% discount). The construction loan is secured as following:

- Sino Gold corporate guarantee;
- pledge of all shares held by Sino Gold in Jinfeng;
- mortgage on all fixed assets of Jinfeng with a value above \$0.1 million;
- mortgage on Jinfeng mining license and exploration license; and
- 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.

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Principal repayment of this loan is as follows: for the years 2011, 2012 and 2013 – quarterly payments of RMB 35.0 million (\$5.6 million); for the year 2014 – quarterly payments of RMB 32.5 million (\$5.2 million); and for the year 2015 a final payment of RMB 130.0 million (\$20.6 million). Any prepayments are applied to reduce future payments starting from the final payment.

During 2010, Jinfeng prepaid RMB 180.0 million (\$28.6 million) on the outstanding balance of this loan and during 2011 it made scheduled quarterly payments of RMB 35.0 million (\$5.6 million) each. Additionally, during 2011 Jinfeng prepaid RMB 230.0 million (\$36.5 million) on the outstanding balance of this loan, leaving a balance owing of RMB 130.0 million (\$20.6 million) at December 31, 2011.

Net deferred financing costs in the amount of \$0.7 million 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.

Working capital loan

In 2010, Jinfeng entered into a RMB 85.0 million (\$12.5 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 prepaid the full amount on this loan.

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:

A fixed asset loan of RMB 190.1 million (\$30.2 million) with final payment due on September 2013 (fully paid); and

A working capital project loan of RMB 40.9 million (\$6.2 million) due on November 2010 (fully paid).

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 project loan was secured by a Sino Gold corporate guarantee and White Mountain's fixed assets with a value above \$100. The security was released in October, 2011.

During 2011, White Mountain completed its scheduled payment of RMB 14.5 million (\$2.3 million) and made additional pre-payments of RMB 150.8 million (\$23.9 million). As at December 31, 2011 this loan has been paid in full.

Working capital loan

In 2010, White Mountain entered into a RMB 50.0 million (\$7.5 million) working capital loan with CMB. The working capital loan had a term of one year and was due on September 1, 2011. In January 2011, White Mountain prepaid the full amount of this loan.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 2011, including cash contributed to the pension plan and cash invested in respect of the SERP, were \$7.5 million (2010 – nil). Based on minimum funding requirements the Company expects to contribute \$0.1 million to the Pension Plan and \$0.2 million to the SERP investments in 2012. Cash payments totaling \$0.2 million were made directly to beneficiaries during the year (2010 - \$0.2 million).

Equity

This year we received net proceeds of \$31.6 million for issuing 3,495,725 common shares related to stock options and warrants being exercised.

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

Common shares outstanding

as of February 22, 2012	551,682,917
as of December 31, 2011	551,682,917
Share purchase options - as of February 22, 2012	8,616,113
(Weighted average exercise price per share: CDN\$12.60)	

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 the cash and cash equivalent balance at December 31, 2011 will provide enough cash to meet our financial obligations in 2012 and beyond.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will not meet its obligations and will cause the Company to incur a financial loss. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company sells its gold bullion exclusively to large international financial institutions or on the Istanbul and Shanghai Gold Exchanges and its doré exclusively to refineries. 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, 2011.

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 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, 2011, approximately 37% 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 and debt denominated in currencies other than the US dollar at December 31, 2011. We recognized a loss of \$5.4 million on foreign exchange this year, compared to loss of \$2.7 million in 2010.

\$ thousands	Canadian dollar	Australian dollar	Euro	Turkish lira	Chinese renminbi	Brazilian real
Cash and cash equivalents	20,837	1,308	61	65,989	855,214	7,097
Marketable securities	2,686	–	–	–	–	–
Accounts receivable and other	2,353	–	499	8,560	90,695	25,189
Accounts payable and accrued liabilities	(12,424)	(12)	(38)	(59,520)	(672,734)	(12,740)
Debt	–	–	–	–	(510,568)	–
Net balance	13,452	1,296	522	15,029	(237,393)	19,546
Equivalent in US dollars	13,227	1,318	675	7,956	(37,676)	10,433

Accounts receivable and other current and long-term assets relate to goods and services taxes, income taxes, value-added taxes and insurance receivables. Based on the balances at December 31, 2011, a 10% increase/decrease in the exchange rates on that date would have resulted in a decrease/increase of approximately \$0.4 million in profit before taxes.

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, 2011 was 6.09%, compared to 5.94% at the end of 2010. We earned an average of approximately 1.01% in interest on our cash and cash equivalents this year, compared to 0.51% in 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 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 do not 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	10%	\$0.3 million
Price of gold (based on the expectations and assumptions we used in our 2012 outlook)	10%	\$88.0 million
Interest rate on debt	10%	\$0.3 million
Interest earned on cash and cash equivalents	10%	\$0.3 million
Price of diesel fuel	10%	\$5.0 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 are 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Environment

There may be environmental hazards at our mines or projects that we are unaware of. We may be liable for any associated losses, or be forced to do extensive remedial cleanup or pay for governmental remedial cleanup, even if the hazards were caused by previous or existing owners or operators of the property, past or present owners of adjacent properties or by natural conditions. The costs of any cleanup could have a material and adverse effect on our operations and profitability.

Laws, regulations and permits

Our activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. We must obtain government permits and provide associated financial assurance to conduct certain activities. We are also subject to various conditions related to reclamation that are imposed under federal, state or provincial air, water quality and mine reclamation rules and permits.

We have budgeted for future capital and operating expenditures to obtain such permits and maintain compliance with these environmental, health and safety laws; however, any changes to these laws in the future could have an adverse effect on our financial condition, liquidity or results of operations and could delay our ability to obtain such permits.

If these laws are not complied with, we may face injunctions, damages and penalties, or our permits could be suspended or revoked. There is no assurance that we have been, or will be, in compliance with environmental, health and safety laws at all times, that our compliance will not be challenged, or that the cost of complying with current or future laws will not have a material and adverse effect on our future cash flow, results of operations and financial condition.

Litigation

All industries, including the mining industry, are subject to legal claims that are with and without merit.

We are currently involved in various routine legal and regulatory proceedings. It is unlikely that the final outcome of these routine proceedings will have a material and adverse effect on our financial condition or results of operations; however, defense and settlement costs can be substantial, even for claims that are without merit. Due to the inherent uncertainty of the litigation process and dealings with regulatory bodies, there is no assurance that any legal or regulatory proceeding will be resolved in a manner that will not have a material and 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 accounting policies in Note 3 of our 2011 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.

We consider ore stacked on our leach pads and in process at our mines as work-in-process inventory and record its value in earnings, and include it in the cost of sales 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, 2011, 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 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.

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Mining interests

We depreciate 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.

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, 2011, based on an average projected gold price for 2012 of \$1,700 per ounce decreasing to a long-term price of \$1,300 per ounce by 2016, 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. When the excess is negative it is recognized immediately in income. 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, 2011, our consolidated balance sheet included \$365.9 million in goodwill related to Sino Gold (\$363.7 million) and Tanjianshan (\$2.2 million). We used a discount rate of 7% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Income taxes

We record income taxes using income tax rates we expect to apply in the years we estimate the various 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.

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.

Key assumptions – pension plans	December 31, 2011		December 31, 2010	
	Pension plan	SERP	Pension plan	SERP
Expected long term-rate of return on plan assets	6.5%	6.5%	6.5%	6.5%
Discount rate beginning of year	5.5%	5.5%	6.0%	6.0%
Discount rate end of year	4.5%	4.5%	5.5%	5.5%
Rate of salary escalation	3.0%	3.0%	4.50%	4.5%
Average remaining service period of active employees expected to receive benefits	6.7 years	6.7 years	5 years	5 years

Changes in accounting policies

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

IFRS 9 'Financial Instruments: Classification and Measurement' – This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *'Financial Instruments: Recognition and Measurement'*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and derecognition of financial instruments. This standard is effective for years beginning on/after January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 11 'Joint Arrangements' – This standard replaces the guidance in IAS 31 *'Interests in Joint Ventures'*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. These joint venture entities must now use the equity method.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

IFRS 12 'Disclosure of Interests in Other Entities' – This IFRS shall be applied by companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature of and risks associated with its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies will be required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. This standard is effective for years beginning on or after January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the consolidated financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

IFRIC 20 'Stripping costs in the production phase of a surface mine' – This interpretation applies to waste removal costs that are incurred in open pit mining activity during the production phase of the mine. Recognition of a stripping activity asset requires the asset to be related to an identifiable component of the ore body. Stripping costs that relate to inventory produced should be accounted for as a current production cost in accordance with IAS 2, '*Inventories*'. Stripping costs that generate a benefit of improved access and meet the definition of an asset should be accounted for as an addition to an existing asset. Existing stripping costs on the balance sheet at transition that do not relate to a specific ore body should be written off to opening retained earnings. The stripping activity asset shall be depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. This interpretation is effective for years beginning on or after January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the consolidated financial statements as the Company currently applies comparable principles to those found in this interpretation.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

International financial reporting standards (IFRS)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly the Company has commenced reporting on this basis in its consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Significant accounting differences

The following are areas where the accounting differences between Canadian GAAP and existing IFRS have impacted our consolidated financial statements.

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 write-downs 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 reserved.

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2 and 3 to the financial statements. The financial statements also include reconciliations of the previously disclosed comparative period's financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS as set out in Note 32.

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, 2011, 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.

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 2011. Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2011 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the following: we implemented a new ERP system in at our Chinese operations. Management used appropriate procedures to ensure internal controls were in place during and after the implementation.

Qualified person

Except as otherwise noted, Norman Pitcher, P. Geo., the Company's Chief Operating Officer, is the Qualified Person under NI 43-101 who approved the scientific or technical information contained in this MD&A and has verified the technical data disclosed in this document.

Forward-looking information and risks

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

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

It typically includes words and phrases about the future, such as: *plan, expect, forecast, intend, anticipate, estimate, budget, scheduled, may, could, would, might, will*.

Although it represents our current views, which we consider to be reasonable, we can give no assurance that the forward-looking information will prove to be accurate.

It is based on a number of assumptions, including things like the future price of gold, anticipated costs and spending, and our ability to achieve our goals.

It is also subject to the risks associated with our business, including

- the changing price of gold and currencies,
- actual and estimated production and mineral reserves and resources,
- the speculative nature of gold exploration,
- risks associated with mining operations and development,
- regulatory and permitting risks,
- acquisition risks, and
- other risks that are set out in our Annual Information Form and our Management Information Circular filed in respect of the European Goldfields acquisition.

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 longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 International Financial Reporting Standards as issued by the International Accounting Standards Board. 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, 2011, 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, 2011 has also been audited by KPMG, and their opinion is included in their report.



Paul N. Wright
President and Chief Executive Officer



Fabiana E. Chubbs
Chief Financial Officer

February 23, 2012
Vancouver, British Columbia, Canada

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

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, 2011, December 31, 2010 and January 1, 2010, the consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 consolidated financial position of Eldorado Gold Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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, 2011, 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 February 23, 2012 expressed an unqualified opinion on the effectiveness of Eldorado Gold Corporation's internal control over financial reporting.



Chartered Accountants

Vancouver, Canada

February 23, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Eldorado Gold Corporation

We have audited Eldorado Gold Corporation's (the Company) internal control over financial reporting as of December 31, 2011, 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, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2011, December 31, 2010 and January 1, 2010 and the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and our report dated February 23, 2012 expressed an unqualified opinion on those consolidated financial statements.

