



eldorado gold

**June 30, 2013**

**Unaudited Condensed Consolidated Financial Statements**

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# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	<i>Note</i>	<b>June 30, 2013</b>	<b>December 31, 2012</b>
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		522,158	816,843
Term deposits		221,441	-
Restricted cash		261	241
Marketable securities		2,434	1,988
Accounts receivable and other		105,556	112,324
Inventories		217,109	220,766
		<u>1,068,959</u>	<u>1,152,162</u>
Investments in associates		31,038	27,949
Deferred income tax assets		1,740	3,149
Restricted assets and other		44,238	31,846
Defined benefit pension plan		6,007	4,571
Property, plant and equipment		6,009,707	5,868,742
Goodwill		839,710	839,710
		<u>8,001,399</u>	<u>7,928,129</u>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		202,770	224,567
Current debt	6	12,624	10,341
		<u>215,394</u>	<u>234,908</u>
Debt	6	583,973	582,974
Asset retirement obligations		80,696	79,971
Deferred income tax liabilities	7	951,979	816,941
		<u>1,832,042</u>	<u>1,714,794</u>
<b>Equity</b>			
Share capital	8	5,306,947	5,300,957
Treasury stock		(11,775)	(7,445)
Contributed surplus		71,389	65,382
Accumulated other comprehensive loss		(25,952)	(24,535)
Retained earnings		542,446	594,876
<b>Total equity attributable to shareholders of the</b>		<u>5,883,055</u>	<u>5,929,235</u>
<b>Attributable to non-controlling interests</b>		<u>286,302</u>	<u>284,100</u>
		<u>6,169,357</u>	<u>6,213,335</u>
		<u>8,001,399</u>	<u>7,928,129</u>

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

*(Signed) Robert R. Gilmore*      Director

*(Signed) Paul N. Wright*      Director

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

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Income Statements

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
<i>Note</i>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Metal sales	266,929	244,191	604,997	515,740
<b>Cost of sales</b>				
Production costs	116,133	94,486	246,501	185,725
Depreciation and amortization	35,234	25,145	72,348	52,553
	<u>151,367</u>	<u>119,631</u>	<u>318,849</u>	<u>238,278</u>
<b>Gross profit</b>	115,562	124,560	286,148	277,462
Exploration expenses	10,240	10,073	17,864	18,769
General and administrative expenses	18,239	19,665	34,725	35,827
Defined benefit pension plan expense	619	626	1,248	1,261
Share based payments	3,291	3,791	12,168	12,814
Acquisition costs	5	-	-	19,453
Foreign exchange loss (gain)	5,920	806	5,818	(301)
<b>Operating profit</b>	77,253	87,950	214,325	189,639
Loss (gain) on disposal of assets	(51)	659	(15)	446
Gain on marketable securities and other investments	-	-	(21)	(1,032)
Loss on investments in associates	214	463	1,123	1,744
Other income	(3,138)	(1,431)	(5,114)	(2,377)
Asset retirement obligation accretion	386	503	725	871
Interest and financing costs	11,061	1,446	21,562	2,134
<b>Profit before income tax</b>	68,781	86,310	196,065	187,853
Income tax expense	7	24,550	195,802	64,530
<b>Profit for the period</b>	<u>44,231</u>	<u>49,505</u>	<u>263</u>	<u>123,323</u>
<b>Attributable to:</b>				
Shareholders of the Company	43,274	46,624	(2,189)	114,475
Non-controlling interests	957	2,881	2,452	8,848
<b>Profit for the period</b>	<u>44,231</u>	<u>49,505</u>	<u>263</u>	<u>123,323</u>
Weighted average number of shares outstanding				
Basic	715,038	711,449	714,739	662,949
Diluted	715,426	713,050	715,256	664,634
<b>Earnings per share attributable to shareholders of the Company:</b>				
Basic earnings per share	0.06	0.07	0.00	0.17
Diluted earnings per share	0.06	0.07	0.00	0.17

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

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Profit for the period</b>	<b>44,231</b>	<b>49,505</b>	<b>263</b>	<b>123,323</b>
<b>Other comprehensive loss:</b>				
Change in fair value of available-for-sale financial assets	(918)	(1,024)	(1,400)	(1,137)
Realized gains on disposal of available-for-sale financial assets transferred to net income	-	-	(17)	(24)
Actuarial losses on defined benefit pension plans	-	(5,701)	-	(5,701)
<b>Total other comprehensive loss for the period</b>	<b>(918)</b>	<b>(6,725)</b>	<b>(1,417)</b>	<b>(6,862)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>43,313</b>	<b>42,780</b>	<b>(1,154)</b>	<b>116,461</b>
<b>Attributable to:</b>				
Shareholders of the Company	42,356	39,899	(3,606)	107,613
Non-controlling interests	957	2,881	2,452	8,848
<b>Total comprehensive income (loss) for the period</b>	<b>43,313</b>	<b>42,780</b>	<b>(1,154)</b>	<b>116,461</b>

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

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	<i>Note</i>	Three months ended		Six months ended	
		June 30,		June 30,	
		2013	2012	2013	2012
		\$	\$	\$	\$
Cash flows generated from (used in):					
<b>Operating activities</b>					
Profit for the period		44,231	49,505	263	123,323
Items not affecting cash					
Asset retirement obligation accretion		386	503	725	871
Depreciation and amortization		35,234	25,145	72,348	52,553
Unrealized foreign exchange loss (gain)		403	(877)	524	(363)
Deferred income tax expense (recovery)	7	560	2,298	136,448	(6,688)
Loss (gain) on disposal of assets		(51)	659	(15)	446
Loss on investments in associates		214	463	1,123	1,744
Gain on marketable securities and other investments		-	-	(21)	(1,032)
Share based payments		3,291	3,791	12,168	12,814
Defined benefit pension plan expense		619	626	1,248	1,261
		<u>84,887</u>	<u>82,113</u>	<u>224,811</u>	<u>184,929</u>
Changes in non-cash working capital	11	<u>(63,433)</u>	<u>(123,116)</u>	<u>(36,265)</u>	<u>(142,657)</u>
		21,454	(41,003)	188,546	42,272
<b>Investing activities</b>					
Net cash received on acquisition of subsidiary	5	-	-	-	18,789
Purchase of property, plant and equipment		(116,549)	(114,598)	(217,763)	(167,112)
Proceeds from the sale of property, plant and equipment		136	132	192	791
Proceeds on pre-production sales		10,900	13,958	15,228	20,022
Purchase of marketable securities		-	(2,152)	-	(2,152)
Proceeds from the sale of marketable securities		-	-	332	230
Funding of non-registered supplemental retirement plan investments, net		-	20,509	-	14,486
Investments in associates		-	(2,716)	(6,357)	(3,412)
Investment in term deposits		(62,514)	-	(221,441)	-
Decrease in restricted cash		15	(382)	5	(1,669)
		<u>(168,012)</u>	<u>(85,249)</u>	<u>(429,804)</u>	<u>(120,027)</u>
<b>Financing activities</b>					
Issuance of common shares for cash		179	10,741	1,601	16,831
Dividend paid to non-controlling interests		-	(1,271)	-	(1,271)
Dividend paid to shareholders		-	-	(50,241)	(49,880)
Purchase of treasury stock		(168)	-	(6,462)	(6,011)
Long-term and bank debt proceeds		-	50,000	12,412	50,000
Long-term and bank debt repayments		-	(5,524)	(10,354)	(11,087)
Loan financing costs		90	-	(383)	-
		<u>101</u>	<u>53,946</u>	<u>(53,427)</u>	<u>(1,418)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(146,457)</u>	<u>(72,306)</u>	<u>(294,685)</u>	<u>(79,173)</u>
<b>Cash and cash equivalents - beginning of period</b>		<u>668,615</u>	<u>386,896</u>	<u>816,843</u>	<u>393,763</u>
<b>Cash and cash equivalents - end of period</b>		<u>522,158</u>	<u>314,590</u>	<u>522,158</u>	<u>314,590</u>

