September 30, 2011

# Unaudited Condensed Consolidated Financial Statements

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# Eldorado Gold Corporation
## Unaudited Condensed Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars)

| | Note | September 30, 2011 | December 31, 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 356,543 | 314,344 |
| Restricted cash | *6* | 55,417 | 52,425 |
| Marketable securities | | 4,272 | 8,027 |
| Accounts receivable and other | | 38,437 | 42,437 |
| Inventories | | 160,564 | 147,263 |
| | | 615,233 | 564,496 |
| Non-current inventories | | 27,549 | 29,627 |
| Investments in significantly influenced companies | *5* | 7,129 | 6,202 |
| Deferred income tax assets | | 4,329 | - |
| Restricted assets and other | | 29,950 | 19,328 |
| Property, plant and equipment | | 2,821,366 | 2,699,787 |
| Goodwill | | 365,928 | 365,928 |
| | | 3,871,484 | 3,685,368 |
| **LIABILITIES & EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 167,579 | 145,695 |
| Current debt | *7* | 85,687 | 98,523 |
| | | 253,266 | 244,218 |
| Debt | *7* | 19,255 | 68,140 |
| Asset retirement obligations | | 34,417 | 33,228 |
| Pension fund obligation | | 12,166 | 12,019 |
| Deferred income tax liabilities | | 335,145 | 330,512 |
| | | 654,249 | 688,117 |
| **Equity** | | | |
| Share capital | *10* | 2,854,369 | 2,814,679 |
| Treasury stock | *11(b)* | (4,213) | - |
| Contributed surplus | | 27,357 | 22,967 |
| Accumulated other comprehensive loss | | (3,454) | (1,637) |
| Retained earnings | | 293,870 | 125,221 |
| **Total equity attributable to shareholders of the Company** | | 3,167,929 | 2,961,230 |
| **Attributable to non-controlling interests** | | 49,306 | 36,021 |
| | | 3,217,235 | 2,997,251 |
| | | 3,871,484 | 3,685,368 |
| Subsequent events | *5(a), 7(a)(f), 14* | | |

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

*(Signed) Robert R. Gilmore* Director

*(Signed) Paul N. Wright* Director

See accompanying notes to the unaudited condensed consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Income Statements

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

| | Note | Three months ended September 30, 2011 | Three months ended September 30, 2010 | Nine months ended September 30, 2011 | Nine months ended September 30, 2010 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Metal sales | | 326,087 | 190,305 | 795,570 | 578,227 |
| Cost of sales | | | | | |
| Production costs | | 95,020 | 68,257 | 250,762 | 204,287 |
| Depreciation and amortization | | 29,954 | 27,323 | 91,014 | 80,252 |
| **Total cost of sales** | | 124,974 | 95,580 | 341,776 | 284,539 |
| **Gross profit** | | 201,113 | 94,725 | 453,794 | 293,688 |
| Exploration expenses | | 6,913 | 4,877 | 15,359 | 11,013 |
| Mine standby costs | | - | 22 | - | 1,335 |
| General and administrative expenses | | 11,207 | 7,202 | 45,815 | 27,770 |
| Defined benefit plan expense | *8* | 418 | 178 | 1,274 | 915 |
| Share based payments | | 3,599 | 3,837 | 15,403 | 14,429 |
| Foreign exchange loss | | 3,530 | 1,722 | 5,558 | 1,685 |
| **Operating profit** | | 175,446 | 76,887 | 370,385 | 236,541 |
| Loss (gain) on disposal of assets | | 420 | (250) | (2,672) | (1,735) |
| Loss (gain) on marketable securities | | 1,528 | (4,489) | 239 | (5,347) |
| Loss on investments in significantly influenced companies | *5* | 1,067 | 245 | 2,861 | 245 |
| Other (income) | | (4,069) | (9,215) | (8,326) | (10,899) |
| Asset retirement obligation costs | | 387 | 511 | 1,160 | 1,535 |
| Interest and financing costs | | 2,293 | 1,992 | 5,407 | 6,261 |
| **Profit before income tax** | | 173,820 | 88,093 | 371,716 | 246,481 |
| Income tax expense | | 63,077 | 13,327 | 120,520 | 58,682 |
| **Profit for the period** | | 110,743 | 74,766 | 251,196 | 187,799 |
| **Attributable to:** | | | | | |
| Shareholders of the Company | | 102,478 | 69,640 | 229,816 | 175,848 |
| Non-controlling interests | | 8,265 | 5,126 | 21,380 | 11,951 |
| **Profit for the period** | | 110,743 | 74,766 | 251,196 | 187,799 |
| Weighted average number of shares outstanding | | | | | |
| Basic | | 549,085 | 546,039 | 548,800 | 541,164 |
| Diluted | | 551,309 | 547,731 | 550,737 | 543,041 |
| **Earnings per share attributable to shareholders of the Company:** | | | | | |
| Basic earnings per share | | 0.19 | 0.13 | 0.42 | 0.32 |
| Diluted earnings per share | | 0.19 | 0.13 | 0.42 | 0.32 |

See accompanying notes to the unaudited condensed consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Comprehensive Income

(Expressed in thousands of U.S. dollars)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Profit for the period** | **110,743** | **74,766** | **251,196** | **187,799** |
| **Other comprehensive income (loss):** | | | | |
| Change in fair value of available-for-sale financial assets | (399) | 1,134 | (1,395) | 12,788 |
| Income tax on items taken to equity | - | 1,475 | 12 | (15) |
| Reversal of unrealized gains on available-for-sale investment on acquisiton of subsidiary | - | (11,424) | - | (11,424) |
| Realized gains on disposal of available-for-sale financial assets transferred to net income | - | (3,111) | (434) | (3,111) |
| **Total other comprehensive loss for the period** | (399) | (11,926) | (1,817) | (1,762) |
| **Total comprehensive income for the period** | **110,344** | **62,840** | **249,379** | **186,037** |
| **Attributable to:** | | | | |
| Shareholders of the Company | 102,079 | 57,714 | 227,999 | 174,086 |
| Non-controlling interests | 8,265 | 5,126 | 21,380 | 11,951 |
| **Total comprehensive income for the period** | **110,344** | **62,840** | **249,379** | **186,037** |

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

| | Note | Three months ended September 30, 2011 | Three months ended September 30, 2010 | Nine months ended September 30, 2011 | Nine months ended September 30, 2010 |
|---|---|---|---|---|---|
| Cash flows generated from (used in): | | | | | |
| **Operating activities** | | | | | |
| Profit for the period | | 110,743 | 74,766 | 251,196 | 187,799 |
| Items not affecting cash | | | | | |
| Asset retirement obligation costs | | 387 | 511 | 1,160 | 1,535 |
| Depreciation and amortization | | 29,954 | 27,323 | 91,014 | 80,252 |
| Unrealized foreign exchange loss | | 1,500 | 7,609 | 6,261 | 2,568 |
| Deferred income tax expense (recovery) | | 10,079 | (8,325) | 374 | (10,909) |
| Loss (gain) on disposal of assets | | 420 | (250) | (2,672) | (1,735) |
| Loss on investment in significantly influenced company | | 1,067 | 245 | 2,861 | 245 |
| Loss (gain) on marketable securities | | 1,528 | (4,489) | 239 | (5,347) |
| Share based payments | | 3,599 | 3,837 | 15,403 | 14,429 |
| Defined benefit plan expense | | 418 | 178 | 1,274 | 915 |
| | | 159,695 | 101,405 | 367,110 | 269,752 |
| Changes in non-cash working capital | *12* | 13,933 | (19,870) | (2,389) | (47,329) |
| | | 173,628 | 81,535 | 364,721 | 222,423 |
| **Investing activities** | | | | | |
| Acquisition of Brazauro, net | | - | (5,565) | - | (5,565) |
| Purchase of property, plant and equipment | | (76,028) | (54,844) | (201,630) | (152,476) |
| Proceeds from the sale of property, plant and equipment | | 24 | 2,843 | 41 | 23,191 |
| Purchase of marketable securities | | (1,609) | (5,698) | (1,823) | (5,698) |
| Proceeds from the sale of marketable securities | | - | 13,144 | 6,345 | 13,836 |
| Non-registered supplemental retirement plan investments, net | | 43 | - | (4,937) | - |
| Investment purchases | | (2,470) | - | (3,788) | (5,375) |
| Increase in restricted cash | | 35 | - | (2,963) | (2,221) |
| Increase in restricted asset and other | | - | (9,880) | - | (12,363) |
| | | (80,005) | (60,000) | (208,755) | (146,671) |
| **Financing activities** | | | | | |
| Issuance of common shares for cash | | 22,631 | 5,087 | 30,616 | 32,370 |
| Dividend paid to non-controlling interests | | (4,473) | - | (8,095) | (1,287) |
| Dividend paid to shareholders | | (33,426) | - | (61,167) | (26,357) |
| Purchase of treasury stock | | (280) | - | (6,438) | - |
| Long-term and bank debt proceeds | | 2,579 | 56,560 | 5,782 | 59,044 |
| Long-term and bank debt repayments | | (29,749) | (50,762) | (74,465) | (65,488) |
| | | (42,718) | 10,885 | (113,767) | (1,718) |
| **Net increase in cash and cash equivalents** | | 50,905 | 32,420 | 42,199 | 74,034 |
| **Cash and cash equivalents - beginning of period** | | 305,638 | 306,983 | 314,344 | 265,369 |
| **Cash and cash equivalents - end of period** | | 356,543 | 339,403 | 356,543 | 339,403 |