The logo for KPMG LLP, featuring the letters "KPMG" in a bold, stylized font, followed by "LLP" in a smaller, simpler font. A horizontal line is drawn underneath the text.

Chartered Accountants

Vancouver, Canada
February 23, 2012

CONSOLIDATED BALANCE SHEETS

December 31, 2011 and 2010 (expressed in thousands of US dollars)

	<i>Note</i>	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
<i>Current assets</i>				
Cash and cash equivalents	5	393,763	314,344	265,369
Restricted cash	6, 15	55,390	52,425	50,000
Marketable securities	7	2,640	8,027	13,951
Accounts receivable and other	8	42,309	42,437	26,434
Inventories	9	164,057	147,263	129,197
		658,159	564,496	484,951
Non-current inventories	9	26,911	29,627	31,534
Investments in significantly influenced companies	10	18,808	6,202	–
Deferred income tax assets	18	4,259	–	–
Restricted assets and other	11	38,430	19,328	13,759
Property, plant and equipment	12	2,847,910	2,699,787	2,527,567
Goodwill	13	365,928	365,928	324,935
		3,960,405	3,685,368	3,382,746
Liabilities & equity				
<i>Current liabilities</i>				
Accounts payable and accrued liabilities	14	168,367	145,695	153,036
Current debt	15	81,031	98,523	56,499
		249,398	244,218	209,535
Debt	15	–	68,140	134,533
Asset retirement obligations	16	43,213	33,228	26,995
Defined benefit plan	17	19,969	12,019	7,811
Deferred income tax liabilities	18	336,579	330,512	355,425
		649,159	688,117	734,299
<i>Equity</i>				
Share capital	19	2,855,689	2,814,679	2,671,634
Treasury stock		(4,018)	–	–
Contributed surplus		30,441	22,967	17,865
Accumulated other comprehensive (loss) income		(10,069)	(1,637)	2,227
Retained earnings (deficit)		382,716	125,221	(69,423)
Total equity attributable to shareholders of the Company		3,254,759	2,961,230	2,622,303
Attributable to non-controlling interests		56,487	36,021	26,144
		3,311,246	2,997,251	2,648,447
		3,960,405	3,685,368	3,382,746

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

Approved on behalf of the Board of Directors



Robert R. Gilmore
Director



Paul N. Wright
Director

Date of approval: February 23, 2012

CONSOLIDATED INCOME STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars)

For the year ended December 31	Note	2011	2010
Revenue			
Metal sales		1,098,933	791,175
Cost of sales			
Production costs	27	346,484	277,974
Depreciation and amortization		122,414	107,157
Total cost of sales		468,898	385,131
Gross profit		630,035	406,044
Exploration expenses		30,773	22,501
Mine standby costs		–	1,335
General and administrative expenses		59,239	44,935
Defined benefit plan expense	17	2,088	1,337
Share based payments	20	19,722	17,112
Foreign exchange loss		5,367	2,712
Operating profit		512,846	316,112
Gain on disposal of assets		(2,729)	(592)
Gain on marketable securities		(664)	(6,572)
Loss on investments in significantly influenced companies		4,225	531
Other income		(7,673)	(13,468)
Asset retirement obligation accretion	16	1,546	2,727
Interest and financing costs	28	5,331	8,089
Profit before income tax		512,810	325,397
Income tax expense	18	165,587	86,939
Profit for the year		347,223	238,458
Attributable to:			
Shareholders of the Company		318,662	221,001
Non-controlling interests		28,561	17,457
Profit for the year		347,223	238,458
Weighted average number of shares outstanding	29		
Basic		549,791	542,861
Diluted		551,625	545,850
Earnings per share attributable to shareholders of the Company:	29		
Basic earnings per share		0.58	0.41
Diluted earnings per share		0.58	0.40

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

December 31, 2011 and 2010 (expressed in thousands of US dollars)

For the year ended December 31	Note	2011	2010
Profit for the year		347,223	238,458
Other comprehensive income (loss):			
Change in fair value of available-for-sale financial assets		(989)	13,480
Income tax on items taken to equity		12	(40)
Reversal of unrealized gains on available-for-sale investments on acquisition of subsidiary		–	(11,424)
Realized gains on disposal of available-for-sale financial assets transferred to net income		(794)	(3,245)
Actuarial losses on defined benefit pension plans	17	(6,661)	(2,635)
Total other comprehensive (loss) income for the year		(8,432)	(3,864)
Total comprehensive income for the year		338,791	234,594
Attributable to:			
Shareholders of the Company		310,230	217,137
Non-controlling interests		28,561	17,457
Total comprehensive income for the year		338,791	234,594

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2011 and 2010 (expressed in thousands of US dollars)

For the year ended December 31	Note	2011	2010
Cash flows generated from (used in):			
Operating activities			
Profit for the year		347,223	238,458
Items not affecting cash			
Asset retirement obligation accretion		1,546	2,727
Depreciation and amortization		122,414	107,157
Unrealized foreign exchange loss		6,500	5,802
Deferred income tax expense (recovery)		1,804	(8,083)
Gain on disposal of assets		(2,729)	(592)
Loss on investment in significantly influenced companies		4,225	531
Gain on marketable securities		(664)	(6,572)
Share based payments		19,722	17,112
Defined benefit plan expense		2,088	1,337
		502,129	357,877
Changes in non-cash working capital	21	9,948	(59,509)
		512,077	298,368
Investing activities			
Acquisition of subsidiaries net of cash received		–	(6,083)
Purchase of property, plant and equipment		(272,818)	(226,296)
Proceeds from the sale of property, plant and equipment		147	23,756
Purchase of marketable securities		(1,823)	(11,983)
Proceeds from the sale of marketable securities		8,154	15,611
Non-registered supplemental retirement plan investments, net		(7,045)	–
Investments in significantly influenced companies		(16,830)	(6,727)
Increase in restricted cash		(2,957)	(2,463)
Increase in restricted assets and other		–	(7,007)
		(293,172)	(221,192)
Financing activities			
Issuance of common shares for cash		31,600	35,907
Dividend paid to non-controlling interests		(8,095)	(7,580)
Dividend paid to shareholders		(61,167)	(26,357)
Purchase of treasury stock		(6,438)	–
Long-term and bank debt proceeds		5,782	59,839
Long-term and bank debt repayments		(98,169)	(90,010)
Loan financing costs		(2,999)	–
		(139,486)	(28,201)
Net increase in cash and cash equivalents		79,419	48,975
Cash and cash equivalents - beginning of year		314,344	265,369
Cash and cash equivalents - end of year		393,763	314,344

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

For the year ended December 31	2011 \$	2010 \$
Share capital		
Balance, beginning of year	2,814,679	2,671,634
Shares issued upon exercise of share options, for cash	30,115	35,895
Transfer of contributed surplus on exercise of options	9,410	12,020
Shares issued in consideration for interests acquired	–	95,118
Shares issued upon exercise of warrants, for cash	1,485	12
Balance, end of year	2,855,689	2,814,679
Treasury stock		
Balance, beginning of year	–	–
Purchase of treasury stock	(6,438)	–
Shares redeemed upon exercise of restricted share units	2,420	–
Balance, end of year	(4,018)	–
Contributed surplus		
Balance, beginning of year	22,967	17,865
Share based payments	19,304	16,557
Share based payments on Brazauro warrants and options converted	–	565
Shares redeemed upon exercise of restricted share units	(2,420)	–
Transfer to share capital on exercise of options	(9,410)	(12,020)
Balance, end of year	30,441	22,967
Accumulated other comprehensive (loss) income		
Balance, beginning of year	(1,637)	2,227
Other comprehensive (loss) income for the year	(8,432)	(3,864)
Balance, end of year	(10,069)	(1,637)
Retained earnings (deficit)		
Balance, beginning of year	125,221	(69,423)
Dividends paid	(61,167)	(26,357)
Profit attributable to shareholders of the Company	318,662	221,001
Balance, end of year	382,716	125,221
Total equity attributable to shareholders of the Company	3,254,759	2,961,230
Non-controlling interests		
Balance, beginning of year	36,021	26,144
Profit attributable to non-controlling interests	28,561	17,457
Dividends paid	(8,095)	(7,580)
Balance, end of year	56,487	36,021
Total equity	3,311,246	2,997,251

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

1. General Information

Eldorado Gold Corporation (“Eldorado” or the “Company”) is a gold exploration, development, mining and production company. The Company has ongoing exploration and development projects in Turkey, China, Greece and Brazil. The Company acquired control of Sino Gold Mining Ltd. (“Sino Gold”) in December 2009, including 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.

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

2. Basis of preparation and first-time adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly the Company has commenced reporting on this basis in these consolidated financial statements. In the financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These are the Company’s first consolidated financial statements prepared in accordance with IFRS and IFRS 1 ‘*First-time Adoption of International Financial Reporting Standards*’ (“IFRS 1”) has been applied. Subject to certain IFRS 1 transition elections disclosed in Note 32, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet as at January 1, 2010 and throughout all years presented, as if these policies had always been in effect. Note 32 discloses the impact of the transition to IFRS on the Company’s reported balance sheet and comprehensive income, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

The consolidated financial statements were authorized for issue by the Board of Directors on February 23, 2012.

Upcoming changes in accounting standards

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

2. Basis of preparation *continued*

IFRS 11 '*Joint Arrangements*' – This standard replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Joint venture entities are now accounted for using the equity method.

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

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

IFRS 12 '*Disclosure of Interests in Other Entities*' – This IFRS shall be applied by companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature of and risks associated with its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies will be required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. This standard is effective for years beginning on or after January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the consolidated financial statements.

IFRS 13, '*Fair value measurement*', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after January 1, 2013.

IFRIC 20 '*Stripping costs in the production phase of a surface mine*' – This interpretation applies to waste removal costs that are incurred in open pit mining activity during the production phase of the mine. Recognition of a stripping activity asset requires the asset to be related to an identifiable component of the ore body. Stripping costs that relate to inventory produced should be accounted for as a current production cost in accordance with IAS 2, '*Inventories*'. Stripping costs that generate a benefit of improved access and meet the definition of an asset should be accounted for as an addition to an existing asset. Existing stripping costs on the balance sheet at transition that do not relate to a specific ore body should be written off to opening retained earnings. The stripping activity asset shall be depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. This interpretation is effective for years beginning on or after January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the consolidated financial statements as the Company currently applies comparable principles to those found in this interpretation.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies

The principal accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Eldorado entities. Refer to Note 32 for the IFRS 1 exemptions taken in applying IFRS for the first time.

3.1 Basis of presentation and principles of consolidation

(i) *Subsidiaries and business combinations*

Subsidiaries are entities controlled by Eldorado. Control exists when Eldorado has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for business acquisitions. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the cost of acquisition over the fair value of Eldorado's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference, or gain is recognized directly in the income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, which the Company incurs in connection with a business combination, are expensed as incurred.