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

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. dollars)

	Note	Three months ended		Six months ended	
		June 30,		June 30,	
		2013	2012	2013	2012
		\$	\$	\$	\$
<b>Share capital</b>					
Balance beginning of period		5,303,095	5,258,949	5,300,957	2,855,689
Shares issued upon exercise of share options, for cash		179	10,741	1,601	16,831
Transfer of contributed surplus on exercise of options		273	11,648	989	18,156
Shares issued on acquisition of European Goldfields Ltd.	5	-	-	-	2,380,140
Transfer of contributed surplus on exercise of deferred phantom units		3,400	1,030	3,400	11,552
Balance end of period		5,306,947	5,282,368	5,306,947	5,282,368
<b>Treasury stock</b>					
Balance beginning of period		(12,307)	(8,457)	(7,445)	(4,018)
Purchase of treasury stock		(168)	-	(6,462)	(6,011)
Shares redeemed upon exercise of restricted share units		700	1,102	2,132	2,674
Balance end of period		(11,775)	(7,355)	(11,775)	(7,355)
<b>Contributed surplus</b>					
Balance beginning of period		71,827	80,289	65,382	30,441
Share based payments		3,935	3,935	12,528	12,150
Shares redeemed upon exercise of restricted share units		(700)	(1,102)	(2,132)	(2,674)
Options issued on acquisition of European Goldfields Ltd.	5	-	-	-	31,130
Deferred phantom units granted on acquisition of European Goldfields Ltd.		-	-	-	29,105
Transfer to share capital on exercise of options and deferred phantom units		(3,673)	(12,678)	(4,389)	(29,708)
Balance end of period		71,389	70,444	71,389	70,444
<b>Accumulated other comprehensive loss</b>					
Balance beginning of period		(25,034)	(10,206)	(24,535)	(10,069)
Other comprehensive loss for the period		(918)	(6,725)	(1,417)	(6,862)
Balance end of period		(25,952)	(16,931)	(25,952)	(16,931)
<b>Retained earnings</b>					
Balance beginning of period		499,172	400,687	594,876	382,716
Dividends paid		-	-	(50,241)	(49,880)
Profit (loss) attributable to shareholders of the Company		43,274	46,624	(2,189)	114,475
Balance end of period		542,446	447,311	542,446	447,311
<b>Total equity attributable to shareholders of the Company</b>		<b>5,883,055</b>	<b>5,775,837</b>	<b>5,883,055</b>	<b>5,775,837</b>
<b>Non-controlling interests</b>					
Balance beginning of period		285,595	322,547	284,100	56,487
Profit attributable to non-controlling interests		957	2,881	2,452	8,848
Dividends declared to non-controlling interests		-	(9,399)	-	(9,399)
Non-controlling interest acquired from European Goldfields Ltd.	5	-	-	-	260,093
Non-controlling interest buy out		(250)	-	(250)	-
Balance end of period		286,302	316,029	286,302	316,029
<b>Total equity</b>		<b>6,169,357</b>	<b>6,091,866</b>	<b>6,169,357</b>	<b>6,091,866</b>

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

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 1. General Information

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

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

### 2. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’. They do not include all of the information and footnotes required by the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board for full annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2012.

The same accounting policies are used in the preparation of these unaudited condensed consolidated interim financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with IFRS for the interim periods presented.

### 3. Adoption of new accounting standards

The following standards and amendments to existing standards have been adopted by the company commencing January 1, 2013:

- IAS 19 *Employee Benefits* – On June 16, 2011, the International Accounting Standards Board (IASB) published a revised version of IAS 19. The revised IAS 19 (“IAS 19R”) represents IASB’s effort to improve the accounting for employee retirement benefits. The revisions include:
  - Requirement to recognize past service costs immediately in net income rather than using the corridor method.
  - Requirement to recognize actuarial gains and losses immediately in other comprehensive income OCI. Previously, companies had the option of recognizing actuarial gains and losses through OCI immediately or via use of the corridor method.
  - Requirement that expected return on plan assets be calculated based on the rate used to discount the defined benefit obligation which is based on high quality bond yields. Previously, equity returns were incorporated into the expected return on plan assets.
  - Requirement for more disclosure relating to the characteristics and risks of the amounts in the financial statements regarding defined benefit plans, including the timing and uncertainty of the entity’s cash flows.

The adoption of this standard had a nominal impact on the Company’s unaudited condensed interim consolidated financial statements. Therefore comparative periods have not been restated.

- IFRS 10 *Consolidated Financial Statements* – This IFRS establishes control as the basis for an investor to consolidate its investee; it defines control as an investor’s power over the investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor’s return through its power over the investee. At January 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed interim consolidated financial statements.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 3. Adoption of new accounting standards (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 ventures 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. At January 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed interim consolidated financial statements.

- IFRS 12 '*Disclosure of Interests in Other Entities*' – This IFRS is a new standard that applies to 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 are now 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. At January 1, 2013, the Company adopted this standard. The adoption did not require any adjustments to its unaudited condensed interim consolidated financial statements but will require extended disclosures at year end.
- IFRS 13 '*Fair value measurement*' – This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. At January 1, 2013, the Company adopted this standard and the required disclosures are included in note 10 of these unaudited condensed interim consolidated financial statements.
- 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. At January 1, 2013, the Company adopted this interpretation and there was no impact on its unaudited condensed interim consolidated financial statements.

### 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.



# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

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

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 analyses, asset retirement obligations, share-based payments and warrants, pension benefits, valuation allowances for deferred income tax assets, the provision for income tax liabilities, deferred income taxes and assessing and evaluating contingencies.

Actual results could differ from these estimates. Outlined below are some of the areas which require management to make estimates and assumptions in determining carrying values.

#### **Purchase price allocation**

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

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

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

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

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

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

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

Judgement is also required in the application of income tax legislation. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to current and deferred tax provisions and a corresponding credit or debit to profit.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 5. Acquisition of European Goldfields Ltd.

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

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

The goodwill of \$473,782 resulting from the acquisition arises mainly on the recognition of deferred income tax liabilities and non-controlling interests and represents, among other things, the exploration potential within the assets acquired and future variability in the price of minerals. None of the goodwill is deductible for tax purposes.

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

The allocation of the purchase price is as follows:

Purchase price:

157,959,316 common shares of shares of Eldorado at C\$15.05/share	\$	2,380,140
4,713,248 replacement options		31,130
1,931,542 equity settled deferred phantom units		29,105
Cash consideration		19
Total Consideration	\$	<u>2,440,394</u>

Net assets acquired:

Cash	\$	18,808
Accounts receivable		20,844
Inventory		9,689
Other assets		9,232
Mining interests		2,745,440
Goodwill		473,782
Accounts payable		(71,944)
Other liabilities		(45,457)
Deferred income taxes		(495,744)
Non-controlling interest		(224,256)
	\$	<u>2,440,394</u>

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

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

The purchase price allocation was finalized as at March 31, 2013. There were no changes from what was reported in the Company's annual financial statements for the year ended December 31, 2012.