See accompanying notes to the unaudited condensed consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Condensed Consolidated Statements of changes in Equity

(Expressed in thousands of U.S. dollars)

| | | Attributable to shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Treasury stock | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at January 1, 2011** | *10* | 2,814,679 | - | 22,967 | (1,637) | 125,221 | 2,961,230 | 36,021 | 2,997,251 |
| Total comprehensive (loss) income for the period | | - | - | - | (1,817) | 229,816 | 227,999 | 21,380 | 249,379 |
| Dividends declared to Non-controlling interests | | | - | - | - | - | - | (8,095) | (8,095) |
| Purchase of treasury stock | | - | (6,438) | - | - | - | (6,438) | - | (6,438) |
| Shares issued upon exercise of share options, for cash | | 29,131 | - | - | - | - | 29,131 | - | 29,131 |
| Estimated fair value of employee options and warrants exercised | | 9,074 | - | (9,074) | - | - | - | - | - |
| Shares issued upon exercise of warrants, for cash | | 1,485 | - | - | - | - | 1,485 | - | 1,485 |
| Shares redeemed upon exercise of restricted share units | | - | 2,225 | (2,225) | - | - | - | - | - |
| Share based payments | | - | - | 15,689 | - | - | 15,689 | - | 15,689 |
| Dividend declared to shareholders of the Company | | - | - | - | | - | (61,167) | (61,167) | - | (61,167) |
| **Balance at September 30, 2011** | | 2,854,369 | (4,213) | 27,357 | (3,454) | 293,870 | 3,167,929 | 49,306 | 3,217,235 |

| | | Attributable to shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Contributed surplus | Accumulated other comprehensive income | Retained earnings (deficit) | Total | Non-controlling interests | Total equity |
| **Balance at January 1, 2010** | | 2,671,634 | 17,865 | 2,227 | (69,423) | 2,622,303 | 26,144 | 2,648,447 |
| Total comprehensive (loss) income for the period | | - | - | (1,762) | 175,848 | 174,086 | 11,951 | 186,037 |
| Dividends declared to Non-controlling interests | | - | - | - | - | - | (1,287) | (1,287) |
| Shares issued in consideration for interests acquired | | 95,118 | - | - | - | 95,118 | - | 95,118 |
| Shares issued upon exercise of share options, for cash | | 32,370 | - | - | - | 32,370 | - | 32,370 |
| Estimated initial fair value of employee options exercised | | 10,987 | (10,987) | - | - | - | - | - |
| Share based payments | | - | 14,439 | - | - | 14,439 | - | 14,439 |
| Dividend declared to shareholders of the Company | | - | - | - | (26,357) | (26,357) | - | (26,357) |
| **Balance at September 30, 2010** | | 2,810,109 | 21,317 | 465 | 80,068 | 2,911,959 | 36,808 | 2,948,767 |

See accompanying notes to the unaudited condensed consolidated financial statements.

## 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

The Company prepares its financial statements in accordance with 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 requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly the Company commenced reporting on this basis as of January 1, 2011. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The Company has consistently applied the same accounting policies in its opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 13 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.

These condensed consolidated interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes. Results for the period ended September 30, 2011 are not necessarily indicative of future results. Any subsequent changes to IFRS that are reflected in the Company's consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

### 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/after January 1, 2013. 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.

**2. Basis of preparation** *(continued)*

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the 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 financial statements, although additional disclosures may be required.
- 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 on/after January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the financial statements as the Company currently applies comparable principles to those found in this interpretation.

**3. Significant accounting policies**

The significant accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements, and by all Eldorado entities. Refer to Note 14 of our March 31, 2011 condensed consolidated financial statements for the IFRS 1 exemptions taken in applying IFRS for the first time.

**3.1 Basis of presentation and principles of consolidation**

**(i) Subsidiaries**

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 purchase 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-contolling 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 recognised directly in the income statement.

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

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

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 | Turkey | 100% | Consolidated | Kişladağ Mine<br>Efemcukuru 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 | Brazil | 100% | Consolidated | Tocantinzinho Project |

#### (ii) 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.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are generally 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 of 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. 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 recognised in the income statement.

**3. Significant accounting policies** *(continued)*

**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 which 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.

**(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.

**(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 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 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.

**3. Significant accounting policies** *(continued)*

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.

### 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 prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All expenditures relating to exploration activities are expensed as incurred.

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 probability of generating positive economic returns in the future. A mineral resource is considered to have economic potential when it is expected 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 subsidiary, associate, joint venture or business at the date of acquisition. 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 company and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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 is impaired.

**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.

*Acquisitions on or after January 1, 2010*

For acquisitions on or after January 1, 2010, goodwill represents the excess of the fair value of the consideration transferred over Eldorado's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is not recognized in respect of non-controlling interests. When the excess is negative (negative goodwill), it is recognized immediately in income.

**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 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 'CGU's). 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, 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 categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

**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**

Investments are initially recognised 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 recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised 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 amortised 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 recognised in the income statement as part of other income when Eldorado's right to receive payments is established.

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

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.

**3. Significant accounting policies** *(continued)*

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, all of which are valued at the lower of average cost and net realizable value. Product inventory costs consist of direct production costs including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation and amortization of property, plant and equipment.

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

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

ii) Materials and supplies inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, which are valued at the lower of average cost and net realisable value and, where appropriate, less a provision for obsolescence. Costs include acquisition, freight and other directly attributable costs.

**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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**3.11 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities 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 to 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.

**3. Significant accounting policies** *(continued)*

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

### 3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, calculated using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised 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 amortised 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.

Deferred income tax is recognised, 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 realised 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized.

### 3.16 Employee benefits

#### (i) Defined benefit plans

Certain employees have entitlements under Company pension plans which 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.

**3. Significant accounting policies** *(continued)*

Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income without recycling to the income statement 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 income statement 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.

**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 stock option awards, and the quoted market value of the shares for restricted share units. The fair value of the options and restricted share units are expensed over the vesting period of the awards. No expense is recognized for awards that do not ultimately vest.

**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 recognised as a liability with a corresponding asset recognised in relation to the mine site. At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred.

The provision recognised 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 framework; 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.

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

The provision recognised 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 recognised 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.

### 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 ordinary 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, valuation of derivative contracts, 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.

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

## 5. Investments in significantly influenced companies

| | September 30, 2011 $ | December 31, 2010 $ |
|---|---|---|
| Serabi Mining Plc ("Serabi") | 4,659 | 6,202 |
| Kopy Goldfields ("Kopy") | 2,470 | - |
| | 7,129 | 6,202 |

*(a) Serabi*

As at September 30, 2011, the Company holds 16,840,000 ordinary shares and 2,420,000 purchase warrants of Serabi. This represents approximately a 26.3% interest in Serabi or 29% if the Company exercises all of its purchase warrants. The investment in Serabi is being accounted for under the equity method as follows:

| | $ |
|---|---|
| Balance at December 31, 2010 | 6,202 |
| Additional purchase during the period | 1,318 |
| Equity loss for the nine month period | (2,861) |
| Balance at September 30, 2011 | 4,659 |

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. This represents a 20.4% interest in Kopy. The investment in Kopy is being accounted for under the equity method as follows:

| | $ |
|---|---|
| Purchase during period | 2,470 |
| Equity pickup for the period | - |
| Balance at September 30, 2011 | 2,470 |

The purchase of Kopy shares was completed at quarter end; accordingly no equity pickup was recorded.