The most significant wholly owned and partially owned subsidiaries of Eldorado, are presented below:

Subsidiary	Location	Ownership interest	Status	Operations and development projects owned
Qinghai Dachaidan Mining Ltd ("QDML")	China	90%	Consolidated	TJS Mine
Tüprag Metal Madencilik Sanayi ve Ticaret AS ("Tüprag")	Turkey	100%	Consolidated	Kışladağ Mine Efemçukuru Mine
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 Mine
Sino Gold Jilin BMZ Mining Limited	China	95%	Consolidated	White Mountain Mine
Heihe Rockmining Limited	China	95%	Consolidated	Eastern Dragon Project
Brazauro Resources Corporation ("Brazauro")	Brazil	100%	Consolidated	Tocantinzinho Project

(ii) *Investments in associates (equity accounted investees)*

Associates are those entities where Eldorado has the ability to exercise significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The consolidated financial statements include Eldorado's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of Eldorado, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

At each balance sheet date, the investment in associates is assessed for indicators of impairment.

(iii) Transactions with non-controlling interests

Eldorado treats transactions with non-controlling interests as transactions with third parties. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Transactions eliminated on consolidation

Intra-company and intercompany balances and transactions, and any unrealized income and expenses arising from all such transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of Eldorado's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency, as well as the functional currency of all significant subsidiaries.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement.

3.3 Property, plant and equipment

(i) Cost and valuation

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value. When an asset is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is recognized as a gain or loss in the income statement.

(ii) Property, plant and equipment

Property, plant and equipment include expenditures incurred on properties under development, significant payments related to the acquisition of land and mineral rights and property, plant and equipment that are recorded at cost on initial acquisition. Cost includes the purchase price and the directly attributable costs of acquisition or construction required to bring an asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

(iii) Depreciation

Mine development costs, property, plant and equipment and other mining assets whose estimated useful life is the same as the remaining life of the mine are depreciated, depleted and amortized over a 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 units-of-production method calculated based on proven and probable reserves related to each pit. Property, plant and equipment and other assets 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.

Where components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component.

Depreciation methods, useful lives and residual values are reviewed at the end of each year and adjusted if appropriate.

(iv) Subsequent costs

Expenditure on major maintenance or repairs includes the cost of replacement parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that further future economic benefit will flow to the Company, the expenditure is capitalized. Similarly, overhaul costs associated with major maintenance are capitalized when it is probable that future economic benefit will flow to the Company and any remaining costs of previous overhauls relating to the same asset are derecognized. All other expenditures are expensed as incurred.

(v) Deferred 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 the 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.

(vi) Borrowing costs

Borrowing costs are expensed as incurred except where they are directly attributable to the financing of construction or development of qualifying assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalized up to the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment income arising on the temporary investment of proceeds from borrowings is offset against borrowing costs being capitalized.

(vii) 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. Mine standby costs include labour, maintenance and mine support costs during temporary shutdowns of a mine. Restructuring costs include severance payments to employees laid off as a result of outsourcing the mining function.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

3.4 Exploration and evaluation expenditures

Exploration expenditures reflect the costs related to the initial search for mineral deposits with economic potential or obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with the acquisition of mineral licences, prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All expenditures relating to exploration activities are expensed as incurred except for the costs associated with the acquisition of mineral licences which are capitalized.

Evaluation expenditures reflect costs incurred at development projects related to establishing the technical and commercial viability of developing mineral deposits identified through exploration or acquired through a business combination or asset acquisition.

Evaluation expenditures include the cost of:

- i. establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- ii. determining the optimal methods of extraction and metallurgical and treatment processes;
- iii. studies related to surveying, transportation and infrastructure requirements;
- iv. permitting activities, and;
- v. economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Evaluation expenditures and the subsequent mine development costs are capitalized if management determines that there is sufficient evidence to support the probability of generating positive economic returns in the future. A mineral resource is considered to have economic potential when it is expected that the technical feasibility and commercial viability of extraction of the mineral resource is demonstrable considering long-term metal prices. Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

There is a probable future benefit that will contribute to future cash inflows;

The Company can obtain the benefit and control access to it; and

The transaction or event giving rise to the benefit has already occurred.

Expenditures incurred on extensions of mineral properties which are already being mined or developed that increase production volume or extend the life of those properties are also capitalized. Capitalized expenditures are assessed for potential impairment at the end of each reporting period.

3.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Eldorado's share of the net assets of the acquired business at the date of acquisition. When the excess is negative (negative goodwill), it is recognized immediately in income. Goodwill on acquisition of subsidiaries and businesses is shown separately as goodwill in the financial statements. Goodwill on acquisition of associates is included in investments in significantly influenced companies and tested for impairment as part of the overall investment.

Goodwill is carried at cost less accumulated impairment losses and tested annually for impairment. Impairment losses on goodwill are not reversed. The impairment testing is performed annually or more frequently if events or changes in circumstances indicate that it may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash-generating units to which goodwill has been allocated changes due to a re-organization, the goodwill is re-allocated to the units affected.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Acquisitions prior to January 1, 2010

On transition to IFRS, Eldorado elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under Eldorado's previous accounting framework, Canadian GAAP.

3.6 Impairment of non-financial assets

Other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment test is performed when the impairment indicators demonstrate that the carrying amount may not be recoverable and it is reviewed at least annually.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units, or 'CGUs'). These are typically the individual mines or development projects.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU based on the detailed mine and/or production plans. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, fair value less cost to sell is often estimated using a discounted cash flow approach because a fair value is not readily available from an active market or binding sale agreement. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, and operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate. Non-financial assets other than goodwill impaired in prior periods are reviewed for possible reversal of the impairment when events or changes in circumstances indicate that an item is no longer impaired.

3.7 Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the end of the reporting period, which are classified as non-current assets. Eldorado's loans and receivables comprise cash and cash equivalents, restricted cash, accounts receivable and other, and restricted assets and other in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Eldorado's available-for-sale financial assets comprise marketable securities not held for the purpose of trading.

(ii) Recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Gain or loss on marketable securities' in the period in which they arise. Dividend income from 'financial assets at fair value through profit or loss' is recognized in the income statement as part of other income when Eldorado's right to receive payments is established.

Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and presented within equity.

When marketable securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as 'Gain or loss on marketable securities'.

(iii) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss – is removed from equity and recognized in the income statement.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. Impairment losses recognized for equity securities are not reversed.

3.8 Derivative financial instruments

Derivatives are recognized initially at fair value on the date a derivative contract is entered into. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value thereafter are recognized in profit and loss. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives are not accounted for using hedge accounting.

3.9 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- 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. Product inventory costs consist of direct production costs including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation and amortization of property, plant and equipment.

Inventory costs are charged to production costs on the basis of ounces of gold sold. The Company regularly evaluates and refines estimates used in determining the costs charged to production costs 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 are classified as non-current.

Net realizable value is the estimated selling price, less the estimated costs of completion and selling expenses.

- 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 net realizable value and, where appropriate, less a provision for obsolescence. Costs include acquisition, freight and other directly attributable costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies *continued*

3.10 Trade receivables

Trade receivables are amounts due from customers for bullion, doré or iron ore sold in the ordinary course of business.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment where necessary.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with maturities at the date of acquisition of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.12 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares held by the Company are classified as treasury stock and recorded as a reduction of shareholders' equity.

3.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.14 Debt and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, calculated using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

3.15 Current and deferred income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The tax rate used is the rate that is substantively enacted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.16 Employee benefits

(i) *Defined benefit plans*

Certain employees have entitlements under Company pension plans that are defined benefit pension plans. For defined benefit plans, the level of benefit provided is based on the length of service and earnings of the person entitled.

The cost of the defined benefit plan is determined using the projected unit credit method. The related pension liability recognized in the consolidated balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

The Company obtains actuarial valuations for defined benefit plans for each balance sheet date. Actuarial assumptions used in the determination of defined benefit pension plan liabilities are based on best estimates, including discount rates, rate of salary escalation and expected retirement dates of employees. The expected long-term rate of return on assets is estimated based on the fair value of plan assets, asset allocation and expected long-term rates of return.

Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income without recycling to the statement of income in subsequent periods. Current service cost, the vested element of any past service cost, the expected return on plan assets and the interest arising on the pension liability are included in the same line items in the statement of income as the related compensation cost.

Past service costs are recognized immediately to the extent the benefits are vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

(ii) *Termination benefits*

Eldorado recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(iii) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if Eldorado has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. Significant accounting policies *continued*

3.17 Share-based payment transactions

The Company applies the fair value method of accounting for all stock option awards and equity settled restricted share units. Under this method the Company recognizes a compensation expense for all stock options awarded to employees, based on the fair value of the options on the date of grant which is determined by using the Black-Scholes option pricing model. For equity settled restricted share units, compensation expense is recognized based on the quoted market value of the shares. The fair value of the options and restricted share units are expensed over the vesting period of the awards with a corresponding increase in equity. No expense is recognized for awards that do not ultimately vest. 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.

3.18 Provisions

A provision is recognized if, as a result of a past event, Eldorado has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) *Rehabilitation and restoration*

Provision is made for mine rehabilitation and restoration when an obligation is incurred. The provision is recognized as a liability with a corresponding asset recognized in relation to the mine site. At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and the timing or amount of the costs to be incurred. The rehabilitation liability is classified as an 'Asset retirement obligation' on the balance sheet.

The provision recognized represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory frameworks, the magnitude of necessary remediation activities and the timing, extent and costs of required restoration and rehabilitation activity.

These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognized in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and financial charges.

3.19 Revenue recognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

3. Significant accounting policies *continued*

3.20 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. All borrowing costs are recognized in profit or loss using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

3.21 Earnings per share

Eldorado presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

4. Critical accounting estimates and judgements

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

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

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

5. Cash and cash equivalents

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Cash at bank and on hand	387,761	312,844	264,669
Short-term bank deposits	6,002	1,500	700
	393,763	314,344	265,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

6. 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, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Eastern Dragon CMB standby letter of credit loan (Note 15(e))	52,390	52,425	–
Unamgen HSBC letter of credit	3,000	–	–
Eastern Dragon CCB loan (Note 15(g))	–	–	50,000
	55,390	52,425	50,000

7. Marketable securities

All marketable securities owned by the Company are categorized as available-for-sale.

The fair value of all equity securities is based on the balance sheet date bid prices in an active market.

8. Accounts receivable and other

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Trade receivables	7,037	7,233	–
Value added and other taxes recoverable	7,679	4,196	5,956
Other receivables and advances	5,528	8,990	9,123
Prepaid expenses and deposits	22,065	22,018	11,355
	42,309	42,437	26,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

9. Inventories

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Current			
Ore stockpiles	47,544	39,483	37,503
In-process inventory including doré	50,583	62,366	56,098
Materials and supplies	65,930	45,414	35,596
	164,057	147,263	129,197
Non-current			
Ore stockpiles	19,112	15,659	15,987
In-process inventory	7,799	13,968	15,547
	26,911	29,627	31,534

Non-current inventories represent material not scheduled for processing within the next twelve months at the TJS mine.

The cost of materials and supplies consumed during the year and included in production costs amounted to \$143,985 (2010 – \$114,778).