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

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

Acquisition related costs of \$1,649 have been charged to transaction costs in the unaudited condensed consolidated income statement for the three months ended June 30, 2012 (YTD – \$19,453).

The unaudited condensed consolidated financial statements for the period ended June 30, 2012 include EGU's results from February 24, 2012 to June 30, 2012. The revenue included in the unaudited condensed consolidated income statement for the period from February 24, 2012 to June 30, 2012 contributed by EGU was \$19,382. This was from the sales of zinc, lead and silver concentrates produced at the Stratoni Mine in Greece. The net loss before tax was \$16,602.

Had EGU been consolidated from January 1, 2012, the unaudited condensed consolidated income statement for the period ended June 30, 2012 would include additional revenue of \$27,610 and a net loss before tax of \$40,575 from EGU.

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

### 6. Debt

	June 30, 2013	December 31, 2012
	\$	\$
<b><u>Current:</u></b>		
Jinfeng China Merchant Bank ("CMB") working capital loan (a)	12,624	-
Eastern Dragon HSBC revolving loan facility (b)	-	10,341
	12,624	10,341
<b><u>Non-current:</u></b>		
Senior notes (c)	583,973	582,974
	596,597	593,315

#### (a) Jinfeng CMB working capital loan

On January 16, 2013, Jinfeng entered into a RMB 100.0 million (\$16,185) working capital loan with CMB. Each drawdown bears fixed interest 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, from January 16, 2013 to January 15, 2014. The facility is unsecured.

As at June 30, 2013, Jinfeng has drawn down RMB 78.0 million (\$12,624) under this facility and has used the proceeds to fund working capital obligations. This tranche of the loan has a term of six months and a fixed interest rate of 5.6%.

#### (b) Eastern Dragon HSBC revolving loan facility

In March 2013, Eastern Dragon re-paid the full amount of this loan.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 6. Debt (continued)

#### (c) Senior notes

On December 10, 2012, the Company completed an offering of \$600.0 million senior notes (“the notes”) at par value, with a coupon rate of 6.125% due December 15, 2020. The notes pay interest semi-annually on June 15 and December 15. Net deferred financing costs of \$16,027 have been included as an offset in the balance of the notes in the financial statements and are being amortized over the term of the notes.

The fair market value of the notes as at June 30, 2013 was \$582.8 million.

#### (d) Entrusted loan

In November 2010, Eastern Dragon, HSBC Bank (China) and Qinghai Dachaidan Mining Ltd (“QDML”), our 90% owned subsidiary, entered into a RMB 12.0 million (\$1,942) entrusted loan agreement, which was subsequently increased to RMB 180.0 million (\$29,132) in September 2011, RMB 620.0 million (\$100,345) in September 2012 and RMB 720.0 million (\$116,529) in May 2013.

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 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 June 30, 2013 was 4.59%.

As at June 30, 2013, RMB 622.0 million (\$100,668) had been drawn under the entrusted loan.

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

### 7. Income tax expense and deferred taxes

On January 11, 2013 the government of Greece enacted legislation increasing the corporate income tax rate from 20% to 26%, effective January 1, 2013. As required by IAS 12, “Income Taxes”, when an income tax rate has changed the deferred tax liability must be adjusted to reflect the change in the income tax rate. This non-cash adjustment is required to be charged to deferred income tax expense. The Company recorded the adjustment during the quarter ended March 31, 2013 increasing its deferred tax liability and deferred tax expense by \$125.2 million.

### 8. Share capital

Eldorado’s authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of non-voting common shares without par value. At June 30, 2013 there were no non-voting common shares outstanding (December 31, 2012 – none).

Voting common shares	Number of Shares	Total \$
<b>At January 1, 2013</b>	714,344,476	5,300,957
Shares issued upon exercise of share options, for cash	264,750	1,601
Estimated fair value of share options exercised	-	989
Shares issued for deferred phantom units	429,062	3,400
<b>At June 30, 2013</b>	<b>715,038,288</b>	<b>5,306,947</b>

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 9. Share-based payments

#### (a) Share option plans

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

	2013	
	Weighted average exercise price Cdn\$	Number of options
<b>At January 1,</b>	13.68	15,074,444
Granted	10.30	5,749,185
Exercised	6.03	(264,750)
Forfeited	13.77	(1,891,670)
<b>At June 30,</b>	<b>12.74</b>	<b>18,667,209</b>

At June 30, 2013, 12,914,273 share options (June 30, 2012 – 11,074,740) with a weighted average exercise price of Cdn\$13.17 (June 30, 2012 – Cdn\$12.58) had vested and were exercisable.

Share based compensation expense related to share options for the quarter ended June 30, 2013 was \$2,698 (YTD – \$8,215).

#### (b) Restricted share unit plan

A total of 657,151 restricted share units (“RSUs”) at a grant-date fair value of Cdn\$10.43 per unit were granted during the six month period ended June 30, 2013 under the Company’s RSU plan and 219,050 were exercisable as at June 30, 2013.

The fair value of each RSU issued is determined as the closing share price at grant date. The current maximum number of common shares authorized for issue under the RSU plan is 5,000,000.

A summary of the status of the RSU plan and changes during the period ended June 30, 2013 is as follows:

	<u>Total RSUs</u>
Balance at December 31, 2012	465,832
RSUs Granted	657,151
Redeemed	(238,028)
Forfeited	-
Balance at June 30, 2013	<u>884,955</u>

As at June 30, 2013, 884,955 common shares purchased by the Company remain held in trust in connection with this plan. At the end of the period, 267,254 RSUs were 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 quarter ended June 30, 2013 was \$1,237 (YTD – \$4,313).

#### (c) Deferred share units plan

At June 30, 2013, 188,783 deferred share units (“DSUs”) were outstanding with a value of \$1,168, which is included in accounts payable and accrued liabilities.

Compensation income related to the DSUs was \$644 for the quarter ended June 30, 2013 (YTD – \$360).

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 10. Fair value of financial instruments

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 as at June 30, 2013 include:

	Balance at June 30, 2013 \$	Quoted Prices in Active Markets for Identical Assets \$ (Level 1)	Significant Other Observable Inputs \$ (Level 2)	Significant Unobservable inputs \$ (Level 3)
<b>Assets</b>				
<i>Available-for-sale financial assets</i>				
Marketable securities	2,434	2,434	-	-
<b>Total assets</b>	<b>2,434</b>	<b>2,434</b>	<b>-</b>	<b>-</b>

No liabilities are measured at fair value on a recurring basis as at June 30, 2013.

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.