Subsequent to September 30, 2011, the Company acquired an additional 1,000,000 ordinary shares of Kopy for $1,802, increasing the Company's interest in Kopy to 28.9%.

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

## 6. Restricted cash

Restricted cash represents funds held on deposit as collateral for the following:

| | September 30, 2011 $ | December 31, 2010 $ |
|---|---|---|
| Eastern Dragon CMB standby letter of credit loan (note 7(d)) | 52,417 | 52,425 |
| Unamgen HSBC letter of credit | 3,000 | - |
| | 55,417 | 52,425 |

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

## 7. Debt

| | September 30, 2011 $ | December 31, 2010 $ |
|---|---|---|
| Current: | | |
| Jinfeng construction loan (a) | 21,566 | 21,139 |
| White Mountain fixed asset project loan (b) | 1,573 | 9,749 |
| White Mountain working capital project loan (b) | - | 6,176 |
| White Mountain working capital loan (c) | - | 7,549 |
| Eastern Dragon CMB standby letter of credit loan (d) | 50,355 | 48,317 |
| Eastern Dragon HSBC revolving loan facility (e) | 12,193 | 5,593 |
| | 85,687 | 98,523 |
| Non-current: | | |
| Jinfeng construction loan (a) | 19,255 | 52,951 |
| White Mountain fixed asset project loan (b) | - | 15,189 |
| | 19,255 | 68,140 |

***(a) Jinfeng construction loan***

In 2009, Guizhou Jinfeng Mining Ltd. (“Jinfeng”), our 82% owned subsidiary entered into a RMB 680.0 million ($107,004) 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.

During 2010, Jinfeng pre-paid RMB 180.0 million ($28,325) on the outstanding balance of this loan and in March, May and September 2011 made scheduled payments of RMB 35.0 million ($5,507) each. Additionally, in June 2011, Jinfeng pre-paid RMB 130.0 million ($20,458) on the outstanding balance of this loan.

Net deferred financing costs in the amount of $879 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.

Subsequent to September 30, 2011, Jinfeng pre-paid RMB 100.0 million ($15,736) of the construction loan.

***(b) White Mountain working capital and fixed asset 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 ($29,914) with final payment due on September 2013; and
ii. A working capital loan of RMB 40.9 million ($6,436) due in 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 is secured by a Sino Gold corporate guarantee and White Mountain’s fixed assets with a value above $100.

During 2010, White Mountain made the first payment on the fixed asset loan of RMB 24.8 million ($3,903) and in July 2011, it pre-paid RMB 50.0 million ($7,868). Additionally, in September 2011, it completed its scheduled payment of RMB 14.6 million ($2,297) and made an early payment of RMB 90.7 million ($14,273).

**7. Debt** *(continued)*

Subsequent to September 30, 2011, White Mountain pre-paid the remaining balance of this loan of RMB 10.1 million ($1,573).

***(c) 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 and the letter of guarantee was released.

***(d) Eastern Dragon CMB Standby letter of Credit loan***

In January 2010, Eastern Dragon entered into a RMB 320.0 million ($50,355) 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 $52,200 as funding of the irrevocable letter of credit issued by Sino Gold to CMB.

On February 5, 2010, Eastern Dragon made a drawdown on this loan which was used to repay its Standard letter of credit loan with CCB.

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

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

***(e) Eastern Dragon HSBC revolving loan facility***

In May 2010, Eastern Dragon entered into a RMB 80.0 million ($12,589) revolving facility ("the Facility") with HSBC Bank (China). Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China on the date of drawdown. The Facility has a term of up to one year. In December 2010, the Facility was reviewed by the bank and was extended to November 30, 2011.

The Facility is secured by a letter of guarantee issued by Eldorado. Eldorado must maintain at all times a security coverage ratio of 110% of the amounts drawn down. As at September 30, 2011, the security coverage is $13,412.

As at September 30, 2011, RMB 77.5 million ($12,193) had been drawn under this Facility.

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

***(f) Entrusted loan***

In November 2010, Eastern Dragon, HSBC Bank (China) and QDML, entered into a RMB 12.0 million ($1,888) entrusted loan agreement, which was subsequently increased to RMB 180.0 million ($28,325) 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.

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

**7. Debt** *(continued)*

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

As at September 30, 2011, RMB 74.0 million ($11,645) had been drawn under the entrusted loan.

Subsequent to September 30, 2011, RMB 30.0 million ($4,721) was drawdown on the entrusted loan.

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

**8. Defined benefit plan expense**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Pension plan expense | 31 | 32 | 94 | 99 |
| SERP expense * | 387 | 146 | 1,180 | 816 |
| Total | 418 | 178 | 1,274 | 915 |

* Non-registered supplemental retirement plan

**9. 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 team (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 such as net property, plant and equipment as well as operational results. During the period ended September 30, 2011, Eldorado had five reporting segments based on the geographical location of mining and exploration and development activities.

**9.1 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 at Tocantinzinho and exploration activities in Brazil. The Turkey reporting segment includes the results of the Kişladağ mine, development activities at Efemçukuru and exploration activities in Turkey. The China reporting segment includes the results of the Tanjianshan mine, Jinfeng mine, White Mountain mine, the Eastern Dragon development project and exploration activities in China. The Greece reporting segment includes the development activities of the Perama Hill 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.

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

### 9. Segment information *(continued)*

| | September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Turkey $ | China $ | Brazil $ | Greece $ | Other $ | Total $ |
| Net property, plant and equipment | | | | | | |
| Gold producing properties | 280,833 | 1,133,187 | - | - | - | 1,414,020 |
| Properties under development | 258,111 | 775,203 | 141,748 | 162,345 | - | 1,337,407 |
| Iron ore property | - | - | 45,202 | - | - | 45,202 |
| Other | 20,283 | 558 | 245 | - | 3,651 | 24,737 |
| | 559,227 | 1,908,948 | 187,195 | 162,345 | 3,651 | 2,821,366 |
| Goodwill | - | 365,928 | - | - | - | 365,928 |

| | December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Turkey $ | China $ | Brazil $ | Greece $ | Other $ | Total $ |
| Net property, plant and equipment | | | | | | |
| Gold producing properties | 248,857 | 1,164,849 | - | - | - | 1,413,706 |
| Properties under development | 170,955 | 754,959 | 131,947 | 160,336 | - | 1,218,197 |
| Iron ore property | - | - | 47,420 | - | - | 47,420 |
| Other | 11,580 | 5,150 | 245 | - | 3,489 | 20,464 |
| | 431,392 | 1,924,958 | 179,612 | 160,336 | 3,489 | 2,699,787 |
| Goodwill | - | 365,928 | - | - | - | 365,928 |

**Operations**

| | For the three months ended September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Turkey $ | China $ | Brazil $ | Greece $ | Other $ | Total $ |
| Revenue from: | | | | | | |
| Gold sales | 148,686 | 156,547 | - | - | - | 305,233 |
| Iron ore sales | - | - | 20,854 | - | - | 20,854 |
| Revenue from external customers | 148,686 | 156,547 | 20,854 | - | - | 326,087 |
| Expenses (income) except the undernoted | 38,434 | 53,751 | 11,648 | 90 | 15,126 | 119,049 |
| Depletion, depreciation and amortization | 3,180 | 24,609 | 1,540 | - | 625 | 29,954 |
| Exploration | 1,843 | 841 | 3,362 | - | 867 | 6,913 |
| Other (income) expense | (2,079) | (1,875) | (11) | - | (104) | (4,069) |
| Loss (gain) on disposal of assets | (20) | 435 | - | - | 5 | 420 |
| Profit (loss) before income tax | 107,328 | 78,786 | 4,315 | (90) | (16,519) | 173,820 |
| Income tax (expense) recovery | (39,027) | (18,673) | (5,151) | (223) | (3) | (63,077) |
| Profit (loss) for the period | 68,301 | 60,113 | (836) | (313) | (16,522) | 110,743 |