10. Investments in significantly influenced companies

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Serabi Mining Plc ("Serabi")	3,646	6,202	–
Kopy Goldfields ("Kopy")	3,959	–	–
Glory Resources ("Glory")	11,203	–	–
	18,808	6,202	–

(a) Serabi

During 2011, the Company acquired an additional 2,340,000 units of Serabi for \$1,318 pursuant to the Serabi initial public offering on the Toronto Stock Exchange. Each unit consisted of one ordinary share and one half of one share purchase warrant. As at December 31, 2011, the Company holds 16,840,000 ordinary shares and 2,420,000 purchase warrants of Serabi. This represents an approximately 26.3% interest in Serabi or 29% if the Company exercises all of its share purchase warrants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

10. Investments in significantly influenced companies *continued*

The investment in Serabi is being accounted for under the equity method as follows:

	2011 \$	2010 \$
Balance at January 1,	6,202	–
Purchases during the year	1,318	6,727
Equity loss for the year	(3,874)	(525)
Balance at December 31,	3,646	6,202

Based on quoted market prices, the fair value of the Company's investment in Serabi at December 31, 2011 was \$1,490. Subsequent to December 31, 2011, the Company acquired an additional 4,500,000 units of Serabi for \$696 to maintain its 26.3% interest in the Company. Each unit consisted of one ordinary share and one sixth of one share purchase warrant.

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

(b) Kopy

In September 2011, the Company entered into a purchase agreement with Kopy and acquired 1,700,000 ordinary shares for \$2,470. The Company acquired an additional 1,000,000 ordinary shares of Kopy for \$1,803 in October 2011 for a total investment of 2,700,000 ordinary shares. This represents a 28.9% interest in Kopy.

The investment in Kopy is being accounted for under the equity method as follows:

	2011 \$
Balance at January 1,	–
Purchases during the year	4,273
Equity loss for the period	(314)
Balance at December 31,	3,959

Based on quoted market prices, the fair value of the Company's investment in Kopy at December 31, 2011 was \$2,297.

Kopy is focused on gold exploration and development in the Lena Goldfields area of the Irkutsk region of Russia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

10. Investments in significantly influenced companies *continued*

(c) Glory

In November 2011, the Company entered into a purchase agreement with Glory and acquired 44,595,920 ordinary shares for \$11,240. This represents a 19.9% interest in Glory and, under the agreement, gives the Company the ability to appoint one board member in Glory.

The investment in Glory is being accounted for under the equity method as follows:

	2011 \$
Balance at January 1,	–
Purchases during the year	11,240
Equity loss for the period	(37)
Balance at December 31,	11,203

Based on quoted market prices, the fair value of the Company's investment in Glory at December 31, 2011 was \$9,142.

Glory currently holds mineral interests in the Sapes gold project in Thrace, Greece.

11. Restricted assets and other

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Restricted non-current asset – SERP (Note 17)	14,456	7,872	7,066
Restricted credit card deposits	648	656	618
Restricted non-current marketable securities	–	–	156
	15,104	8,528	7,840
Non-current accounts receivable	369	352	2,477
Prepaid loan costs (Note 15(ii))	2,849	–	–
Environmental guarantee deposits	12,304	10,448	3,442
Deposit on land acquisition at Jinfeng	7,804	–	–
	38,430	19,328	13,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

12. Property, plant and equipment

	Land and buildings \$	Plant and equipment \$	Capital works in progress \$	Mineral properties and leases \$	Total \$
Cost					
Balance at January 1, 2010	259,068	612,347	95,810	1,723,178	2,690,403
Acquisition of Brazauro	–	118	–	108,282	108,400
Additions	25,585	120,713	44,475	71,083	261,856
Finalization of purchase price allocation for Sino	–	–	–	(58,523)	(58,523)
Other movements	–	268	–	261	529
Disposals and writedown of mineral interests	(724)	(4,549)	–	(25,596)	(30,869)
Balance at December 31, 2010	283,929	728,897	140,285	1,818,685	2,971,796
Balance at January 1, 2011	283,929	728,897	140,285	1,818,685	2,971,796
Additions/transfers	58,067	185,012	(81,593)	118,299	279,785
Other movements	–	(6,303)	–	–	(6,303)
Disposals	(345)	(1,418)	–	(3,430)	(5,193)
Balance at December 31, 2011	341,651	906,188	58,692	1,933,554	3,240,085
Depreciation and impairment losses					
Balance at January 1, 2010	(35,558)	(120,662)	–	(6,616)	(162,836)
Depreciation for the year	(22,412)	(56,411)	–	(32,124)	(110,947)
Disposals	273	1,501	–	–	1,774
Balance at December 31, 2010	(57,697)	(175,572)	–	(38,740)	(272,009)
Balance at January 1, 2011	(57,697)	(175,572)	–	(38,740)	(272,009)
Depreciation for the year	(31,712)	(63,869)	–	(27,611)	(123,192)
Disposals	1,847	1,179	–	–	3,026
Balance at December 31, 2011	(87,562)	(238,262)	–	(66,351)	(392,175)
Carrying amounts					
At January 1, 2010	223,510	491,685	95,810	1,716,562	2,527,567
At December 31, 2010	226,232	553,325	140,285	1,779,945	2,699,787
Balance at December 31, 2011	254,089	667,926	58,692	1,867,203	2,847,910

The amount of capitalized interest during the year ended December 31, 2011 included in property, plant and equipment was \$3,651 (\$2010 – \$2,897).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

13. Goodwill

	2011 \$	2010 \$
Cost		
Balance at January 1,	365,928	324,935
Adjustments to preliminary purchase price allocation	–	40,993
Balance at December 31,	365,928	365,928

The preliminary purchase price allocation for the Sino Gold acquisition 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.

There has been no goodwill impairment recorded for the years ended December 31, 2011 and 2010.

Impairment tests for goodwill

Goodwill is allocated to Eldorado's cash-generating units (CGUs). As of December 31, 2011, all goodwill for the Company relates to our China operating segment.

The recoverable amount of a CGU is determined based on the higher of the fair value less costs to sell and value-in-use. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Goodwill is allocated to the Jinfeng, White Mountain, Eastern Dragon and Tanjianshan CGUs in the amounts of \$138,529, \$50,276, \$174,885 and \$2,238, respectively. Recoverability of goodwill is determined using fair value less costs to sell calculations.

The key assumptions used for fair value less cost to sell calculations are as follows:

	2011	2010
Gold price (\$/oz)	\$1,300 – \$1,700	\$1,050 – \$1,400
Discount rate	7% – 9%	7% – 9%

These assumptions have been used for the analysis of each CGU.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

The values assigned to the key assumptions represent management's assessment of future trends in the gold mining industry and in the global economic environment. The assumptions used are management's best estimates and are based on both current and historical information from external and internal sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

14. Accounts payable and accrued liabilities

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Trade payables	67,056	55,786	27,786
HST and other taxes	40,256	26,627	28,630
Accrued expenses	61,055	63,282	96,620
	168,367	145,695	153,036

15. Debt

	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Current			
Jinfeng construction loan (a)	19,929	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)	50,786	48,317	–
Eastern Dragon HSBC revolving loan facility (f)	10,316	5,593	–
Eastern Dragon CCB loan (g)	–	–	46,875
	81,031	98,523	56,499
Non-current			
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
	–	68,140	134,533
Total debt	81,031	166,663	191,032

(a) Jinfeng construction loan

In 2009, Guizhou Jinfeng Mining Ltd. (“Jinfeng”), our 82% owned subsidiary entered into a RMB 680.0 million (\$107,921) construction loan facility (“the construction loan”) with China Construction Bank (“CCB”). The construction loan has a term of 6 years commencing on February 27, 2009 and is subject to a floating interest rate adjusted annually at 95% of the prevailing lending rate stipulated by the People’s Bank of China for similar loans. The effective interest as at December 31, 2011 is 6.27%. The construction loan is secured as following:

- i. Sino Gold corporate guarantee;
- ii. pledge all 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 licence and exploration license; and
- v. mortgage on land use right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

15. Debt *continued*

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 (\$5,555); for the year 2014 – quarterly payments of RMB 32.5 million (\$5,158); and for the year 2015 a final payment of RMB 130.0 million (\$20,632). Any pre-payments are applied to reduce future payments starting from the final payment.

During 2010, Jinfeng pre-paid RMB 180.0 million (\$28,567) on the outstanding balance of this loan and during 2011 it made scheduled quarterly payments of RMB 35.0 million (\$5,555) each. Additionally, during 2011 Jinfeng pre-paid RMB 230.0 million (\$36,503) on the outstanding balance of this loan, leaving a balance owing of RMB 130.0 million (\$20,632) at December 31, 2011.

Net deferred financing costs in the amount of \$703 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.

(b) Jinfeng working capital loan

In 2009, Jinfeng entered into a RMB 85.0 million (\$12,452) working capital loan (“the working capital loan”) with CCB.

The working capital loan has a term of 3 years and is due on August 17, 2012. This loan is subject to a floating interest rate adjusted annually at 95% of the prevailing lending rate stipulated by the People’s Bank of China for similar loans.

While the working capital loan is outstanding, Jinfeng is required to obtain written consent from CCB before transferring funds to Sino Gold or any of its subsidiaries and is 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 of 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 (\$30,170) with final payment due on September 2013 (fully paid); and
- ii. A working capital project loan of RMB 40.9 million (\$6,176) due on November 2010 (fully repaid).

The interest rate on the project loan was 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 project loan was secured by a Sino Gold corporate guarantee and White Mountain’s fixed assets with a value above \$100. The security was released in October, 2011.

During 2011, White Mountain completed its scheduled payment of RMB 14.5 million (\$2,301) and made additional prepayments of RMB 150.8 million (\$23,933). As at December 31, 2011 this loan has been repaid in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

15. Debt *continued*

(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 had a term of one year and was due on September 1, 2011. This loan was subject to a floating interest rate adjusted annually to the prevailing lending rate stipulated by the People's Bank of China for similar loans.

This loan was 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 CMB standby letter of credit loan

In January 2010, Rock Mining Industry Development Company Limited ("Eastern Dragon"), our 95% owned subsidiary, entered into a RMB 320.0 million (\$50,786) 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. This loan is collateralized by way of a restricted cash deposit of \$52,200 as funding of the irrevocable letter of credit issued by Sino Gold to CMB. The interest rate on this loan as at December 31, 2011 was 5.90%. 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.

On February 5, 2010, Eastern Dragon made a drawdown on this loan which was used to repay its letter of credit loan with CCB. Subsequent to December 31, 2011, this loan was extended for a second year term to January 2013 and the annual management fee of 10% of the interest accrued on the outstanding amount paid quarterly was removed. In addition, the floating interest rate is now adjusted monthly at the prevailing lending rate. The collateral by way of a restricted cash deposit has been increased to \$56,500.

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

(f) Eastern Dragon HSBC revolving loan facility

In May 2010, Eastern Dragon entered into a RMB 80.0 million (\$12,697) revolving facility ("the Facility") with HSBC Bank (China). The Facility can be drawn down in minimum tranches of RMB 1.0 million (\$159) or its multiples. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown. The Facility has a term of up to one year. Subsequent to December 31, 2011, the Facility was reviewed by the bank and was extended to November 30, 2012. The interest rate on this loan as at December 31, 2011 was 6.71%.

In December 2011, Eastern Dragon repaid RMB12.5 million (\$1,984) on the Facility. As at December 31, 2011, RMB 65.0 million (\$10,316) was outstanding.

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, 2011, the security coverage is \$11,348.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

15. Debt *continued*

(g) Eastern Dragon CCB loan

In 2008, Eastern Dragon entered into a RMB 320.0 million (\$46,875) standby letter of credit loan ("LC loan") with CCB. The interest rate on this loan as at December 31, 2009 was 5.40%. The LC loan was collateralized by way of irrevocable letter of credit drawn on CCB. The letter of credit was collateralized by Sino Gold's funds held by Bank of China Sydney Branch as restricted cash.