The following table provides the carrying value and the fair value of financial instruments at June 30, 2013 and December 31, 2012:

	June 30, 2013		December 31, 2012	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Financial Assets</b>				
<i>Available-for-sale</i>				
Marketable securities	2,434	2,434	1,988	1,988
<i>Loans and receivables</i>				
Cash and cash equivalents	522,158	522,158	816,843	816,843
Term deposits	221,441	221,441	-	-
Restricted cash	261	261	241	241
Accounts receivable and other	95,980	95,980	105,600	105,600
Restricted assets and other	19,864	19,864	17,001	17,001
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	202,770	202,770	224,567	224,567
Debt	596,597	595,374	593,315	622,341

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 11. Supplementary cash flow information

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Changes in non-cash working capital				
Accounts receivable and other	(20,586)	(4,189)	(5,691)	1258
Inventories	(12,693)	(15,153)	(1,906)	(33,363)
Accounts payable and accrued liabilities	(30,154)	(103,774)	(28,668)	(110,552)
Total	(63,433)	(123,116)	(36,265)	(142,657)
Supplementary cash flow information				
Income taxes paid	29,951	25,638	57,269	62,637
Interest paid	16,923	1,777	17,356	3,100
Non-cash investing and financing activities				
Shares, options and DPUs issued on acquisition of European Goldfields Ltd.	-	-	-	2,440,375

### 12. 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 gross profit (loss), expenditures on exploration, property, plant and equipment and non-current assets, as well as total debt. As at June 30, 2013, Eldorado had six reportable segments based on the geographical location of mining and exploration and development activities.

#### 12.1 Geographical segments

Geographically, the operating segments are identified by country and by operating mine or mine under construction as follows:

- 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 Tanjianshan (“TJS”), Jinfeng and White Mountain mines, the Eastern Dragon development project and exploration activities in China.
- The Greece reporting segment includes the Stratoni mine and the Olympias, Skouries and Perama Hill development projects and exploration activities in Greece.
- The Romania reporting segment includes the Certej development project and exploration activities in Romania.
- 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.

# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 12. Segment information (continued)

#### For the three months ended June 30, 2013

	Turkey \$	China \$	Brazil \$	Greece \$	Romania \$	Other \$	Total \$
<b>Information about profit and loss</b>							
Metal sales from external customers	141,454	103,653	8,680	13,142	-	-	266,929
Production costs	41,467	54,696	6,060	13,910	-	-	116,133
Depreciation	8,967	21,436	871	3,447	-	513	35,234
<b>Gross profit (loss)</b>	<b>91,020</b>	<b>27,521</b>	<b>1,749</b>	<b>(4,215)</b>	<b>-</b>	<b>(513)</b>	<b>115,562</b>

#### Other material items of income and expense

Exploration costs	2,791	1,602	3,208	26	97	2,516	10,240
Income tax expense	20,345	5,608	859	(2,370)	108	-	24,550

Additions to property, plant and equipment during the year

	50,815	26,580	1,935	36,465	7,338	36	123,169
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#### For the three months ended June 30, 2012

	Turkey \$	China \$	Brazil \$	Greece \$	Romania \$	Other \$	Total \$
<b>Information about profit and loss</b>							
Metal sales from external customers	100,669	114,727	14,658	14,137	-	-	244,191
Production costs	23,118	51,237	10,592	9,539	-	-	94,486
Depreciation	2,673	18,692	1,405	1,921	-	454	25,145
<b>Gross profit (loss)</b>	<b>74,878</b>	<b>44,798</b>	<b>2,661</b>	<b>2,677</b>	<b>-</b>	<b>(454)</b>	<b>124,560</b>

#### Other material items of income and expense

Exploration costs	1,498	3,736	3,075	124	-	1,640	10,073
Income tax expense	20,975	15,219	1,302	671	-	20	36,805

Additions to property, plant and equipment during the year

	54,861	25,317	5,868	18,488	2,134	4,073	110,741
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#### For the six months ended June 30, 2013

	Turkey \$	China \$	Brazil \$	Greece \$	Romania \$	Other \$	Total \$
<b>Information about profit and loss</b>							
Metal sales from external customers	339,596	215,468	23,840	26,093	-	-	604,997
Production costs	100,367	106,083	14,561	25,490	-	-	246,501
Depreciation	22,080	41,585	2,107	5,577	-	999	72,348
<b>Gross profit (loss)</b>	<b>217,149</b>	<b>67,800</b>	<b>7,172</b>	<b>(4,974)</b>	<b>-</b>	<b>(999)</b>	<b>286,148</b>

#### Other material items of income and expense

Exploration costs	4,965	2,974	4,481	914	483	4,047	17,864
Income tax expense	52,797	15,436	1,704	125,701	108	56	195,802

Additions to property, plant and equipment during the year

	95,491	49,634	7,524	57,415	11,843	877	222,784
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#### Information about assets and liabilities

Property, plant and equipment	776,742	1,962,578	202,974	2,460,243	604,941	2,229	6,009,707
Goodwill	-	365,928	-	473,782	-	-	839,710
	<b>776,742</b>	<b>2,328,506</b>	<b>202,974</b>	<b>2,934,025</b>	<b>604,941</b>	<b>2,229</b>	<b>6,849,417</b>

Debt	-	12,624	-	-	-	583,973	596,597
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# Eldorado Gold Corporation

## Notes to the unaudited condensed consolidated financial statements

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

### 12. Segment information (continued)

#### For the six months ended June 30, 2012

	Turkey \$	China \$	Brazil \$	Greece \$	Romania \$	Other \$	Total \$
<b>Information about profit and loss</b>							
Metal sales from external customers	212,225	261,577	22,106	19,832	-	-	515,740
Production costs	48,497	106,869	16,383	13,976	-	-	185,725
Depreciation	5,399	41,496	2,147	2,677	-	834	52,553
<b>Gross profit (loss)</b>	<b>158,329</b>	<b>113,212</b>	<b>3,576</b>	<b>3,179</b>	<b>-</b>	<b>(834)</b>	<b>277,462</b>
<b>Other material items of income and expense</b>							
Exploration costs	3,403	7,038	5,357	124	-	2,847	18,769
Income tax expense	34,245	30,014	835	(576)	-	12	64,530
Additions to property, plant and equipment during the year	73,719	43,306	10,911	22,954	2,555	4,943	158,388

#### For the year ended December 31, 2012

	Turkey \$	China \$	Brazil \$	Greece \$	Romania \$	Other \$	Total \$
<b>Information about assets and liabilities</b>							
Property, plant and equipment	699,182	1,952,545	198,586	2,422,868	593,210	2,351	5,868,742
Goodwill	-	365,928	-	473,782	-	-	839,710
	<b>699,182</b>	<b>2,318,473</b>	<b>198,586</b>	<b>2,896,650</b>	<b>593,210</b>	<b>2,351</b>	<b>6,708,452</b>
Debt	-	10,341	-	-	-	582,974	593,315

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

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

### 12.2 Economic dependence

At June 30, 2013, 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	Zijin Refinery
White Mountain Mine	Refinery of Shandong Humon Smelting Co. Ltd.

### 12.3 Seasonality/cyclicality of operations

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

### 13. Events occurring after the reporting date

On August 1, 2013, the Company declared that it will pay an eligible dividend of CDN\$0.05 per Common Share on August 26, 2013 to the holders of the Company's outstanding Common Shares as of the close of business on the record date of August 15, 2013.

**MANAGEMENT’S DISCUSSION and ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)  
for the three and six-month periods ended June 30, 2013**

Throughout this MD&A, *Eldorado, we, us, our* and *the Company* mean Eldorado Gold Corporation. *This quarter* means the second quarter of 2013. All dollar amounts are in United States dollars unless stated otherwise.