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

## 9. Segment information *(continued)*

**Operations**

| | For the three months ended September 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | **Turkey** | **China** | **Brazil** | **Greece** | **Other** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue from: | | | | | | |
| Gold sales | 81,433 | 108,872 | - | - | - | 190,305 |
| Revenue from external customers | 81,433 | 108,872 | - | - | - | 190,305 |
| Expenses (income) except the undernoted | 26,547 | 47,040 | 607 | (104) | 5,365 | 79,455 |
| Depletion, depreciation and amortization | 3,482 | 23,486 | 13 | - | 342 | 27,323 |
| Exploration | 2,290 | 446 | 1,373 | - | 768 | 4,877 |
| Mine standby costs | - | - | 22 | - | - | 22 |
| Other (income) expense | (9,373) | 254 | - | - | (96) | (9,215) |
| Gain on disposal of assets | - | (104) | (146) | - | - | (250) |
| Profit (loss) before income tax | 58,487 | 37,750 | (1,869) | 104 | (6,379) | 88,093 |
| Income tax (expense) recovery | (4,337) | (7,194) | - | - | (1,796) | (13,327) |
| Profit (loss) for the period | 54,150 | 30,556 | (1,869) | 104 | (8,175) | 74,766 |

**Operations**

| | For the nine months ended September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | **Turkey** | **China** | **Brazil** | **Greece** | **Other** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue from: | | | | | | |
| Gold sales | 319,830 | 437,805 | - | - | - | 757,635 |
| Iron ore sales | - | - | 37,935 | - | - | 37,935 |
| Revenue from external customers | 319,830 | 437,805 | 37,935 | - | - | 795,570 |
| Expenses (income) except the undernoted | 92,823 | 161,358 | 20,325 | 25 | 53,948 | 328,479 |
| Depletion, depreciation and amortization | 8,279 | 78,244 | 2,777 | - | 1,714 | 91,014 |
| Exploration | 5,860 | 2,371 | 4,574 | - | 2,554 | 15,359 |
| Other (income) expense | (4,868) | (1,875) | (25) | - | (1,558) | (8,326) |
| (Gain) loss on disposal of assets | (20) | 334 | - | - | (2,986) | (2,672) |
| Profit (loss) before income tax | 217,756 | 197,373 | 10,284 | (25) | (53,672) | 371,716 |
| Income tax (expense) recovery | (70,428) | (50,514) | 667 | (223) | (22) | (120,520) |
| Profit (loss) for the period | 147,328 | 146,859 | 10,951 | (248) | (53,694) | 251,196 |

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

**9. Segment information** *(continued)*

| | For the nine months ended September 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Turkey | China | Brazil | Greece | Other | Total |
| | $ | $ | $ | $ | $ | $ |
| Revenue from: | | | | | | |
| Gold sales | 256,989 | 321,238 | - | - | - | 578,227 |
| Revenue from external customers | 256,989 | 321,238 | - | - | - | 578,227 |
| Expenses (income) except the undernoted | 78,810 | 144,497 | 850 | 16 | 27,607 | 251,780 |
| Depletion, depreciation and amortization | 11,484 | 67,771 | 46 | - | 951 | 80,252 |
| Exploration | 4,885 | 1,623 | 2,691 | - | 1,814 | 11,013 |
| Mine standby costs | - | - | 1,335 | - | - | 1,335 |
| Other (income) expense | (9,330) | (1,228) | - | - | (341) | (10,899) |
| Gain on disposal of assets | - | (1,526) | (206) | - | (3) | (1,735) |
| Profit (loss) before income tax | 171,140 | 110,101 | (4,716) | (16) | (30,028) | 246,481 |
| Income tax (expense) recovery | (31,095) | (27,259) | - | - | (328) | (58,682) |
| Profit (loss) for the period | 140,045 | 82,842 | (4,716) | (16) | (30,356) | 187,799 |

All of the non-controlling interest in the Company relates to the China segment.

### 9.2 Economic dependence

At September 30, 2011, each of our Chinese mines had one major customer, to whom each sell 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. |

### 9.3 Seasonality/cyclicality of operations

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

## 10. 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 September 30, 2011 there were no non-voting common shares outstanding (December 31, 2010: none).

| Voting common shares | Number of Shares | Total $ |
|---|---|---|
| **At January 1, 2011** | 548,187,192 | 2,814,679 |
| Shares issued upon exercise of share options, for cash | 3,228,096 | 29,131 |
| Estimated fair value of share options and warrants exercised | - | 9,074 |
| Shares issued for cash upon exercise of warrants | 96,629 | 1,485 |
| **At September 30, 2011** | 551,511,917 | 2,854,369 |

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

## 11. 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:

| | 2011 | |
|---|---|---|
| | Average exercise price Cdn$ | Number of options |
| **At January 1,** | 9.49 | 8,720,524 |
| Granted | 16.50 | 3,829,691 |
| Exercised | 8.85 | (3,228,096) |
| Forfeited | 14.82 | (498,338) |
| **At September 30,** | 12.46 | 8,823,781 |

At September 30, 2011, 5,127,291 share options (September 30, 2010 – 4,050,508) with a weighted average exercise price of Cdn$10.38 (September 30, 2010 – Cdn$8.34) had vested and were exercisable. Options outstanding are as follows:

| | September 30, 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 | 1,369,186 | 2.1 | 4.88 | 1,369,186 | 4.88 |
| $5.00 to $5.99 | 82,500 | 0.9 | 5.31 | 82,500 | 5.31 |
| $6.00 to $6.99 | 471,000 | 1.4 | 6.42 | 471,000 | 6.42 |
| $7.00 to $7.99 | 284,833 | 0.7 | 7.24 | 284,833 | 7.24 |
| $9.00 to $9.99 | 302,900 | 2.5 | 9.64 | 302,900 | 9.64 |
| $11.00 to $11.99 | 10,000 | 2.5 | 11.40 | 10,000 | 11.40 |
| $12.00 to $12.99 | 183,500 | 3.4 | 12.60 | 96,833 | 12.53 |
| $13.00 to $13.99 | 2,653,584 | 3.3 | 13.23 | 1,401,091 | 13.23 |
| $15.00 to $15.99 | 453,646 | 4.6 | 15.54 | 231,215 | 15.44 |
| $16.00 to $16.99 | 2,979,026 | 4.4 | 16.66 | 863,329 | 16.66 |
| $18.00 to $18.99 | 24,000 | 4.2 | 18.81 | 8,000 | 18.81 |
| $19.00 to $20.02 | 9,606 | 3.9 | 20.02 | 6,404 | 20.02 |
| | 8,823,781 | 3.3 | 12.46 | 5,127,291 | 10.38 |

Share based compensation expense for the quarter ended September 30, 2011 was $2,877 (YTD $11,238).

### (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 subsequent 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.

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

**11. Shared-based payments** *(continued)*

The current maximum number of common shares issuable under the RSU plan is 1.5 million. 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 nine month period ended September 30, 2011 and 168,022 were exercisable during the period.

A summary of the status of the RSU plan and changes during the period ended September 30, 2011 is as follows:

| | Total RSUs |
|---|---|
| Balance at December 31, 2010 | - |
| RSUs granted during the nine month period | 416,454 |
| Redeemed during the nine month period | (132,708) |
| Forfeitures during the nine month period | (16,808) |
| Balance at September 30, 2011 | 266,938 |

As at September 30, 2011, 266,938 common shares remain held in trust in connection with this plan. At the end of the period, 35,319 restricted share units are fully vested and exercisable. These shares have been included in treasury stock in the balance sheet.

Restricted share units expense for the quarter ended September 30, 2011 was $831 (YTD $4,417).

**12. Supplementary cash flow information**

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Changes in non-cash working capital | **$** | **$** | **$** | **$** |
| Accounts receivable and other | (9,769) | (8,477) | (1,454) | (10,813) |
| Inventories | (1,264) | (5,807) | (10,926) | (7,596) |
| Accounts payable and accrued liabilities | 24,966 | (5,586) | 9,991 | (28,920) |
| Total | 13,933 | (19 ,870) | (2,389) | (47,329) |
| | | | | |
| Supplementary cash flow information | | | | |
| Income taxes paid | 34,249 | 15,944 | 95,011 | 49,729 |
| Interest paid | 2,087 | 2,542 | 6,705 | 7,835 |

**13. Explanation of transition to IFRS**

The accounting policies set out in note 3 have been applied in preparing the financial statements for the three and nine months ended September 30, 2011 and the comparative information presented in these financial statements as at December 31, 2010.

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. 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 balance sheets of September 30, 2010 and December 31, 2010 and comprehensive income for the three and nine months ended September 30, 2010. The Company's first-time adoption did not have an impact on cash flows and therefore no reconciliation has been provided.

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

## 13. Explanation of transition to IFRS *(continued)*

Refer to Note 14 of our March 31, 2011 condensed consolidated financial statements for the IFRS 1 exemptions taken in applying IFRS for the first time and the reconciliation from Canadian GAAP to IFRS for the balance sheet as at January 1, 2010 and comprehensive income for the year ended December 31, 2010.