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

(h) Eastern Dragon CMB project-financing loan

In 2009, Eastern Dragon entered into a RMB 450.0 million (\$71,418) project-financing loan ("project-financing loan") with CMB. The project-financing loan has three components:

- i) A 5 year term, RMB 320.0 million (\$50,786) long term loan ("the long term loan") to replace the LC loan with CCB;
- ii) A 4 year term RMB 100.0 million (\$15,871) fixed asset loan ("the fixed asset loan"); and
- iii) A one year term RMB 30.0 million (\$4,761) 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 project-financing loan will be 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 licence;
- 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 (\$87,289) and it 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, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

15. Debt *continued*

(i) HSBC revolving credit facility

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

The credit facility contains covenants that restrict, among other things, the ability of the Company to incur additional indebtedness exceeding \$200.0 million, make distributions in certain circumstances, sell material assets and carry on a business other than one related to the mining business. Significant financial covenants include a maximum debt to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") of 3.5:1 and a minimum EBITDA to interest ratio of 3:1. The Company is in compliance with these covenants at December 31, 2011.

Loan interest is variable, set at the lesser of LIBOR plus an interest rate margin or Prime rate plus interest rate margin dependent on a leverage ratio pricing grid. The Company's current leverage ratio is less than 1:1. At this ratio, interest charges and fees are as follows: LIBOR plus margin of 1.75% and undrawn standby fee of 0.40%. Fees of \$2,999 were paid on the establishment of the credit facility. This amount was deferred as a pre-payment for liquidity services and will be amortized over the term of the credit facility. As at December 31, 2011, the prepaid loan cost on the balance sheet was \$2,849 (Note 11).

(j) Entrusted loan

In November 2010, Eastern Dragon, HSBC Bank (China) and QDML, entered into a RMB 12.0 million (\$1,904) entrusted loan agreement, which was subsequently increased to RMB 180.0 million (\$28,567) in June 2011.

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

The entrusted loan can be drawn down in tranches. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown. Each draw down has a term of three months and can be rolled forward at the discretion of QDML. The interest rate on this loan as at December 31, 2011 was 4.59%.

As at December 31, 2011, RMB 119.0 million (\$18,886) had been drawn under the entrusted loan.

Subsequent to December 31, 2011, RMB15.0 million (\$2,381) was drawn down under this loan.

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

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16. Asset retirement obligations

	Brazil \$	China \$	Turkey \$	Total \$
At January 1, 2010	1,062	20,555	5,378	26,995
Accretion during the year	95	2,268	364	2,727
Revisions to estimate of obligation	1,684	(5,720)	7,542	3,506
At December 31, 2010	2,841	17,103	13,284	33,228
Estimated undiscounted amount	3,805	22,658	39,533	65,996
At January 1, 2011	2,841	17,103	13,284	33,228
Accretion during the year	135	855	556	1,546
Revisions to estimate of obligation	269	1,991	6,179	8,439
At December 31, 2011	3,245	19,949	20,019	43,213
Estimated undiscounted amount	4,281	25,788	51,640	81,709

The Company's asset retirement obligations relate to the restoration and rehabilitation of the Company's mining operations and projects under development. The expected timing of the cash flows in respect of the provision is based on the closure of the various mining operations.

The provision is calculated as the present value of estimated future net cash outflows based on the following key assumptions:

	Brazil %	China %	Turkey %
At January 1, 2010			
Inflation rate	2.5	2.5 to 3.3	2.5
Discount rate	4.4	4.4 to 7.0	4.6
At December 31, 2010			
Inflation rate	5.0	4.0	5.0
Discount rate	3.3	2.0 to 3.3	4.1 to 4.3
At December 31, 2011			
Inflation rate	3.5	3.5	3.5
Discount rate	3.1	3.1	3.1

The discount rate is a risk-free rate determined based on US Treasury bond rates. US Treasury bond rates have been used for all of the mine sites as the liabilities are denominated in US dollars as the majority of the expenditures are expected to be incurred in US dollars. The inflation rates used in determining the present value of the future net cash outflows are based on worldwide inflation rates.

Environmental guarantee deposits exist with respect to the environmental rehabilitation of the mines in China (Note 11).

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December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

17. Defined benefit plans

	December 31, 2011 \$	December 31, 2010 \$
Balance sheet obligations for:		
Pension plan	388	329
Non-registered supplementary pension plan	19,581	11,690
	19,969	12,019
	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Income statement charge for:		
Pension plan	118	132
Non-registered supplementary pension plan	1,970	1,205
	2,088	1,337
Actuarial losses recognized in the statement of other comprehensive income in the period (before tax)	6,661	2,635
Cumulative actuarial losses recognized in the statement of other comprehensive income (before tax)	9,296	2,635

The Company operates defined benefit pension plans in Canada 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 related to these plans are actuarially determined and made at or in excess of minimum requirements prescribed by legislation.

Eldorado'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, 2011 and January 1, 2009 respectively for funding purposes and the next required valuation will be as of January 1, 2014 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, 2011 and 2010.

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

Cash contributed to the Pension Plan and the SERP was \$7,549 (2010 – nil). Cash payments totalling \$174 were made directly to beneficiaries during the year (2010 – \$167). The Company expects to contribute \$128 to the Pension Plan and \$169 to the SERP in 2012.

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

	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 and later \$
Estimated future pension payments	169	228	1,280	1,280	1,488	1,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

17. Defined benefit plans *continued*

The amounts recognized in the balance sheet are determined as follows:

	December 31, 2011		December 31, 2010	
	Pension Plan \$	SERP \$	Pension Plan \$	SERP \$
Present value of funded obligations	2,101	19,581	1,609	11,690
Fair value of plan assets	(1,713)	–	(1,280)	–
Liability on balance sheet	388	19,581	329	11,690

The Company has \$14,456 (2010 – \$7,872) in an investment account to fund its SERP obligation. This amount is included in restricted assets and other (Note 11).

The movement in the defined benefit obligation over the year is as follows:

	2011			2010		
	Pension Plan \$	SERP \$	Total \$	Pension Plan \$	SERP \$	Total \$
Balance at January 1,	1,609	11,690	13,299	1,268	7,685	8,953
Current service cost	120	1,292	1,412	127	705	832
Interest cost	92	678	770	81	500	581
Actuarial losses	265	6,396	6,661	64	2,571	2,635
Benefit payments	–	(174)	(174)	–	(167)	(167)
Exchange variance	15	(301)	(286)	69	396	465
Balance at December 31,	2,101	19,581	21,682	1,609	11,690	13,299

The movement in the fair value of plan assets over the year is as follows:

	2011		2010	
	Pension Plan \$	SERP \$	Pension Plan \$	SERP \$
At January 1,	1,280	–	1,137	–
Expected return on plan assets	94	–	76	–
Actuarial gains and losses	58	–	–	–
Contributions by employer	322	–	–	–
Exchange variance	(41)	–	67	–
At December 31,	1,713	–	1,280	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

17. Defined benefit plans *continued*

The amounts recognized in the income statement are as follows:

	2011		2010	
	Pension Plan	SERP	Pension Plan	SERP
	\$	\$	\$	\$
Current service cost	120	1,292	127	705
Interest cost	92	678	81	500
Expected return on plan assets	(94)	–	(76)	–
Defined benefit plans expense	118	1,970	132	1,205

The actual return on plan assets was \$152 (2010 – \$76).

The principal actuarial assumptions used were as follows:

	2011		2010	
	Pension Plan	SERP	Pension Plan	SERP
	%	%	%	%
Expected return on plan assets	6.5	6.5	6.5	6.5
Discount rate – beginning of year	5.5	5.5	6.0	6.0
Discount rate – end of year	4.5	4.5	5.5	5.5
Rate of salary escalation	3.0	3.0	4.5	4.5
Average remaining service period of active employees expected to receive benefits	6.7 years	6.7 years	5 years	5 years

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.

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, 2011		December, 2010	
	Pension Plan	SERP	Pension Plan	SERP
Cash and equivalents	2%	2%	4%	4%
Fixed income	98%	43%	96%	51%
Equity	–	55%	–	45%
Total	100%	100%	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

17. Defined benefit plans *continued*

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	Impact on overall liability
Discount rate	Increase by 0.5%	Decrease by 6.2%
	Decrease by 0.5%	Increase by 6.9%
Salary escalation rate	Increase/decrease by 0.5%	Increase/decrease by 0.2%

18. Income tax expense and deferred taxes

Total income tax expense consists of:

	December 31, 2011 \$	December 31, 2010 \$
Current tax expense	163,783	95,022
Deferred tax expense (recovery)	1,804	(8,083)
	165,587	86,939

Total income tax expense attributable to geographical jurisdiction is as follows:

	2011 \$	2010 \$
Turkey	94,781	47,780
China	70,131	38,876
Greece	260	–
Brazil	125	–
Canada	172	283
Other jurisdictions	118	–
	165,587	86,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

18. Income tax expense and deferred taxes *continued*

Factors affecting income tax expense for the year:

	2011 \$	2010 \$
Profit before income tax	512,810	325,397
Canadian statutory tax rate	26.50%	28.50%
Tax on profit at Canadian statutory tax rate	135,895	92,738
Items that cause an increase (decrease) in income tax expense:		
Foreign income subject to different income tax rates than Canada	(23,973)	(23,463)
Derecognition (initial recognition) of deferred tax assets	(7,634)	–
Non-tax affected operating losses and capital gains	16,593	9,488
Non-deductible expenses and other items	9,302	8,118
Foreign exchange and other translation adjustments	18,699	(2,702)
Amounts under (over) provided in prior years	5,800	(518)
Withholding tax on foreign income	10,905	3,278
Income tax expense	165,587	86,939

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada.

The change for the year in the Company's net deferred tax position was as follows:

	2011 \$	2010 \$
Net deferred tax asset (liability)		
Balance at January 1,	(330,512)	(355,425)
Deferred income tax (expense) recovery in the income statement	(1,804)	8,083
Deferred income tax charged to other comprehensive income	(12)	40
Adjustments to acquisitions	–	16,474
Other	8	316
Net balance at December 31,	(332,320)	(330,512)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

18. Income tax expense and deferred taxes *continued*

The composition of the Company's net deferred income tax asset and liability and deferred tax expense (recovery) is as follows:

Type of temporary difference	Deferred tax assets		Deferred tax liabilities		Expense (recovery) on the income statement	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Property, plant and equipment	1,838	3,286	346,687	338,876	9,259	(9,463)
Loss carryforwards	11,142	6,581	–	–	(4,561)	833
Liabilities	11,534	7,678	6,365	494	2,015	(1,257)
Other items	1,536	–	5,318	8,687	(4,909)	1,804
Balance at December 31,	26,050	17,545	358,370	348,057	1,804	(8,083)

Unrecognized deferred tax assets		2011 \$	2010 \$
Tax losses		61,287	61,599
Other deductible temporary differences		9,639	19,218
Total unrecognized deferred tax assets		70,926	80,817

Unrecognized tax losses

At December 31, 2011 the Company had losses with a tax benefit of \$61,287 (2010 – \$61,599) that are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. The gross amount of the tax losses for which a tax benefit has not been recorded expire as follows:

Expiry date	Canada \$	Brazil \$	Greece \$	Australia \$	Total \$
2012	–	–	1,611	–	1,611
2013	5,989	–	1,652	–	7,641
2014	6,030	–	–	–	6,030
2025	7,938	–	–	–	7,938
2026	14,868	–	–	–	14,868
2027	10,725	–	–	–	10,725
2028	25,965	–	–	–	25,965
2029	23,455	–	–	–	23,455
2030	7,480	–	–	–	7,480
2031	46,445	–	–	–	46,445
No Expiry	–	9,397	–	28,346	37,743
	148,895	9,397	3,263	28,346	189,901
Capital losses with no expiry	96,868	–	–	–	96,868
Tax effect of total losses not recognized	49,342	2,174	653	8,504	60,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

18. Income tax expense and deferred taxes *continued*

Deductible temporary differences

At December 31, 2011 the Company had deductible temporary differences for which deferred tax assets of \$9,639 (2010 – \$19,218) have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize the benefits. The vast majority of the temporary benefits have no expiry date.