The information in this MD&A is as of August 1, 2013. You should also read our audited consolidated financial statements for the year ended December 31, 2012 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the unaudited interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2013 prepared in accordance with International Accounting Standard (IAS) 34 – “Interim Financial Reporting”. We file our financial statements and MD&A with appropriate regulatory authorities in Canada and the United States. You can find more information about Eldorado, including our annual information form, on SEDAR at [www.sedar.com](http://www.sedar.com).

Except as noted in our Outlook below, there have been no changes to the following since we published our 2012 MD&A: critical accounting estimates, financial related risks and other risks and uncertainties. There has also been no material change in the legal status of our worldwide projects and operations since that time.

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## About Eldorado

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

Operating gold mines:

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

Development gold projects:

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

Other mines:

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

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

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

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

## Second quarter summary results

- Profit attributable to shareholders of the Company (net income) for the quarter was \$43.3 million or \$0.06 per share compared to \$46.6 million or \$0.07 per share for the same quarter in 2012.
- Gold revenues were 14% higher than the same quarter in 2012 due to higher sales volumes partially offset by lower gold prices.
- Gross profits from gold mining operations before taxes were \$117.2 million for the quarter, 1% lower than the second quarter of 2012.
- The Company generated \$84.9 million in cash from operating activities before changes in non-cash working capital – a 3% increase over the same quarter in 2012.
- On August 1, 2013, the Company declared that it will pay an eligible dividend of Cdn\$0.05 per Common Share on August 26, 2013 to the holders of the Company's outstanding Common Shares as of the close of business on the record date of August 15, 2013.

## Outlook

In light of the recent significant decline in gold price the Company has modified its operating plan for 2013 as follows:

Exploration spending for 2013 has been reduced from \$98.5 million to \$51.0 million with an emphasis on mine site and brownfields exploration. Capital spending has been revised down from \$670.0 million to \$430.0 million. The full Kisladag expansion as envisaged will be deferred pending improvement in metal prices, while the development of Skouries, Perama Hill and Certej is projected to be delayed by one year from their original planned completion dates.

Gold production for 2013 is forecast to be 745,000 ounces of gold with average cash costs of \$520/oz. This is in line with previous guidance provided of 705,000 - 760,000 ounces at average cash costs of \$515-530/oz.

## Review of Financial Results

Summarized Financial Results	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Revenues (millions)	\$266.9	\$244.2	\$605.0	\$515.7
Gold Revenues (millions)	\$243.6	\$214.2	\$550.8	\$471.4
Gold sold (ounces)	176,260	132,919	365,606	283,580
Average realized gold price (\$/ounce)	\$1,382	\$1,612	\$1,506	\$1,662
Cash operating costs (\$/ounce sold) <sup>(1)</sup>	\$478	\$480	\$492	\$465
Total cash cost (\$ per ounce sold) <sup>(1)</sup>	\$536	\$550	\$552	\$539
Gross profit from gold mining operations <sup>(1)</sup> (millions)	\$117.2	\$118.7	\$281.0	\$269.4
Net Income (millions)	\$43.3	\$46.6	(\$2.2)	\$114.5
Earnings per share attributable to shareholders of the Company – Basic (\$/share)	\$0.06	\$0.07	\$0.00	\$0.17
Earnings per share attributable to shareholders of the Company – Diluted (\$/share)	\$0.06	\$0.07	\$0.00	\$0.17
Dividends paid (Cdn\$/share)	\$0.00	\$0.00	\$0.07	\$0.09
Cash flow from operating activities before changes in non-cash working capital <sup>(1)</sup> (millions)	\$84.9	\$82.1	\$224.8	\$184.9

(1) The Company has included non-IFRS performance measures such as cash operating costs, total cash costs, gross profit from gold mining operations and cash flow from operations before changes in non-cash working capital throughout this document. These are non-IFRS measures. Please see page 9 for discussion of non-IFRS measures.

Net income for the quarter was \$43.3 million (or \$0.06 per share), compared with \$46.6 million (or \$0.07 per share) in the second quarter of 2012. Higher gold sales volumes offset lower gold prices resulting in higher revenues from gold mining operations year over year. The increase year over year in gold revenues was offset by higher production costs and depreciation, depletion and amortization from gold mining operations as a result of higher sales volumes. Other items affecting net income for the quarter included \$5.9 million in foreign exchange losses (second quarter 2012 - \$0.8 million loss), and \$11.1 million in interest and financing costs (second quarter 2012 - \$1.4 million). The foreign exchange losses related to bank deposits in foreign currencies in Turkey and Canada. The effective tax rate of 36% fell from a rate of 43% in the second quarter of 2012 mainly as a result of the impact of the recognition of investment tax credits in Turkey.

## Operations update

Summarized Operating Results	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Gross profit – gold mining operations (millions)	\$117.2	\$118.7	\$281.0	\$269.4
Ounces produced – including pre-commercial production	183,971	140,694	347,739	296,229
Cash operating costs (\$ per ounce sold)	\$478	\$480	\$492	\$465
Total cash cost (\$ per ounce sold)	\$536	\$550	\$552	\$539
<b>Kisladag</b>				
Gross profit – gold mining operations (millions)	\$77.6	\$74.0	\$162.6	\$156.6
Ounces produced	76,735	61,575	146,956	127,282
Cash operating costs (\$ per ounce sold)	\$327	\$333	\$331	\$336
Total cash cost (\$ per ounce sold)	\$348	\$357	\$353	\$366
<b>Efemcukuru<sup>1</sup></b>				
Gross profit – gold mining operations (millions)	\$12.2	-	\$51.0	-
Ounces produced (2012 includes pre-commercial production)	26,289	8,222	46,145	12,515
Cash operating costs (\$ per ounce sold)	\$519	-	\$561	-
Total cash cost (\$ per ounce sold)	\$537	-	\$592	-
<b>Tanjianshan</b>				
Gross profit – gold mining operations (millions)	\$15.2	\$20.6	\$34.2	\$45.1
Ounces produced	27,938	27,172	54,145	55,988
Cash operating costs (\$ per ounce sold)	\$398	\$432	\$419	\$419
Total cash cost (\$ per ounce sold)	\$577	\$621	\$605	\$613
<b>Jinfeng</b>				
Gross profit – gold mining operations (millions)	\$8.3	\$13.0	\$17.0	\$39.2
Ounces produced	28,889	25,630	50,631	60,865
Cash operating costs (\$ per ounce sold)	\$757	\$786	\$789	\$703
Total cash cost (\$ per ounce sold)	\$845	\$858	\$881	\$776
<b>White Mountain</b>				
Gross profit – gold mining operations (millions)	\$3.9	\$11.1	\$16.2	\$28.5
Ounces produced	17,462	18,095	38,377	39,579
Cash operating costs (\$ per ounce sold)	\$742	\$622	\$683	\$579
Total cash cost (\$ per ounce sold)	\$781	\$666	\$726	\$624
<b>Olympias<sup>1</sup></b>				
Gross profit – gold mining operations (millions)	-	-	-	-
Ounces produced – pre-commercial production	6,658	-	11,485	-
Cash operating costs (\$ per ounce sold)	-	-	-	-
Total cash cost (\$ per ounce sold)	-	-	-	-

<sup>1</sup> Gold concentrate produced at Efemcukuru and Olympias prior to the date of commercial production has been treated as pre-commercial production. All costs and revenues associated with the production and sale of these concentrate are considered part of the capital expenditures of the projects. Efemcukuru declared commercial production on December 1, 2012.