### 1.2 Balance Sheet (December 31, 2010)

| | *Note* | Canadian GAAP<br>December 31, 2010 | 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 | *(aii)* | 606 | (606) | - |
| | | 565,102 | (606) | 564,496 |
| 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 | *(ai); (aii); (c); (f)* | 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 | *(bii); (e)* | 152,781 | (7,086) | 145,695 |
| Current debt | | 98,523 | - | 98,523 |
| Deferred income taxes | *(aii)* | 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); (f)* | 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 | *(bi)* | 998 | (2,635) | (1,637) |
| 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 |
| | | 2,967,234 | 30,017 | 2,997,251 |
| | | 3,779,909 | (94,541) | 3,685,368 |

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

### 13. Explanation of transition to IFRS *(continued)*

#### 1.3 Balance Sheet (September 30, 2010)

| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS |
|---|---|---|---|---|
| | | September 30, 2010 | | |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 339,403 | - | 339,403 |
| Restricted cash | | 52,221 | - | 52,221 |
| Marketable securities | | 1,564 | - | 1,564 |
| Accounts receivable and other | | 35,490 | - | 35,490 |
| Inventories | | 130,257 | - | 130,257 |
| Deferred income taxes | *(aii)* | 2,703 | (2,703) | - |
| | | 561,638 | (2,703) | 558,935 |
| Inventories | | 40,280 | - | 40,280 |
| Investment in significantly influenced company | | 5,130 | - | 5,130 |
| Restricted assets and other | | 28,211 | - | 28,211 |
| Property, plant and equipment | *(a); (c); (f)* | 2,794,125 | (101,205) | 2,692,920 |
| Goodwill | | 323,294 | - | 323,294 |
| | | 3,752,678 | (103,908) | 3,648,770 |
| **LIABILITIES & EQUITY** | | | | |
| **Current liabilities** | | | | |
| Accounts payables and accrued liabilities | *(b); (e)* | 139,453 | (6,337) | 133,116 |
| Current debt | | 89,909 | - | 89,909 |
| Deferred income taxes | *(aii)* | 2,313 | (2,313) | - |
| | | 231,675 | (8,650) | 223,025 |
| Debt | | 97,247 | - | 97,247 |
| Asset retirement obligations | *(c)* | 28,273 | 429 | 28,702 |
| Pension fund obligation | *(b)* | - | 8,814 | 8,814 |
| Deferred income taxes | *(a); (c); (e); (f)* | 442,131 | (99,916) | 342,215 |
| | | 799,326 | (99,323) | 700,003 |
| **Non-controlling interests** | *(d)* | 36,808 | (36,808) | - |
| **Equity** | | | | |
| Share capital | | 2,810,109 | - | 2,810,109 |
| Contributed surplus | | 21,317 | - | 21,317 |
| Accumulated other comprehensive income | | 465 | - | 465 |
| Retained earnings | | 84,653 | (4,585) | 80,068 |
| **Total equity attributable to shareholders of the Company** | | 2,916,544 | (4,585) | 2,911,959 |
| **Attributable to non-controlling interests** | *(d)* | - | 36,808 | 36,808 |
| | | 2,953,352 | 32,223 | 2,948,767 |
| **Total liabilities and equity** | | 3,752,678 | (103,908) | 3,648,770 |

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

## 13. Explanation of transition to IFRS *(continued)*

### 1.4 Reconciliation of Total Comprehensive Income

Reconciliations between the Canadian GAAP and IFRS total comprehensive income for the three and nine months ended September 30, 2010 are provided below:

| | Note | Three months ended September 30, 2010 | Nine months ended September 30, 2010 |
|---|---|---|---|
| **Comprehensive Income under Canadian GAAP** | | 41,973 | 172,315 |
| **Profit adjustments** | | | |
| Reduction in pension expense | *(bii)* | 443 | 952 |
| Increase in depreciation of asset retirement obligation (net of tax) | *(c)* | (91) | (274) |
| Decrease in severance provision expense (net of tax) | *(e)* | 75 | 225 |
| Foreign exchange (loss) gain on reversal of deferred income tax | *(a)* | 11,637 | 6,641 |
| Tax adjustment to reflect foreign exchange difference | *(aii)* | 8,803 | 6,178 |
| **Other comprehensive income adjustments** | | | |
| Recognition of actuarial gains/losses in other comprehensive income | *(bi)* | - | - |
| Total IFRS adjustments to comprehensive income | | 20,867 | 13,722 |
| **Comprehensive Income under IFRS** | | 62,840 | 186,037 |

**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, during Q3 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 recognised 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 September 30, 2010, and increase the foreign exchange gain recognized in the income statement during Q3 2010 and for the year ended December 31, 2010 by $1,759.

The reversal of these deferred income tax liabilities resulted in a reduced foreign exchange movement under IFRS compared to Canadian GAAP during Q4 2010 and the year ended December 31, 2010, resulting in an adjustment to further decrease deferred income tax liabilities by $1,685 as at December 31, 2010 and an increase in foreign exchange gain for the same amount for the three-month period ended December 31, 2010.

**13. 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 period end rate and comparing to the accounting carrying value calculated at historical exchange 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.

For the quarter ended September 30, 2010, this resulted in an adjustment to decrease the deferred income tax liability by $18,681 (YTD 2010 – $11,060), increase the foreign exchange gain by $9,878 (YTD 2010 – $4,882), and decrease deferred income tax expense by $8,803 (YTD 2010 – $6,178).

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 1 exemption.

For the year ended December 31, 2010, actuarial losses of $2,635 were recognized within other comprehensive income. The recognition was recorded in Q4 2010.

ii) Under IFRS, Eldorado expenses the cost of past service benefits awarded to employees under post employment benefit plans over the period 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 December 31, 2010 this resulted in a decrease to the pension expense by $1,440, decrease in the foreign exchange gain by $403 and decrease to the pension liability by $1,037. The decrease in the pension expense for the quarter ended September 30, 2010 was $443 (YTD 2010 – $952), recorded in the income statement with a decrease to the pension liability for the same amount.

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 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 remeasured 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 accretion of the liability increased under IFRS.

**13. Explanation of transition to IFRS** *(continued)*

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, and a decrease in the deferred income tax liability of $388, all as at December 31, 2010, and for the year ended December 31, 2010, an increase in asset retirement obligation costs of $1,163, 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.

For the quarter ended September 30, 2010, these adjustments decreased the property, plant and equipment by $91 (YTD 2010 – $274), and increased the depreciation expense by the same amount.

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 balance sheet 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 September 30, 2010 ($36,808) and December 31, 2010 ($36,021).

e) IFRS requires provisions to be recorded on a discounted basis (fair 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.

For the quarter ended September 30, 2010, these adjustments decreased severance provision expense by $94 (YTD 2010 – $281), and the deferred tax liability increased by $19 (YTD 2010 – $56) 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.

**14. Subsequent events**

***(a) HSBC revolving credit facility***

Subsequent to September 30, 2011, the Company entered into a $280.0 million revolving credit facility with HSBC and a syndicate of four other banks. The credit facility matures on October 12, 2015. A pledge of the shares of SG Resources and Tuprag Metal SA, wholly owned subsidiaries of the Company, has been provided as security.

The new credit agreement contains standard covenants including limits on indebtedness, asset dispositions and acquisitions and liens. 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 of 3:1. The Company is in compliance with these covenants at September 30, 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%; Prime Rate plus margin of .75%; Undrawn standby fee of 0.40%.

**14. Subsequent events** *(continued)*

***(b) Acquisition of interest in Glory Resources Limited ("Glory")***

On November 2, 2011 Eldorado entered into a binding subscription agreement with Glory whereby a wholly owned subsidiary of Eldorado will acquire a 19.9% interest in Glory for an estimated amount of AUS$ 12.5 million ($13,000) as part of Glory's proposed capital raising to fund the acquisition of the high grade Sappes Gold Project ("Sappes") in north-eastern Greece. The subscription agreement is subject to a number of conditions precedent, including completion of the acquisition of Sappes by Glory Resources.

**MANAGEMENT'S DISCUSSION and ANALYSIS**
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)**
**for the three and nine-month periods ended September 30, 2011**

Throughout this MD&A, *Eldorado*, *it,* and *the Company* mean Eldorado Gold Corporation.
*This quarter* means the third quarter of 2011. All dollar amounts are in United States dollars unless stated otherwise.