Temporary differences associated with investments in subsidiaries

The Company has not recognized deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. At December 31, 2011, these earnings amount to \$1,028,127 (2010 – \$649,791). Substantially all of these earnings would be subject to withholding taxes if they were remitted by the foreign subsidiaries.

Tax Credits

The Company has \$18,600 (2010 – nil) of tax credits that have not been recognized.

Other factors affecting taxation

During the year the Company recognized deferred income tax assets in respect of its Vila Nova iron ore operations. This operation has operated profitably throughout the year and is expected to in the future. Prior to this year the Company had significant tax losses in Brazil for which no deferred tax asset had been recorded. Since it is probable that the Vila Nova iron ore operation will be able to use a portion of those losses and the losses do not expire, the Company has recorded a deferred income tax asset at December 31, 2011 of \$4,259 in respect of those losses and certain other temporary differences.

During the year the Turkish Lira has weakened substantially. This has caused a deferred income tax expense during the year of \$18,470 due to the reduction in the value of the future tax deductions associated with the Turkish operations. The Company expects that in the future significant foreign exchange movements in either the Turkish Lira or Chinese Renminbi in relation to the U.S. dollar will cause significant volatility in the deferred income tax expense or recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

19. Share capital

Eldorado's authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of non-voting common shares without par value. At December 31, 2011 there were no non-voting common shares outstanding (December 31, 2010 – none).

Voting common shares	Number of Shares	Total \$
At January 1, 2010	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 subsidiary	5,993,898	95,118
Shares issued for cash upon exercise of warrants	843	12
At December 31, 2010	548,187,192	2,814,679
Shares issued upon exercise of share options, for cash	3,399,096	30,115
Estimated fair value of share options exercised	–	9,410
Shares issued for cash upon exercise of warrants	96,629	1,485
At December 31, 2011	551,682,917	2,855,689

20. Share-based payments

(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 ("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, 2011, a total of 9,710,429 options (2010 – 5,424,669) 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 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, 2011, a total of 9,687,704 Options (2010 – 4,990,394) were available to grant to directors and officers under the D&O Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

20. Share-based payments *continued*

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

	2011		2010	
	Weighted average exercise price CDN\$	Number of options	Weighted average exercise price CDN\$	Number of options
At January 1,	9.49	8,720,524	6.11	8,928,901
Granted	16.53	3,869,691	13.30	5,448,842
Exercised	8.70	(3,399,096)	7.37	(5,056,216)
Forfeited	14.96	(575,006)	11.76	(601,003)
At December 31,	12.60	8,616,113	9.49	8,720,524

At December 31, 2011, 4,992,624 share purchase options (December 31, 2010 – 5,423,758) with a weighted average exercise price of CDN\$10.57 (December 31, 2010 – CDN\$7.32) had vested and were exercisable. Options outstanding are as follows:

December 31, 2011					
Total options outstanding			Exercisable options		
Range of exercise price CDN\$	Shares	Weighted average remaining contractual life (years)	Weighted average exercise price CDN\$	Shares	Weighted average exercise price CDN\$
\$4.00 to \$4.99	1,218,686	1.8	4.88	1,218,686	4.88
\$5.00 to \$5.99	82,500	0.6	5.31	82,500	5.31
\$6.00 to \$6.99	471,000	1.1	6.42	471,000	6.42
\$7.00 to \$7.99	284,333	0.5	7.24	284,333	7.24
\$9.00 to \$9.99	302,900	2.3	9.64	302,900	9.64
\$11.00 to \$11.99	10,000	2.2	11.40	10,000	11.40
\$12.00 to \$12.99	183,500	3.1	12.60	116,833	12.44
\$13.00 to \$13.99	2,616,916	3.1	13.23	1,381,091	13.23
\$15.00 to \$15.99	453,646	4.3	15.54	231,215	15.44
\$16.00 to \$16.99	2,919,026	4.1	16.66	858,329	16.66
\$18.00 to \$18.99	24,000	3.9	18.81	16,000	18.81
\$19.00 to \$20.02	49,606	4.4	19.35	19,737	19.46
	8,616,113	3.1	12.60	4,992,624	10.57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

20. Share-based payments *continued*

The assumptions used to estimate the fair value of options granted during the years ended December 31, 2011 and 2010 were:

	2011	2010
Risk-free interest rate (range)	1.60% – 2.05%	1.69% – 1.99%
Expected volatility (range)	29% – 61%	38% – 73%
Expected life (range)	0.8 – 2.8 years	0.8 – 2.8 years
Expected dividends	CDN \$0.10	Nil
Forfeiture rate	4%	4%

The weighted average fair value per stock option was CDN\$3.75 (2010 – CDN\$4.12). Volatility was determined based on the historical volatility over the estimated lives of the options.

(b) Restricted share unit plan

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

The current maximum number of common shares authorized for issue under the RSU plan is 1,500,000. A total of 416,454 restricted share units with a weighted average grant-date fair value of CDN\$15.69 per unit were granted during the year ended December 31, 2011 and 168,027 were exercisable at December 31, 2011.

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

A summary of the status of the restricted share unit plan and changes during the year ended December 31, 2011 is as follows:

	Total RSUs
Balance at December 31, 2010	–
RSUs Granted	416,454
Redeemed	(146,059)
Forfeited	(16,808)
Balance at December 31, 2011	253,587

As at December 31, 2011, 253,587 common shares purchased by the Company remain held in trust in connection with this plan. At the end of the period, 21,968 restricted share units are fully vested and exercisable. These shares purchased and held in trust have been included in treasury stock in the balance sheet.

Restricted share units expense for the year ended December 31, 2011 was \$5,166.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

20. Share-based payments *continued*

(c) Deferred share units plan

In July 15, 2010 the Company adopted the Independent Directors Deferred Share Unit (“DSU”) Plan under which DSUs will be granted by the Board from time to time to independent directors (“participants”). The performance period of each DSU commences on the Grant Date and expires on the Termination Date of the participant. The Termination Date is when the participant ceases to be a Director of the Company. On redemption each unit entitles the participant to receive a cash payment equal to the market value of the Company’s shares on the date of redemption. At December 31, 2011, 65,982 DSUs were outstanding (2010 – 29,970) with a value of \$910 (2010 – \$573), which is included in accounts payable and accrued liabilities.

21. Supplementary cash flow information

	December 31, 2011 \$	December 31, 2010 \$
Changes in non-cash working capital		
Accounts receivable and other	(7,902)	(14,307)
Inventories	(13,299)	(12,452)
Accounts payable and accrued liabilities	31,149	(32,750)
Total	9,948	(59,509)
Supplementary cash flow information		
Income taxes paid	134,594	93,056
Interest paid	7,856	10,415
Non-cash investing and financing activities		
Shares, options and warrants issued on acquisition of subsidiaries	–	95,683

22. Financial risk management

22.1 Financial risk factors

Eldorado’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. Eldorado’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Eldorado’s financial performance.

(a) Market risk

(i) 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. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity’s functional currency.

Eldorado’s cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and debt are denominated in several currencies, and are therefore subject to fluctuation against the US dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

22. Financial risk management *continued*

The table below summarizes Eldorado's exposure to the various currencies denominated in the foreign currency, as listed below:

	Canadian dollar	Australian dollars	Euro	Turkish lira	Chinese renminbi	Brazilian real
Cash and cash equivalents	20,837	1,308	61	65,989	855,214	7,097
Marketable securities	2,686	–	–	–	–	–
Accounts receivable and other	2,353	–	499	8,560	90,695	25,189
Accounts payable and accrued liabilities	(12,424)	(12)	(38)	(59,520)	(672,734)	(12,740)
Debt	–	–	–	–	(510,568)	–
Net balance	13,452	1,296	522	15,029	(237,393)	19,546
Equivalent in US dollars	\$13,227	\$1,318	\$675	\$7,956	\$(37,676)	\$10,433

Based on the balances as at December 31, 2011, a 1% increase/decrease in the US dollar exchange rate against all of the other currencies on that date would have resulted in a decrease/increase of approximately \$41 in profit before taxes. There would be no effect in other comprehensive income.

Cash flows from operations are exposed to foreign exchange risk, as commodity sales are set in US dollars and a certain amount of operating expenses are in the currency of the country in which mining operations take place.

(ii) 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 the Company's 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 price of these metals is occasionally subject to rapid short-term changes due to speculative activities. The Company has elected not to actively manage its exposure to metal price risk at this time. From time to time, Eldorado may use commodity price contracts to manage its 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.

(iii) 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, 2011 the average interest rate in Eldorado's debt was 6.09% (2010 – 5.94%). A 10% increase or decrease in the interest rate on debt held at December 31, 2011 would result in a \$125 increase or decrease (2010 – \$670) in the Company's profit before tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

22. Financial risk management *continued*

(b) 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. 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, 2011, approximately 37% (2010 – 44%) of Eldorado'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.

Eldorado sells its gold bullion exclusively to large international financial institutions or on the Istanbul and Shanghai Gold Exchanges and its doré exclusively to refineries. 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, 2011.

(c) 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. Management 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 15.

22.2 Capital risk management

Eldorado's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of our mining projects. Capital consists of all of the components of equity; share capital from ordinary shares, contributed surplus, accumulated other comprehensive income, retained earnings and non-controlling interests.

Consistent with others in the industry, Eldorado monitors capital on the basis of the debt to capital ratio and debt to EBITDA. The debt to capital is calculated as debt, including current and non-current debt, divided by capital. Debt to EBITDA is calculated as debt, including current and non-current debt, divided by earnings before interest costs, taxes and depreciation. This policy includes a target debt to capital ratio of less than 30% and a debt to EBITDA target ratio below 3.5.

As at December 31, 2011, our debt to capital ratio was 2.4% (2010 – 5.6%) and our debt to EBITDA ratio was 0.12 (2010 – 0.36).

These policy targets are managed through the repayments and issuances of debt as well as the continuing management of operations and capital expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

22. Financial risk management *continued*

22.3 Fair value estimation

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 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).