## Kisladag

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes placed on pad	3,301,333	3,259,574	6,216,841	6,400,066
Average treated head grade - grams per tonne (g/t)	1.26	1.30	1.28	1.21
Gold (ounces)				
- Produced	76,735	61,575	146,956	127,282
- Sold	76,680	61,991	146,930	127,155
Cash operating costs (per ounce sold)	\$327	\$333	\$331	\$336
Total cash costs (per ounce sold)	\$348	\$357	\$353	\$366
<b>Financial Data (millions)</b>				
Gold revenues	\$108.6	\$99.7	\$223.1	\$210.3
Depreciation and depletion	\$3.6	\$2.6	\$6.8	\$5.2
Gross profit – gold mining operations	\$77.6	\$74.0	\$162.6	\$156.6
Capital expenditure on mining interests	\$35.3	\$47.7	\$70.7	\$51.4

Gold production at Kisladag during the second quarter of 2013 was higher than the same quarter of 2012 mainly due to the stacking and leaching sequence. Capital expenditures during the quarter included waste stripping, mining equipment, and construction activities associated with the Phase IV expansion.

## Efemcukuru

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes Milled	109,349	95,131	196,228	165,777
Average treated head grade - grams per tonne (g/t)	9.28	9.60	8.91	9.23
Average Recovery Rate (to Concentrate)	94.0%	92.9%	93.8%	92.6%
Gold (ounces)				
- Produced – incl. pre commercial production (2012)	26,289	8,222	46,145	12,515
- Sold – commercial production	25,187	-	75,478	-
Cash operating costs (per ounce sold)	\$519	-	\$561	-
Total cash costs (per ounce sold)	\$537	-	\$592	-
<b>Financial Data (millions)</b>				
Gold revenues	\$31.6	-	\$112.7	-
Depreciation and depletion	\$5.3	-	\$15.1	-
Gross profit – gold mining operations	\$12.2	-	\$51.0	-
Capital expenditure on mining interests	\$6.8	\$15.5	\$16.6	\$29.5

During the quarter Efemcukuru recovered 26,289 ounces of gold in concentrate of which 25,187 was shipped to the commercial refinery. Efemcukuru was undergoing commissioning during the second quarter of 2012. The mine and mill benefited during the quarter from modifications made to plant and ancillary equipment which increased throughput. By the end of the quarter the mine and plant were operating at expected capacity. Capital expenditures during the quarter included underground development as well as plant upgrades and improvements.

## Tanjianshan

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes Milled	273,065	245,456	520,126	508,249
Average treated head grade - grams per tonne (g/t)	3.50	3.73	3.61	3.87
Average Recovery Rate	83.6%	84.1%	82.3%	82.7%
Gold (ounces)				
- Produced	27,938	27,172	54,145	55,988
- Sold	27,938	27,172	54,145	55,988
Cash operating costs (per ounce sold)	\$398	\$432	\$419	\$419
Total cash costs (per ounce sold)	\$577	\$621	\$605	\$613
<b>Financial Data (millions)</b>				
Gold revenues	\$38.4	\$43.9	\$81.0	\$93.6
Depreciation and depletion	\$6.7	\$6.3	\$13.3	\$13.6
Gross profit – gold mining operations	\$15.2	\$20.6	\$34.2	\$45.1
Capital expenditure on mining interests	\$3.2	\$2.8	\$5.0	\$6.9

Gold production at Tanjianshan during the second quarter of 2013 was slightly higher than the same quarter of 2012 as a result of additional mill throughput, partially offset by lower head grades and recovery rates. Cash operating costs per ounce decreased from the second quarter 2012 slightly. Capital spending included exploration activities and process improvements.

## Jinfeng

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes Milled	336,707	337,560	688,608	706,316
Average treated head grade - grams per tonne (g/t)	3.33	2.68	2.87	2.93
Average Recovery Rate	84.5%	85.3%	83.4%	85.4%
Gold (ounces)				
- Produced	28,889	25,630	50,631	60,865
- Sold	28,993	25,661	50,676	60,858
Cash operating costs (per ounce sold)	\$757	\$786	\$789	\$703
Total cash costs (per ounce sold)	\$845	\$858	\$881	\$776
<b>Financial Data (millions)</b>				
Gold revenues	\$40.8	\$41.6	\$75.9	\$101.9
Depreciation and depletion	\$8.1	\$6.6	\$14.2	\$15.5
Gross profit – gold mining operations	\$8.3	\$13.0	\$17.0	\$39.2
Capital expenditure on mining interests	\$15.4	\$5.9	\$29.3	\$14.9

Gold production at Jinfeng in the second quarter of 2013 was higher than the same quarter of 2012 due to higher head grades. The ore zone in the open pit was accessed during the quarter and contributed to the improved head grade. Capital spending during the quarter included open pit stripping, underground mine development, and process improvements.

## White Mountain

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes Milled	203,033	188,038	401,967	346,152
Average treated head grade - grams per tonne (g/t)	3.25	3.60	3.52	3.99
Average Recovery Rate	87.0%	86.9%	86.3%	86.5%
Gold (ounces)				
- Produced	17,462	18,095	38,377	39,579
- Sold	17,462	18,095	38,377	39,579
Cash operating costs (per ounce sold)	\$742	\$622	\$683	\$579
Total cash costs (per ounce sold)	\$781	\$666	\$726	\$624
<b>Financial Data (millions)</b>				
Gold revenues	\$24.2	\$30.0	\$58.1	\$65.6
Depreciation and depletion	\$6.6	\$5.7	\$13.9	\$12.3
Gross profit – gold mining operations	\$3.9	\$11.1	\$16.2	\$28.5
Capital expenditure on mining interests	\$5.8	\$5.5	\$11.9	\$11.8

Gold production at White Mountain in the second quarter of 2013 was lower than in the same period of 2012. This decrease was largely a result of lower head grades and reduced process throughput. Cash operating costs per ounce increased due to increased contract miner and plant repair costs. Capital spending this quarter included underground development, exploration, process plant improvements, and construction of a new mobile maintenance work shop.

## Vila Nova

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes Processed	179,864	176,418	392,775	366,165
Iron Ore Produced	155,172	152,965	338,598	318,866
Average Grade (% Fe)	60.1%	64.4%	59.8%	63.5%
Iron Ore Tonnes				
- Sold	81,874	172,024	211,421	260,605
Average Realized Iron Ore Price	\$106	\$85	\$113	\$85
Cash Costs (per tonne produced)	\$74	\$62	\$69	\$63
<b>Financial Data (millions)</b>				
Revenues	\$8.7	\$14.7	\$23.8	\$22.1
Depreciation and depletion	\$0.9	\$1.4	\$2.1	\$2.1
Gross profit from mining operations	\$1.8	\$2.7	\$7.2	\$3.6
Capital expenditure on mining interests	\$0.2	\$0.1	\$3.6	\$0.3

Iron ore production in the second quarter of 2013 increased 1% at Vila Nova as compared to the same quarter of 2012. Iron ore sales were 52% lower as a result of the incident that occurred at the Anglo-Ferrous port facility during the quarter. While the Anglo-Ferrous port facility remains closed Vila Nova has been shipping reduced quantities of iron ore through the public port in Santana City.