The information in this MD&A is as of November 1, 2011. You should also read the Company's audited consolidated financial statements for the year ended December 31, 2010 and its unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2011. The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting" and IFRS 1 "First-Time Adoption of IFRS". For comparative purposes all financial statement amounts related to the quarters ended March 31, 2010, June 30, 2010, September 30, 2010 and the year ended December 31, 2010 have been restated in accordance with IFRS. All other periods remain unchanged from the numbers originally reported under Canadian generally accepted accounting principles (CGAAP). The Company's financial statements are filed with appropriate regulatory authorities in Canada and the United States. You can find more information about Eldorado, including the Company's annual information form, on SEDAR at www.sedar.com.

Except for the Company's adoption of IFRS, there have been no significant changes to the following since the Company published its 2010 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 the Company's worldwide projects and operations since that time.

### What's inside

## About Eldorado

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

Operating gold mines:
- Kişladağ, in Turkey (100%)
- Tanjianshan, in China (90%)
- Jinfeng, in China (82%)
- White Mountain, in China (95%)

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

Iron ore mine:
- Vila Nova, in Brazil (100%)

Eldorado's common shares are listed on the following exchanges:
- Toronto Stock Exchange (TSX) under the symbol ELD
- New York Stock Exchange (NYSE) under the symbol EGO

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

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

## Third quarter highlights and corporate developments

- Record gold production of 179,195 ounces at an average cash operating cost of $397 per ounce.
- Net income attributable to shareholders of the Company of $102.5 million or $0.19 per share compared to $69.6 million or $0.13 per share for the same quarter in 2010.
- 60% increase in gold revenues over the same quarter in 2010, reflecting higher gold sales prices and volumes.
- 105% increase in earnings from gold mining operations before taxes over the same quarter in 2010.
- 57% increase in cash from operating activities before changes in non-cash working capital over the same quarter in 2010. In addition the Company paid $29.7 million against its outstanding debt.
- Payment of a Cdn$0.06 dividend per share to shareholders of the Company.
- Announcement of the Company's intention to expand Kişladağ's average production rate from 275,000 ounces per year to 475,000 ounces per year.
- Commissioning of Efemçukuru began with approximately 14,400 contained ounces of gold in concentrate shipped to Kişladağ for storage pending completion of the Concentrate Treatment Plant.

Subsequent to September 30, 2011, the Company entered into a $280.0 million revolving credit facility with HSBC and a syndicate of four other banks. The credit facility matures on October 12, 2015.

On November 2, 2011 Eldorado entered into a binding subscription agreement with Glory Resources Limited (ASX: GLY) whereby a wholly owned subsidiary of Eldorado will acquire a 19.9% interest in Glory for an estimated amount of AUS$ 12.5 million ($13.0 million) as part of Glory's proposed capital raising to fund the acquisition of the high grade Sappes Gold Project ("Sappes") in north-eastern Greece. The subscription agreement is subject to a number of conditions precedent, including completion of the acquisition of Sappes by Glory Resources.

## Outlook

The Company has revised its 2011 production guidance to 650,000 ounces of gold at an average cash cost of $400 per ounce.

## Review of Financial Results

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Summarized Financial Results** | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter[2]** | **Third quarter** | **Second quarter** | **First quarter** |
| Gold Revenues (millions) | $305.2 | $244.9 | $207.5 | $204.6 | $190.3 | $206.4 | $181.5 |
| Ounces sold | 179,513 | 162,164 | 148,530 | 149,022 | 154,655 | 172,826 | 163,446 |
| Average Realized Price ($/ounce) | $1,700 | $1,510 | $1,397 | $1,373 | $1,231 | $1,195 | $1,110 |
| Average London spot price ($/ounce) | $1,702 | $1,506 | $1,386 | $1,367 | $1,227 | $1,197 | $1,109 |
| Earnings from gold mining operations (millions)[1] | $193.2 | $137.5 | $107.8 | $109.4 | $94.4 | $104.9 | $94.1 |
| Net Income (millions) | $102.5 | $74.9 | $52.5 | $43.9 | $69.6 | $55.7 | $50.5 |
| Earnings per share - Basic | $0.19 | $0.14 | $0.10 | $0.08 | $0.13 | $0.10 | $0.09 |
| Dividends per share – Cdn$ | $0.06 | - | $0.05 | - | - | $0.05 | - |
| Cash flow from operating activities before changes in non-cash working capital (millions) | $159.7 | $115.7 | $91.7 | $83.0 | $101.4 | $87.4 | $80.9 |

(1) Earnings from gold mining operations represent gross revenues less operating costs and depreciation, depletion and amortization. This is a non-IFRS measure. Please see page 10 for discussion of non-IFRS measures. (2) Financial results prepared in accordance with CGAAP.

### Third quarter results

Eldorado's consolidated net income attributable to shareholders of the Company for the quarter was $102.5 million or $0.19 per share, compared with $69.6 million or $0.13 per share in the same quarter of 2010, a 47% increase in net income attributable to shareholders of the Company. Revenues from gold mining operations for the quarter increased $114.9 million, or 60%, from a year ago due to 38% higher selling prices as well as 16% higher sales volumes. The increase in sales volumes was mainly due to increased production at Kişladağ as a result of an increase in tonnes treated on the leach pad, and at White Mountain due to higher grade and tonnes processed.

Vila Nova contributed $8.6 million gross profit from iron ore sales, which included revenue of $20.9 million on shipments of 170,782 tonnes of iron ore during the third quarter.

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Sales volumes by mine** | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter** | **Third quarter** | **Second quarter** | **First quarter** |
| - Kişladağ | 87,121 | 66,392 | 50,832 | 59,741 | 66,113 | 69,197 | 83,974 |
| - Tanjianshan | 26,935 | 31,977 | 28,493 | 30,710 | 28,847 | 38,261 | 18,947 |
| - Jinfeng | 44,187 | 46,381 | 48,518 | 38,282 | 45,447 | 48,623 | 49,674 |
| - White Mountain | 21,270 | 17,414 | 20,687 | 20,289 | 14,248 | 16,745 | 10,851 |
| Total Gold ounces sold | 179,513 | 162,164 | 148,530 | 149,022 | 154,655 | 172,826 | 163,446 |
| Average price per oz. | $1,700 | $1,510 | $1,397 | $1,373 | $1,231 | $1,195 | $1,110 |
| Gold revenue (millions) | $305.2 | $244.9 | $207.5 | $204.6 | $190.3 | $206.4 | $181.5 |

| (millions) | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Earnings from gold mining operations** | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter[1]** | **Third quarter** | **Second quarter** | **First quarter** |
| Gold sales | $305.2 | $244.9 | $207.5 | $204.6 | $190.3 | $206.4 | $181.5 |
| Gold mining production costs | 84.3 | 78.6 | 69.9 | 69.9 | 69.1 | 72.3 | 64.6 |
| Depreciation and amortization (DD&A) | 27.7 | 28.8 | 29.8 | 25.3 | 26.8 | 29.2 | 22.8 |
| Earnings: gold mining operations[(2)] | $193.2 | $137.5 | $107.8 | $109.4 | $94.4 | $104.9 | $94.1 |

[(1)] Prepared in accordance with CGAAP. [(2)] Earnings from gold mining operations represent gross revenues less operating costs and depreciation, depletion and amortization. This is a non-IFRS measure. Please see page 10 for discussion of non-IFRS measures.

*Production costs from gold mining operations*
Production costs from gold mining increased 22% compared to the same quarter of 2010, reflecting 16% higher sales volumes and 7% higher unit operating costs due to higher electricity and reagent costs (Kişladağ), and higher production taxes related to changes in the laws governing mining taxation (Tanjianshan and Jinfeng).