Assets and liabilities measured at fair value on a recurring basis as at December 31, 2011 include:

	Balance at December 31, 2011 \$	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Other Observable Inputs \$ (Level 2)	Significant Unobservable inputs \$ (Level 3)
Assets				
<i>Held-for-trading</i>				
Restricted asset (SERP)	14,456	14,456	–	–
<i>Available-for-sale financial assets</i>				
Marketable securities	2,640	2,640	–	–
Total assets	17,096	17,096	–	–

No liabilities are measured at fair value on a recurring basis as at December 31, 2011.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily publicly-traded equity investments classified as held-for-trading securities or available-for-sale securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

23. Commitments

The Company's contractual obligations, not recorded on the balance sheet, at December 31, 2011, include:

	2012 \$	2013 \$	2014 \$	2015 and later \$
Operating leases and capital expenditures	10,337	3,560	3,491	1,930
Purchase obligations	81,785	5,133	1,056	562
Totals	92,122	8,693	4,547	2,492

Purchase obligations in 2012 relate primarily to mine expansion projects at Kışladağ, mine development projects at Tocantinzinho and Eastern Dragon as well as operating and maintenance supply contracts at our operating mines.

24. Contingencies

The Company is involved in legal proceedings from time to time, arising in the ordinary course of its business. As at December 31, 2011, the amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect Eldorado's financial position, results of operations or cash flows.

25. Related party transactions

Key management includes directors (executive and non-executive), officers and senior management. The compensation paid or payable to key management for employee services is shown below:

	2011 \$	2010 \$
Salaries and other short-term employee benefits	18,897	7,966
Termination benefits	732	—
Post-employment benefits	95	87
Share-based payments	17,104	25,556
	36,828	33,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

26. Financial instruments by category

Fair value

The following table provides the carrying value and the fair value of financial instruments at December 31, 2011 and December 31, 2010:

	December 31, 2011		December 31, 2010	
	Carrying amount %	Fair value \$	Carrying amount \$	Fair value \$
Financial Assets				
<i>Held-for-trading</i>				
Restricted assets and other (SERP)	14,456	14,456	7,872	7,872
<i>Available-for-sale</i>				
Marketable securities	2,640	2,640	8,027	8,027
<i>Loans and receivables</i>				
Cash and cash equivalents	393,763	393,763	314,344	314,344
Restricted cash	55,390	55,390	52,425	52,425
Accounts receivable and other	34,630	34,630	38,241	38,241
Restricted assets and other	23,974	23,974	11,456	11,456
Financial Liabilities				
Accounts payable and accrued liabilities	168,367	168,367	145,695	145,695
Debt	81,031	81,031	166,663	166,663

27. Production costs

	2011 \$	2010 \$
Labour	59,079	47,302
Fuel	30,580	22,143
Reagents	39,873	29,910
Electricity	31,753	25,146
Mining contractors	31,677	42,415
Operating and maintenance supplies and services	73,532	62,725
Finance and administrative costs	19,210	23,579
Inventory change	13,185	(2,375)
Royalties, production taxes and selling expenses	47,595	27,129
Total production costs	346,484	277,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

28. Interest and financing costs

	2011 \$	2010 \$
Interest expense	4,208	7,730
Financing fees	1,123	357
Interest on capital leases	–	2
Total interest and financing costs	5,331	8,089

29. Earnings per share

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	December 31, 2011 (in thousands)	December 31, 2010 (in thousands)
Weighted average number of ordinary shares used in the calculation		
of basic earnings per share	549,791	542,861
Diluted impact of stock options	1,834	2,989
Weighted average number of ordinary shares used in the calculation		
of diluted earnings per share	551,625	545,850

The earnings used to calculate basic and diluted earnings per share for the year ended December 31, 2011 were \$318,662 (2010 – \$221,001).

30. Segment information

Identification of reportable segments

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

The CODM considers the business from both a geographic and product perspective and assesses the performance of the operating segments based on measures of profit and loss as well as assets and liabilities. These measures include operating profit, expenditures on exploration, property, plant and equipment and non-current assets, as well as total debt. During the year ended December 31, 2011, Eldorado had five reporting segments based on the geographical location of mining and exploration and development activities.

30.1 Geographical segments

Geographically, the operating segments are identified by country and by operating mine or mine under construction. The Brazil reporting segment includes the Vila Nova mine, development activities of Tocantinzinho and exploration activities in Brazil. The Turkey reporting segment includes the Kışladağ and the Efemçukuru mines and exploration activities in Turkey. The China reporting segment includes the TJS, Jinfeng and White Mountain mines, the Eastern Dragon development project and exploration activities in China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

30. Segment information *continued*

The Greece reporting segment includes the development activities of the Perama Hill development project. The Other reporting segment includes operations of Eldorado's corporate office and exploration activities in other countries. Financial information about each of these operating segments is reported to the CODM on at least a monthly basis.

	2011					
	Turkey	China	Brazil	Greece	Other	Total
Information about profit and loss						
Metal sales from external customers	455,311	586,759	56,863	–	–	1,098,933
Production costs	117,189	198,995	30,300	–	–	346,484
Depreciation	11,342	104,154	4,689	–	2,229	122,414
Operating profit	326,780	283,610	21,874	–	(2,229)	630,035
Other material items of income and expense						
Exploration costs	10,515	8,741	5,639	–	5,878	30,773
Income tax expense	94,781	70,131	125	260	290	165,587
Information about assets and liabilities						
Property, plant and equipment	591,896	1,903,793	185,667	163,239	3,315	2,847,910
Goodwill	–	365,928	–	–	–	365,928
Non-current assets	591,896	2,269,721	185,667	163,239	3,315	3,213,838
Additions to property, plant and equipment during the year	166,601	82,249	17,532	2,902	2,062	271,346
Total debt	–	81,031	–	–	–	81,031
	2010					
	Turkey	China	Brazil	Greece	Other	Total
Information about profit and loss						
Metal sales from external customers	339,151	443,699	8,325	–	–	791,175
Production costs	96,658	177,045	4,271	–	–	277,974
Depreciation	14,419	90,304	1,031	–	1,403	107,157
Operating profit	228,074	176,350	3,023	–	(1,403)	406,044
Other material items of income and expense						
Exploration costs	13,181	3,464	3,063	–	2,793	22,501
Income tax expense	47,780	38,876	–	–	283	86,939
Information about assets and liabilities						
Property, plant and equipment	431,392	1,924,959	179,612	160,335	3,489	2,699,787
Goodwill	–	365,928	–	–	–	365,928
Non-current assets	431,392	2,290,887	179,612	160,335	3,489	3,065,715
Additions to property, plant and equipment during the year	141,001	101,089	9,560	2,368	2,421	256,439
Total debt	–	166,663	–	–	–	166,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

30. Segment information *continued*

The Turkey and China segments derive their revenues from sales of gold. The Brazil segment derives its revenue from sales of iron ore.

The measure of non-current assets does not include non-current inventories, investments in significantly influenced companies, deferred tax assets, and other items in restricted assets and other, including post-employment benefit assets.

The measure of total debt represents the current and long-term portions of debt.

30.2 Economic dependence

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

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

30.3 Seasonality/cyclicality of operations

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

31. Events occurring after the reporting date

On December 18, 2011, the Company announced that it had entered into a definitive agreement with European Goldfields Limited (“European Goldfields”) pursuant to which Eldorado agreed to acquire all of the issued and outstanding common shares of European Goldfields by way of a plan of arrangement (the “Arrangement”) under the *Yukon Business Corporations Act*.

Under the Arrangement, shareholders of European Goldfields will receive 0.85 Eldorado shares and CDN\$0.0001 in cash per European Goldfields share (the “Exchange Ratio”). Each outstanding option of European Goldfields shall be exchanged for options of Eldorado that will entitle the holder to receive, upon the exercise thereof, Eldorado shares based upon the Exchange Ratio and otherwise on the same terms and conditions as in the original European Goldfields option. The total transaction value is estimated to be approximately CDN\$2.4 billion based on the Eldorado share price on February 23, 2012.

The transaction was to be carried out by way of a court-approved plan of arrangement and required shareholders’ approval. The shareholders of both Eldorado and European Goldfields approved the transaction on February 21, 2012 and court approval was obtained on February 22, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

32. Explanation of transition to IFRS

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (Eldorado's date of transition).

In preparing its opening IFRS balance sheet, Eldorado has adjusted certain amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected Eldorado's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

1. Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions applied by Eldorado in the conversion from Canadian GAAP to IFRS:

1.1 IFRS exemption options:

Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3, '*Business combinations*', prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Company elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

Exemption for share-based payment transactions

An IFRS 1 exemption allows the Company to not apply IFRS 2, '*Share-based payment*', to equity instruments granted after November 7, 2002 that vested before the date of transition to IFRS. The Company has elected to take the exemption and, as a result, was only required to recalculate the impact on any share based payments that have not vested at the date of transition.

Exemption for employee benefits

IFRS 1 provides relief from applying IAS 19, '*Employee benefits*', for the recognition of actuarial gains and losses. In line with the exemption, the Company elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all its employee benefit plans.

Exemption for borrowing costs

IFRS 1 allows a first time adopter to apply the transitional provisions set out in IAS 23, '*Borrowing Costs*'. Taking this exemption allows the Company to apply IAS 23 prospectively from the date of transition.

The Company has not elected to adopt the remaining voluntary exemptions or they do not apply to the Company.

2. Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income from that previously reported under Canadian GAAP to that under IFRS. The following tables represent the reconciliation from Canadian GAAP to IFRS for the opening balance sheet (January 1, 2010) and at December 31, 2010. The Company's first-time adoption did not have an impact on cash flows. As there were no material adjustments to cash-flows, no reconciliation has been provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

32. Explanation of transition to IFRS *continued*

2.1 Opening balance sheet (January 1, 2010)

Assets	Note	January 1, 2010	
		Canadian GAAP	Effect of transition to IFRS
Current assets			
Cash and cash equivalents		265,369	–
Restricted cash		50,000	–
Marketable securities		13,951	–
Accounts receivable and other		26,434	–
Inventories		129,197	–
		484,951	–
Long term inventories		31,534	–
Restricted assets and other		13,872	(113)
Property, plant and equipment	(a); (c); (f)	2,580,816	(53,249)
Goodwill		324,935	–
		3,436,108	(53,362)
Liabilities & Equity			
Current liabilities			
Accounts payables and accrued liabilities	(bii); (e)	157,250	(4,214)
Current debt		56,499	–
Deferred income taxes	(aii)	4,264	(4,264)
		218,013	(8,478)
Debt		134,533	–
Asset retirement obligations	(c)	26,566	429
Pension fund obligation	(b)	–	7,811
Deferred income taxes	(a); (c); (e); (f)	390,242	(34,817)
		769,354	(35,055)
Non-controlling interests	(d)	26,144	(26,144)
Equity			
Share capital		2,671,634	–
Contributed surplus		17,865	–
Accumulated other comprehensive income		2,227	–
Deficit		(51,116)	(18,307)
Total equity attributable to shareholders of the Company		2,640,610	(18,307)
Attributable to non-controlling interests	(d)	–	26,144
		2,666,754	7,837
		3,436,108	(53,362)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