## Stratoni

Operating Data	3 months ended June 30,		6 months ended June 30,	
	2013	2012	2013	2012
Tonnes ore mined (wet)	60,109	66,529	114,234	85,471
Tonnes ore processed (dry)	62,331	64,272	110,852	80,874
Pb grade (%)	6.57%	6.58%	6.41%	6.40%
Zn grade (%)	9.38%	10.06%	9.37%	9.78%
Ag grade (g/t)	173	172	168	169
Tonnes of concentrate produced	16,054	17,278	28,332	21,140
Tonnes of concentrate sold	16,783	15,821	30,751	21,390
Average realized concentrate price (per tonne)	\$781	\$893	\$849	\$949
Cash Costs (per tonne of concentrate sold)	\$829	\$593	\$829	\$650
<b>Financial Data (millions)</b>				
Revenues	\$13.1	\$13.3	\$26.1	\$19.0
Depreciation and depletion	\$2.1	\$1.9	\$3.9	\$2.7
Gross profit from mining operations	-\$3.0	\$1.9	-\$3.3	\$2.4
Capital expenditure on mining interests	\$0.5	\$2.5	\$0.6	\$3.0

During the second quarter, Stratoni mined 60,109 tonnes of run-of-mine ore and produced 16,054 tonnes of lead and zinc concentrate at an average cash cost of \$829 per tonne of concentrate sold. During the same period, Stratoni sold 16,783 tonnes of concentrate at an average price of \$781 per tonne. Stratoni operating and financial data for 2012 shown in the table above reflect operations subsequent to February 24, 2012, the date of the European Goldfields Ltd. acquisition.

## Olympias

During the second quarter, Olympias treated 116,972 tonnes of tailings and produced 6,658 payable gold ounces. Commissioning of the plant continued during the quarter with commercial production expected during the third quarter. Capital spending during the quarter included underground decline development, underground rehabilitation and process plant improvements.

## Development project update

### Skouries

Clearing, grubbing and grading of the plant site area was ongoing. Site clearing and geotechnical drilling on the tailings dam area continued during the quarter. A review of the tailings dam construction materials and methodology was completed with the goal of optimizing the cost and time required to complete the tailings dam. Progress continued to be made on the underground decline during the quarter.

### Olympias

Ground water inflows were intersected in the decline from Stratoni to the Olympias deposit and limited the advance during the quarter. A grouting company was brought in to deal with the inflow. Rehabilitation of the existing underground mine continued during the quarter.

### **Perama Hill**

Final approval of the Environmental Impact Assessment (“EIA”) for Perama Hill is expected during the second half of 2013. Approval of the EIA will allow construction of the initial infrastructure to commence, and is required in order to obtain the permits to commence full construction. Preliminary engineering continued on the project during the quarter with completion expected in the third quarter this year. Metallurgical testwork to confirm and optimise the process will be completed during the third quarter this year, with detailed engineering expected to begin shortly thereafter. Geotechnical drilling was completed during the quarter in order to examine the foundation conditions for the plant and tailings dump sites. In addition, drilling was begun in the open pit area to reconfirm the geotechnical conditions used in the feasibility pit slope design.

### **Certej**

Geotechnical drilling was carried out during the quarter to provide data for pit slope stability and soil analyses. Metallurgical testing was conducted on samples from recently drilled extensions to the ore zones. Extensive flotation testing was carried out to confirm results from previous work, and to generate concentrate material for oxidation testing. Results of the testing will be used to finalize the process design during the third quarter. Engineering work was begun to establish alternatives for supply of power to the site from the national grid and to rehabilitate the water supply lines from the Mures River. Work was begun on construction of an alternate access road to the property.

### **Tocantinzinho**

Permitting activities continued during the quarter at both the state and federal levels. Project engineers continued to focus on reduction of capital requirements in order to optimize the project, including consideration of Semi-Autogenous Grind (“SAG”) milling as opposed to three-stage crushing. Cost reductions have been generated through changes to the design of the tailings management facility and waste dump as well as optimization of earthmoving for the plant and administration sites. There is also the potential to reduce capital costs further by utilising contract miners. Preliminary discussions are ongoing with mining contractors for both short term and long term mining contracts. The mine plan is scheduled to be updated by the end of this year. Site activities are focused on site characterization data collection from established points. Field surveys along the logging road are ongoing. Nonessential field work has been cancelled.

### **Eastern Dragon**

Eastern Dragon remained on care and maintenance pending resolution of permitting issues. Site management worked with the local authorities to maintain local permits and permissions in good standing. Work continued on preparing the necessary paperwork to submit to the National Development and Reform Commission (“NDRC”), as well as determining the timeline for review and approval.

### **Exploration update**

In the second quarter approximately 65,000 metres of exploration drilling were completed at the company's operations, development projects, and exploration projects. In Greece, sterilization drilling was completed at Perama Hill, and the 2013 resource drilling program commenced at the Piavitsa project. In Romania, drilling focused on resource expansion and infill drilling at the Certej deposit. In Turkey, drilling was completed on several targets at the Efemcukuru minesite, and at the Ardala/Salinbas exploration project. Drilling in China included resource expansion programs at the Jinfeng, White Mountain, and Tanjianshan mine sites, and on exploration targets peripheral to the Jinfeng and Tanjianshan mines. In Brazil, resource expansion drilling was completed at the Vila Nova minesite, and an initial phase of drilling was completed at the Chapadinha early-stage exploration project.

## Quarterly results

millions (except per share amounts)

	2013	2013	2012	2012	2012	2012	2011	2011
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter
Total revenues	\$266.9	\$338.1	\$350.0	\$281.8	\$244.2	\$271.5	\$304.6	\$327.3
Net income	\$43.3	(\$45.4)	\$115.0	\$75.8	\$46.6	\$67.9	\$88.8	\$102.5
Earnings per share								
- basic	\$0.06	(\$0.06)	\$0.16	\$0.11	\$0.07	\$0.11	\$0.16	\$0.19
- diluted	\$0.06	(\$0.06)	\$0.16	\$0.11	\$0.07	\$0.11	\$0.16	\$0.19

Quarterly loss for the first quarter of 2013 was due to a one-time \$125.2 million non-cash adjustment related to an increase in Greek income tax rates.

## Non-IFRS measures

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

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

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

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

Reconciliation of cash operating costs to production costs	2013	2012	2013	2012
millions (except for gold ounces sold and cash operating cost per ounce sold)	Q2	Q2	YTD	YTD
<b>Production costs – excluding Vila Nova and Stratoni</b> (from consolidated income statement)	\$96.2	\$74.4	\$206.5	\$155.4
<b>Less:</b>				
By-product credits and other adjustments	\$(1.7)	\$(1.3)	\$(4.6)	\$(2.6)
<b>Total Cash Cost</b>	\$94.5	\$73.1	\$201.9	\$152.8
Royalty expense and production taxes	\$(10.3)	\$(9.3)	\$(22.1)	\$(20.8)
<b>Cash operating cost</b>	\$84.2	\$63.8	\$179.8	\$132.0
Gold ounces sold	176,260	132,919	365,606	283,580
<b>Total cash cost per ounce sold</b>	\$536	\$550	\$552	\$539
<b>Cash operating cost per ounce sold</b>	\$478	\$480	\$492	\$465

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

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

*Gross profit from gold mining operations*

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

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

**Operating cash flow, financial condition and liquidity**

Operating activities before changes in non-cash working capital generated \$84.9 million in cash this quarter, compared to \$82.1 million in the same quarter of 2012.

**Capital expenditures**

We invested \$116.5 million in capital expenditures, mine development, mining licences and other assets this quarter.