*Depreciation and amortization expense from gold mining operations*
DD&A expense from gold mining operations was $27.7 million this quarter, or $0.9 million higher than the same quarter of 2010. This included $3.1 million from Kişladağ, $6.5 million from Tanjianshan, $11.9 million from Jinfeng and $6.2 million from White Mountain. The composition of DD&A expense during the same quarter of 2010 was $3.4 million from Kişladağ, $6.7 million from Tanjianshan, $12.5 million from Jinfeng, and $4.2 million from White Mountain. An additional $1.5 million in DD&A expense was recorded related to Vila Nova and $0.8 million related to assets located at the Company's corporate offices.

| ( millions) | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Other expenses** | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter[1]** | **Third quarter** | **Second quarter** | **First quarter** |
| General and administrative | $11.2 | $13.6 | $21.0 | $17.5 | $8.1 | $10.5 | $10.4 |
| Income tax | 63.1 | 36.8 | 20.6 | 28.3 | 13.3 | 25.0 | 20.4 |
| Exploration | 6.9 | 4.6 | 3.8 | 11.5 | 4.9 | 2.8 | 3.3 |
| Share based payments | 3.6 | 4.5 | 7.4 | 2.7 | 3.8 | 3.6 | 6.9 |
| Non-controlling interests | 8.3 | 6.9 | 6.2 | 5.5 | 5.1 | 4.0 | 2.8 |

[(1)] Prepared in accordance with CGAAP

*Other expenses*
General and administrative expense increased this quarter compared to the same quarter in 2010 mainly due to increases in costs at the Company's Vancouver and Beijing offices. Income tax expense increased $49.8 million reflecting: 1) higher taxable income in Turkey and China due to higher mining profits; 2) the effect of the weakening of the Turkish lira on our Turkish subsidiary's deferred tax assets; 3) unrealized taxable foreign exchange gains on US dollar bank deposits in Turkey; and 4) Turkish dividend withholding taxes. The Company's Turkish subsidiary paid a dividend to its Dutch parent company during the quarter. The effective tax rate increased from 15% in the third quarter of 2010 to 36% this quarter mainly due to dividend withholding taxes and the foreign exchange impacts referred to above.

### Year-to-date results

Eldorado's consolidated net income attributable to shareholders of the Company through September 30, 2011 was $229.8 million or $0.42 per share, compared with $175.8 million or $0.32 per share through September 30, 2010. The increase in net income year over year was due to higher earnings from gold mining operations as a result of higher gold prices (31% higher than the same period in 2010). Additionally, the current year-to-date results include $17.2 million in gross profits from Vila Nova iron ore sales.

## Operations update

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Summarized Operating highlights** | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter[4]** | **Third quarter** | **Second quarter** | **First quarter** |
| **Total** | | | | | | | |
| Earnings – gold mining operations[2,3] | $193.2 | $137.5 | $107.8 | $109.4 | $94.4 | $104.9 | $94.1 |
| Ounces produced | 179,195 | 162,429 | 148,577 | 148,374 | 151,297 | 167,940 | 164,928 |
| Cash operating costs ($ per ounce) [1] | $397 | $397 | $410 | $418 | $386 | $357 | $370 |
| Total cash cost ($ per ounce) [1] | $463 | $477 | $462 | $460 | $431 | $410 | $397 |
| **Kışladağ** | | | | | | | |
| Earnings – gold mining operations[2,3] | $109.7 | $69.6 | $46.8 | $57.5 | $52.3 | $54.8 | $63.0 |
| Ounces produced | 86,788 | 66,688 | 50,833 | 59,815 | 62,086 | 70,451 | 82,240 |
| Cash operating costs ($ per ounce) [1] | $377 | $389 | $386 | $382 | $337 | $304 | $304 |
| Total cash cost ($ per ounce) [1] | $401 | $411 | $408 | $354 | $359 | $345 | $307 |
| **Tanjianshan** | | | | | | | |
| Earnings – gold mining operations[2,3] | $25.0 | $21.2 | $17.1 | $20.1 | $14.0 | $19.9 | $5.5 |
| Ounces produced | 26,935 | 31,977 | 28,493 | 30,710 | 28,847 | 28,884 | 25,423 |
| Cash operating costs ($ per ounce) [1] | $353 | $343 | $402 | $349 | $391 | $387 | $420 |
| Total cash cost ($ per ounce) [1] | $541 | $596 | $515 | $459 | $493 | $483 | $517 |
| **Jinfeng** | | | | | | | |
| Earnings – gold mining operations[2,3] | $40.0 | $35.5 | $31.2 | $21.7 | $21.7 | $23.6 | $22.1 |
| Ounces produced | 44,202 | 46,350 | 48,564 | 37,560 | 46,116 | 52,659 | 45,615 |
| Cash operating costs ($ per ounce) [1] | $424 | $401 | $430 | $486 | $425 | $381 | $422 |
| Total cash cost ($ per ounce) [1] | $509 | $457 | $482 | $585 | $473 | $423 | $462 |
| **White Mountain** | | | | | | | |
| Earnings – gold mining operations[2,3] | $18.5 | $11.2 | $12.7 | $10.1 | $6.4 | $6.6 | $2.8 |
| Ounces produced | 21,270 | 17,414 | 20,687 | 20,289 | 14,248 | 15,946 | 11,650 |
| Cash operating costs ($ per ounce) [1] | $475 | $518 | $438 | $498 | $477 | $442 | $550 |
| Total cash cost ($ per ounce) [1] | $519 | $564 | $475 | $536 | $507 | $474 | $589 |

(1) The Company has included non-IFRS performance measures, cash operating costs, total cash costs, per gold ounce, throughout this document. The Company reports cash operating costs and total cash costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning. The Company follows the recommendations of the Gold Institute Production Cost Standard. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Refer to page 10 for a reconciliation of cash operating costs and total cash costs to reported production costs. (2) Earnings from gold mining operations represent gross revenues less operating costs and depreciation, depletion and amortization. This is a non-IFRS measure. Please see page 10 for discussion of non-IFRS measures.

(3) Earnings from gold mining operations are stated in millions. (4) The fourth quarter financial measures are derived from financial statements prepared in accordance with CGAAP.

### Kişladağ

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter** | **Third quarter** | **Second quarter** | **First quarter** |
| Ore mined (tonnes) | 3,290,068 | 3,476,481 | 2,510,557 | 1,626,165 | 2,538,357 | 2,971,165 | 2,910,816 |
| Total material mined (tonnes) | 7,926,257 | 7,907,013 | 7,300,925 | 6,136,849 | 7,265,973 | 7,590,988 | 6,305,993 |
| Strip ratio | 1.41:1 | 1.27:1 | 1.91:1 | 2.77:1 | 1.86:1 | 1.55:1 | 1.17:1 |
| Ore to pad (tonnes) | 3,520,220 | 3,194,051 | 2,341,635 | 2,021,057 | 2,767,179 | 2,686,284 | 2,898,199 |
| Gold grade (g/t) | 0.90 | 0.92 | 1.04 | 1.00 | 0.98 | 1.12 | 1.12 |
| Gold production (ounces) | 86,788 | 66,688 | 50,833 | 59,815 | 62,086 | 70,451 | 82,240 |

Kişladağ production during the quarter reflected the increased ore throughput allowed by the supplementary Environmental Impact Statement approved in the second quarter this year.

Capital expenditures this quarter were $8.0 million. Funds were spent on completing construction of Phase III expansion and capitalised waste stripping.

### Tanjianshan

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter** | **Third quarter** | **Second quarter** | **First quarter** |
| Ore mined (tonnes) | 325,745 | 283,309 | 294,261 | 380,466 | 347,031 | 339,068 | 111,728 |
| Total material mined (tonnes) | 1,035,237 | 1,078,747 | 828,028 | 1,117,263 | 1,062,371 | 1,584,769 | 390,627 |
| Strip ratio | 2.18:1 | 2.81:1 | 1.81:1 | 1.94:1 | 2.06:1 | 3.67:1 | 2.50:1 |
| Ore processed (tonnes) | 218,330 | 264,698 | 238,070 | 244,867 | 283,598 | 271,749 | 249,738 |
| Gold grade (g/t) | 4.25 | 4.23 | 3.90 | 4.59 | 3.84 | 4.38 | 4.01 |
| Gold production (ounces) | 26,935 | 31,977 | 28,493 | 30,710 | 28,847 | 28,884 | 25,423 |

During the quarter Tanjianshan production was affected by a grid power shutdown that resulted in 16 days of downtime in the mill circuit. The power interruption was for maintenance on the provincial electrical supply system.

Capital spending during the quarter was $1.9 million, mostly on process plant upgrades.