32. Explanation of transition to IFRS *continued*

2.2 Balance sheet (December 31, 2010)

		December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash and cash equivalents		314,344	–	314,344
Restricted cash		52,425	–	52,425
Marketable securities		8,027	–	8,027
Accounts receivable and other		42,437	–	42,437
Inventories		147,263	–	147,263
Deferred income taxes	(a ii)	606	(606)	–
		565,102	(606)	564,496
Long term inventories		29,627	–	29,627
Investment in significantly influenced company		6,202	–	6,202
Restricted assets and other		19,328	–	19,328
Property, plant and equipment	(a i); (c)	2,793,722	(93,935)	2,699,787
Goodwill		365,928	–	365,928
		3,779,909	(94,541)	3,685,368
Liabilities & Equity				
Current liabilities				
Accounts payables and accrued liabilities	(b ii); (e)	152,781	(7,086)	145,695
Current debt		98,523	–	98,523
Deferred income taxes	(a ii)	2,915	(2,915)	–
		254,219	(10,001)	244,218
Debt		68,140	–	68,140
Asset retirement obligations	(c)	24,275	8,953	33,228
Pension fund obligation	(b)	–	12,019	12,019
Deferred income taxes	(a); (c); (e)	430,020	(99,508)	330,512
		776,654	(88,537)	688,117
Non-controlling interests	(d)	36,021	(36,021)	–
Equity				
Share capital		2,814,679	–	2,814,679
Contributed surplus		22,967	–	22,967
Accumulated other comprehensive income	(b i)	998	(2,635)	(1,637)
Retained earnings (deficit)		128,590	(3,369)	125,221
Total equity attributable to shareholders of the Company		2,967,234	(6,004)	2,961,230
Attributable to non-controlling interests	(d)	–	36,021	36,021
		3,003,255	30,017	2,997,251
		3,779,909	(94,541)	3,685,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

32. Explanation of transition to IFRS *continued*

2.3 Reconciliation of Total Comprehensive Income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the year ended December 31, 2010 are provided below:

	Note	Year ended December 31, 2010
Comprehensive Income under Canadian GAAP		222,291
Profit adjustments		
Reduction in pension expense	(b)	1,037
Increase in depreciation of asset retirement obligation (net of tax)	(c)	(274)
Decrease in severance provision expense (net of tax)	(e)	300
Revision to asset retirement obligation liability (net of tax)	(c)	(866)
Foreign exchange (loss) gain on reversal of deferred income tax	(a)	12,223
Tax adjustment to reflect foreign exchange difference	(aii)	2,518
Other comprehensive income adjustments		
Recognition of actuarial gains/losses in other comprehensive income	(bi)	(2,635)
Total IFRS adjustments to comprehensive income		12,303
Comprehensive Income under IFRS		234,594

Explanatory Notes

a)(i) Under IFRS, deferred income taxes are not recognized on an asset acquisition providing certain conditions are met, whereas they are under Canadian GAAP. During 2008, Eldorado completed the acquisition of Frontier Pacific Corporation ("Frontier") and accounted for this transaction as an asset acquisition. Accordingly, a deferred tax liability was recognized under Canadian GAAP. The reversal of the deferred income tax liability recognized on the acquisition of Frontier results in an adjustment to decrease property, plant and equipment by \$51,440, decrease deferred income tax liabilities by \$37,582 and increase deficit by \$13,858 at January 1, 2010.

Further, in 2010 Eldorado completed the acquisition of all of the issued and outstanding common shares of Brazauro that it had not already owned. This transaction was accounted for as an asset acquisition and a deferred income tax liability was recorded under Canadian GAAP. The reversal of the deferred income tax liability recognized under Canadian GAAP resulted in an adjustment to decrease property, plant and equipment by \$47,682 and decrease deferred income tax liabilities by \$49,441 as of December 31, 2010 and a foreign exchange gain of \$1,759 being recognized in the income statement for the year ended December 31, 2010.

The reversal of these deferred income tax liabilities resulted in a reduced foreign exchange movement under IFRS compared to Canadian GAAP during the year ended December 31, 2010, resulting in an adjustment to further decrease deferred income tax liabilities by \$1,685 and an increase in foreign exchange gain for the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

32. Explanation of transition to IFRS *continued*

- (ii) Under Canadian GAAP, no future tax assets or liabilities are recognized for temporary differences associated with the cost of non-monetary assets and liabilities of subsidiaries where the tax basis is measured in a currency different from the functional currency. IFRS requires that deferred taxes be recognized in respect of these foreign exchange differences by translating the tax bases of the assets and liabilities at the year end rate and comparing them to the accounting carrying value calculated at historical rates. Upon adoption of IFRS, this resulted in an adjustment to decrease property, plant and equipment by \$1,864, decrease deferred income tax liability by \$1,620 and increase the deficit by \$244.

Further to the adjustment at January 1, 2010, for the year ended December 31, 2010 this resulted in an adjustment to decrease the deferred income tax liability by \$11,297, increase foreign exchange gain by \$8,779 and decrease deferred income tax expense by \$2,518.

As required under IFRS, all deferred taxes are reclassified and presented as non-current in the balance sheet.

- b) (i) Under Canadian GAAP, Eldorado applied the corridor method of accounting for actuarial gains and losses.

Under this method, gains and losses are recognized only if they exceed specified thresholds. Under IFRS the Company has not used the corridor method, resulting in the carrying value of the net liability for pension fund obligations and deficit increasing by \$2,020 to recognize cumulative net actuarial losses as at January 1, 2010 in accordance with the IFRS exemption.

For the year ended December 31, 2010, actuarial losses of \$2,635 were recognized within other comprehensive income.

- (ii) Under IFRS, Eldorado expenses the cost of past service benefits awarded to employees under post employment benefit plans over the year in which the benefits are vested. Under Canadian GAAP, Eldorado expensed past service costs over the weighted average service life of active employees remaining in the plan. This adjustment increased benefit fund obligations and deficit by \$2,665 as at January 1, 2010.

For the year ended to December 31, 2010 this resulted in an adjustment to decrease the pension expense by \$1,440, decrease the foreign exchange gain by \$403 and decrease the pension liability by \$1,037.

As required under IFRS, the pension liability is presented as a separate line item. Accordingly, these amounts have been reclassified in the financial statements.

- c) IFRS requires that asset retirement obligations are discounted using a current discount rate specific to the related future liability or a risk-free interest rate if risks are incorporated into the related cash flows. Under Canadian GAAP, a credit adjusted risk-free rate was used. As a result, the asset retirement obligation recorded at January 1, 2010 has been re-measured using the risk-free discount rate in effect at that date, given that risks have been incorporated into the related cash flows, and an adjustment has been recorded to the corresponding asset. This resulted in an increase in property, plant and equipment of \$370, an increase in asset retirement obligation of \$429, a decrease in the deferred income tax liability of \$11 and an increase in deficit of \$48 at January 1, 2010. As a result of this, the annual accretion of the liability increased under IFRS.

In addition to the adjustment at January 1, 2010, the Company revised the asset retirement obligation estimates at December 31, 2010, resulting in an adjustment to the asset retirement obligations and property, plant and equipment. Under IFRS, the asset retirement obligation recorded at December 31, 2010 has been re-measured using the discount rate in effect at that date, and an adjustment has been recorded to the corresponding asset. This item resulted in an increase in property, plant and equipment of \$6,996, an increase in asset retirement obligation of \$8,524, a decrease in the deferred income tax liability of \$388, an increase in asset retirement obligation costs of \$1,163 all as at December 31, 2010, and for the year ended December 31, 2010 an increase in depreciation of \$365 and a decrease in deferred income tax expense of \$297 related to the asset retirement obligation costs and \$91 related to the depreciation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010 (expressed in thousands of US dollars, unless otherwise stated)

- d) Under IFRS, the non-controlling interests' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity. Under Canadian GAAP, non-controlling interests were presented as a separate item between liabilities and equity in the statement of financial position and the non-controlling interests' share of income and other comprehensive income were deducted in calculating net income and comprehensive income of the entity.

Non-controlling interest of \$26,144 at January 1, 2010 has been reclassified to equity. Similar adjustments were made at December 31, 2010 of \$36,021.

- e) IFRS requires provisions to be recorded at fair value rather than carrying value, therefore the severance provision at January 1, 2010 in Turkey was reduced by \$975, creating a deferred tax liability of \$195 on transition. The offsetting entry for these adjustments was recorded against retained earnings. During the 2010 year the provision was decreased by \$375 and the deferred tax liability increased by \$75. The decrease has been accrued over the year on a straight-line method, with the offsetting entry recorded in the income statement.
- f) As part of the IFRS transition and the evaluation of components of property, plant and equipment, the Company recorded at January 1, 2010 a decrease of \$315 to property, plant and equipment, a decrease of \$63 to the deferred tax liability and an increase of deficit of \$252.

CORPORATE INFORMATION

Directors

Robert R. Gilmore ^{1,2}
Denver, CO, USA
Non-executive Chairman of the Board
(Independent Director)

Timothy C. Baker ⁴
Toronto, ON, Canada
(Independent Director)

K. Ross Cory ^{1,3}
Vancouver, BC, Canada
(Independent Director)

Geoffrey A. Handley ^{2,4}
Bronte, NSW, Australia
(Independent Director)

Wayne D. Lenton ^{2,4}
Tucson, AZ, USA
(Independent Director)

Michael A. Price ^{1,4}
London, UK
(Independent Director)

Jonathan A. Rubenstein ^{2,3}
Vancouver, BC, Canada
(Independent Director)

Donald M. Shumka ^{1,3}
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

Fabiana E. Chubbs
Chief Financial Officer

Norman S. Pitcher
Chief Operating Officer

Dawn L. Moss
VP, Administration and Corporate
Secretary

Senior Management

Dale L. Churcher
VP, Engineering

Doug M. Jones
Senior VP, China

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

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Dorsey & Whitney LLP
Denver, CO, USA

Auditors

KPMG LLP
Chartered Accountants
Vancouver, BC, Canada

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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 40-F and other corporate and continuous disclosure documents available on the Company's website, CDS SEDAR website (www.sedar.com), the US Securities and Exchange Commission EDGAR website (www.edgar-online.com) and the Australian Securities Exchange website (www.asx.com.au).

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.

Website: www.eldoradogold.com Investor Relations Email: info@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 and local economic climate; prices for energy inputs labour, material costs and other supplies remaining consistent with expectations; dilution; share price volatility; the impact of the European Goldfields acquisition, including the expanded portfolio of projects on our operations, capital requirements and financial condition; risks related to the integration of acquired businesses, including the risk that the integration of European Goldfields may take longer than expected, the anticipated benefits may be less than estimated and the cost higher than anticipated; ability to complete acquisitions; competition; 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 that 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” and “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 that 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 cannot 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.

Working together successfully to reduce costs – please consider signing up for e-delivery

Eldorado Gold's international success in exploring, developing, financing and operating mines is supported by loyal existing shareholders and has attracted the interest of new investors.

With your support, we have:

- acquired or built seven mines and are operating them profitably,
- started paying dividends and increased them significantly in 2011, and
- successfully increased margins.

We believe that Eldorado is well positioned to grow in value as we create and pursue new opportunities in gold and other resources.

It is very important for us to sustain good relationships with our investors and the communities we operate in. To focus on what we do best and to communicate with you in a more direct and timely manner, we are asking for your support.

We currently spend a substantial amount of resources to disseminate required shareholder information in hard copy. To help us save money, time and trees, and reduce greenhouse gases, please consider receiving the annual shareholder information in electronic format. Based on our previous mailings, this would save us more than \$500,000 per year, which we would rather invest into the business to continue to grow your company.

If you are a beneficial shareholder, please go to www.investordelivery.com to sign up for e-delivery. You will be asked to include the 12-digit control number located on the enclosed Voting Instruction Form.

If you or other household members have several accounts at the same investment dealer, please ask them to remove any duplicate mailings or to consolidate your account.

Thank you.



TSX: ELD

NYSE: EGO

ASX:EAU

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