Mine development expenditures totalled \$46.1 million:

- \$1.0 million at Eastern Dragon
- \$1.7 million at Tocantinzinho
- \$2.3 million at Perama Hill
- \$22.0 million at Olympias
- \$11.8 million at Skouries
- \$7.3 million at Certej

Spending at our producing mines totalled \$67.0 million:

- \$35.3 million at Kisladag, mostly related to the Phase IV expansion and sustaining capital
- \$6.8 million at Efemcukuru mostly on mine development and completion of start-up
- \$15.4 million at Jinfeng, mostly on land acquisition and waste stripping
- \$5.8 million at White Mountain, mainly related to underground mine development
- \$3.2 million at Tanjianshan, mainly related to sustaining capital
- \$0.5 million at Stratoni

We also spent \$3.2 million on land acquisition costs in Turkey, and \$0.2 million related to fixed assets for our corporate offices in Canada and China.

**Liquidity and capital resources**

(millions)	June 30, 2013	December 31, 2012
Cash, cash equivalents and term deposits	\$743.6	\$816.8
Working capital	\$853.6	\$917.3
Restricted collateralized accounts	\$0.3	\$0.2
Debt	\$596.6	\$593.3

Management believes that the working capital at June 30, 2013, together with future cash flows from operations and, where appropriate, selected financing sources, including available credit lines, are sufficient to support our planned and foreseeable commitments, and dividends, if declared, in 2013 and beyond.

## Contractual obligations

(millions)	2013 \$	2014 \$	2015 \$	2016 \$	2017 and later \$	Total \$
Debt	12.6	-	-	-	600.0	612.6
Capital leases	0.7	0.9	0.9	0.9	0.9	4.3
Operating leases	3.8	8.8	6.3	4.5	15.5	38.9
Purchase obligations	121.9	22.8	15.1	14.3	14.4	188.5
Totals	139.0	32.5	22.3	19.7	630.8	844.3

The table does not include interest on debt.

As at June 30, 2013, Hellas Gold had entered into off-take agreements pursuant to which Hellas Gold agreed to sell a total 44,599 dry metric tonnes of zinc concentrates and 20,437 dry metric tonnes of lead/silver concentrates cumulative through the financial year ending December 31, 2013.

In April 2007, Hellas Gold agreed to sell to Silver Wheaton (Caymans) Ltd. (Silver Wheaton) all of the silver metal to be produced from ore extracted during the mine-life within an area of approximately seven square kilometres around Stratoni, up to 15 million ounces, or 20 million ounces if additional silver is processed through the Stratoni mill from areas other than the current producing mine. The sale was made in consideration of a prepayment to Hellas Gold of \$57.5 million in cash, plus a fee per ounce of payable silver to be delivered to Silver Wheaton of the lesser of \$3.90 and the prevailing market price per ounce. As at June 30, 2013 approximately 5.6 million ounces of silver have been delivered of the original 15 million ounce commitment.

In May 2013, the Company, in connection with Hellas, entered into a Letter of Guarantee in favour of the Greek Ministry of Environment, Energy and Climate Change, in the amount of Euro50.0 million, as security for the due and proper performance of rehabilitation works committed in connection with the Environmental Impact Assessment approved for the Cassandra Mines. The Letter of Guarantee is renewed annually and expires on July 26, 2026. The Letter of Guarantee has an annual fee of 0.57 basis points.

### Debt

Significant changes in our debt from that disclosed in our December 31, 2012 annual MD&A and consolidated financial statements are as follows:

#### *Jinfeng CMB working capital loan*

On January 16, 2013, Jinfeng entered into a RMB 100.0 million (\$16.2 million) working capital loan with CMB. Each drawdown bears fixed interest 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, from January 16, 2013 to January 15, 2014. The facility is unsecured.

As at June 30, 2013, Jinfeng has drawn down RMB 78.0 million (\$12.6 million) under this facility and has used the proceeds to fund working capital obligations. This tranche of the loan has a term of six months and a fixed interest rate of 5.6%.

#### *Eastern Dragon HSBC revolving loan facility*

In March 2013, Eastern Dragon paid the full amount of this loan.

#### *Senior notes*

The fair market value of the notes as at June 30, 2013 is \$582.8 million. Net deferred financing costs of \$16.0 million have been included as an offset in the balance of the notes in the financial statements and are being amortized over the term of the notes.

### *Entrusted loan*

The entrusted loan was increased to RMB 720.0 million (\$116.5 million) in May 2013. The interest rate on this loan as at June 30, 2013 was 4.59%. As at June 30, 2013, RMB 622.0 million (\$100.7 million) had been drawn under the entrusted loan. The entrusted loan has been recorded on a net settlement basis.

### **Dividends**

No dividends were paid during the quarter.

### **Equity**

This quarter we received net proceeds of \$0.2 million for issuing 30,000 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.

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Common shares outstanding	
- as of July 31, 2013	715,038,288
- as of June 30, 2013	715,038,288
Share purchase options	18,575,836
- as of July 31, 2013	

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(Weighted average exercise price per share: \$12.74 Cdn)

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## **Other information**

### **New accounting developments**

The following standards and amendments to existing standards have been adopted by the company commencing January 1, 2013:

- IAS 19 *Employee Benefits* – On June 16, 2011, the International Accounting Standards Board (IASB) published a revised version of IAS 19. The revised IAS 19 (“IAS 19R”) represents IASB’s effort to improve the accounting for employee retirement benefits. The revisions include:
  - Requirement to recognize past service costs immediately in net income rather than using the corridor method.
  - Requirement to recognize actuarial gains and losses immediately in other comprehensive income OCI. Previously, companies had the option of recognizing actuarial gains and losses through OCI immediately or via use of the corridor method.
  - Requirement that expected return on plan assets be calculated based on the rate used to discount the defined benefit obligation which is based on high quality bond yields. Previously, equity returns were incorporated into the expected return on plan assets.
  - Requirement for more disclosure relating to the characteristics and risks of the amounts in the financial statements regarding defined benefit plans, including the timing and uncertainty of the entity’s cash flows.

The adoption of this standard had a nominal impact on the Company’s unaudited condensed interim consolidated financial statements. Therefore comparative periods have not been restated.

- IFRS 10 *Consolidated Financial Statements* – This IFRS establishes control as the basis for an investor to consolidate its investee; it defines control as an investor’s power over the investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor’s return through its power over the investee. At January 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed interim consolidated financial statements.

- 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 ventures 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. At January 1, 2013, the Company adopted this standard and there was no impact on its unaudited condensed interim consolidated financial statements.

- IFRS 12 '*Disclosure of Interests in Other Entities*' – This IFRS is a new standard that applies to 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 are now 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. At January 1, 2013, the Company adopted this standard. The adoption did not require any adjustments to its unaudited condensed interim consolidated financial statements but will require extended disclosures at year end.
- IFRS 13 '*Fair value measurement*' – This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. At January 1, 2013, the Company adopted this standard and the required disclosures are included in note 10 of its unaudited condensed interim consolidated financial statements.
- 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. At January 1, 2013, the Company adopted this interpretation and there was no impact on its unaudited condensed interim consolidated financial statements.

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

Eldorado's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation and presentation of our financial statements. There have been no changes in our internal control over financial reporting in the second quarter of 2013 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## Qualified Person

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

## Forward-looking information and risks

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

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

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