## Jinfeng

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter |
| Ore mined – underground (tonnes) | 129,331 | 112,665 | 123,457 | 110,818 | 96,272 | 96,585 | 101,340 |
| Ore mined – open pit (tonnes) | – | 211,201 | 474,971 | 387,701 | 311,911 | 334,566 | 398,100 |
| Total material mined – open pit (tonnes) | – | 356,930 | 1,240,345 | 3,036,921 | 4,823,845 | 4,651,564 | 5,320,508 |
| Strip ratio – open pit | – | 0.69:1 | 1.61:1 | 6.83:1 | 14.5:1 | 12.6:1 | 12.4:1 |
| Ore processed (tonnes) | 379,352 | 397,987 | 384,400 | 387,710 | 387,427 | 392,211 | 389,851 |
| Gold grade (g/t) | 4.26 | 4.05 | 4.32 | 3.81 | 4.42 | 4.51 | 4.23 |
| Gold production (ounces) | 44,202 | 46,350 | 48,564 | 37,560 | 46,116 | 52,659 | 45,615 |

Production from the underground mine at Jinfeng improved during the quarter as ventilation and underground equipment maintenance issues were addressed. Mining of the open pit was completed during the second quarter of 2011. Land is being acquired to allow mining of the next phase cutback in early 2012.

Capital spending was $9.2 million this quarter, mostly for underground mine development, and land acquisition.

## White Mountain

| | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter |
| Ore mined (tonnes) | 190,929 | 194,660 | 140,248 | 174,755 | 146,156 | 170,374 | 133,438 |
| Ore processed (tonnes) | 191,157 | 192,558 | 140,211 | 169,669 | 154,125 | 167,981 | 130,643 |
| Gold grade (g/t) | 4.15 | 3.71 | 5.70 | 4.06 | 4.01 | 3.78 | 4.09 |
| Gold production (ounces) | 21,270 | 17,414 | 20,687 | 20,289 | 14,248 | 15,946 | 11,650 |

At White Mountain both the mine and mill performed well during the quarter.

Capital spending this quarter was $6.7 million, mostly for underground development and deferred exploration drilling.

## Vila Nova

During the third quarter Vila Nova mined 172,937 wet metric tonnes, treated 148,220 wet metric tonnes and sold 170,782 dry metric tonnes of iron ore. The weather improved significantly during the quarter and iron ore inventories at the Santana port facility were reduced as shipments increased. At quarter end 153,262 wet metric tonnes of lump and sinter processed ore were in inventory as well as 406,366 tonnes of run-of-mine (ROM) iron ore at the mine site. Operating costs averaged $63 per dry metric tonne while iron ore prices averaged $122 per dry metric tonne.

## Development project update

### Eastern Dragon

Construction activity at Eastern Dragon continued throughout the quarter. The majority of civil work on site was completed and the contractors demobilized. Installation of structural steel around the crushing and ore storage facilities continued. At quarter end, ancillary facilities at site were nearing completion with a final push being made to finish any outside work before the winter season sets in. Piping and electrical installations in the process area were begun during the quarter. This work will be carried out to completion during the winter months. Further civil works to prepare the tailings storage site and the open pit and rock dumps will be carried over into 2012 pending the receipt of the Project Permit Approval (PPA).

### Efemçukuru

Efemçukuru continued to ramp up production during the quarter while commissioning tasks were completed within the concentrator plant. The grinding and flotation sections of the plant were fully operational at quarter end, and overall plant recovery through the flotation circuit of 88% exceeded design limits. During the quarter 58,912 tonnes were mined at a grade of 9.32 g/t Au, while 57,449 tonnes were processed at a grade of 8.88 g/t Au. Flotation concentrate produced during the quarter was shipped to Kişladağ for storage pending completion of the Concentrate Treatment Plant.

Construction of the underground material handling system, including the jaw crusher ore storage bins and ore conveyor continued throughout the quarter.

Underground development continued on schedule with the contractor completing all works associated with the preproduction development contract. Owner crews are now engaged in ore development as well as waste development to reach additional stoping zones. Underground ancillary facilities such as the maintenance shop, permanent ventilation system and water management systems will be installed in the fourth quarter, completing the construction phase for the mine.

Construction continued at the Efemçukuru Concentrate Treatment plant at the Kişladağ mine site. Civil and structural installations are now at or slightly ahead of schedule. The mechanical contract for piping and equipment installation has been let with some of the larger equipment now being rough set in the plant.

### Kişladağ

During the quarter the Company released the results of the Kişladağ expansion study. The overall concept of increasing crusher production to 25 million tonnes per year with an additional 8 million tonnes per year of low grade run of mine (ROM) ore has been determined to be the most balanced approach to achieving reasonable capital and operating costs and consistent gold production.

Based on these concepts, preliminary engineering work was initiated to identify potential critical path items such as power supply and distribution and delivery of mining and processing equipment.

### Tocantinzinho

Final submission of the project Environmental Impact Assessment (EIA) document was made to the Para state Ministry of Environment in July. A period of review and public hearings will follow. The Company continued to work with the state and central government authorities to move the project to approval stage projected to occur in mid-2012.

Work continued in the field to collect data for feasibility study design requirements, and significant progress was made on defining the routing and design of the proposed access road.

### Perama Hill

During the quarter the Company worked with the Greek Ministry of Environment on its technical evaluation of the Perama Hill project, a prerequisite step leading to approval of the Pre-Environmental Impact Assessment (PEIA). Technical issues arising from the evaluation were discussed with the Ministry and addressed in the preparation of the Environmental Impact Assessment (EIA), which is running concurrently with the Ministry evaluation of the PEIA. Preparations are underway to quickly initiate the project development phase as soon as approvals are obtained.

## Exploration update

**Turkey**
Six drillholes (3,750 metres) were completed at Kişladağ during the quarter. Most of the drillholes were condemnation holes for proposed mine expansion infrastructure sites or hydrological holes, and encountered no significant mineralization. Soil geochemical and three dimensional induced polarization (IP) surveys were initiated over an approximately 20 square kilometre area surrounding the deposit during the quarter.

At Efemçukuru, drilling continued on both the Kestane Beleni Northwest Extension and Kokarpinar vein targets during the quarter, with 17 drillholes (3,565 metres) completed. Significant new results include 6.3 metres at 16.6 g/t Au in drillhole KV-387 and 5.1 metres at 4.2 g/t Au in drillhole KV-390. Both these drillholes targeted the Kastane Beleni Northwest Extension approximately 300 metres southeast of previous higher grade intercepts and may indicate the presence of a new ore shoot in this area.

Three drillholes (1,048 metres) were completed during the quarter at the Konya-Sizma prospect. Assays received during the quarter from several drillholes include multiple narrow, multi-gram intercepts flanked by moderate to low-grade material. The final drillholes for this year will test the larger-scale potential to the north and will provide the information needed to decide if further work is warranted at Sizma.

Mapping, geochemical sampling, and magnetic survey programs were completed during the quarter at three early-stage projects.

**China**
At Tanjianshan, diamond drilling during the quarter focused on the 323 Deposit (31 infill drillholes, ~6,200 metres) and the Qinlongtan (QLT) deeps target (2 infill drillholes, 566 metres). Assay results at 323 indicate a good correlation of gold values from section to section and support the existing geological and resource models. Reverse circulation drilling was completed during the quarter in the ZXS target area, directed towards identifying possible geochemically anomalies concealed beneath Quaternary gravels (60 drillholes, 2,972 metres). Results of this program are pending.

At the Jinfeng mine, five underground drills and two surface drills conducted exploration drilling during the quarter, with a total of 11,300 metres completed in 40 drillholes. Underground drilling targets included the F3 and F7 fault zones, as well as conceptual targets in the footwall to the deposit. Results to date broadly support the revised structural model for grade distribution within the deposit. During the quarter the Company was also active on 4 exploration license areas in the Jinfeng district. Drilling results are pending.

At White Mountain, stepout drilling of the deep zone at the north end of the deposit area continued. The final drillhole of the campaign is now in progress, testing a ~150 metres stepout of the high grade intersections in previous drillholes 337, 342, and 344.

At the Xiaoshiren central exploration license, ten drillholes (3,182 metres) were completed during the quarter. Results received from drillholes HDDS016, 017, 018, and 020 contained no significant results. The final two holes for the season are currently underway.

At the Zhenzhumen EL (adjoining White Mountain to the west), two drillholes (750 metres) were completed during the quarter, testing strong gold in soil anomalies within an area underlain by the dolomitic marble and slate units equivalent to footwall units at White Mountain.

**Brazil**
Twenty-two drillholes (~6,200 metres) were completed during the quarter at the Tocantinzinho project, testing targets including the along-strike extension of the Tocantinzinho trend southeast of the deposit, and gold-in-soil and augur drill anomalies south of the deposit. Results to date have not defined significant mineralization. Drilling next quarter will test the strong geochemical anomaly located along the Tocantinzinho trend northwest of the property.

The 2011 program of eight drillholes (1,511 metres) testing targets at Agua Branca was completed in early September. The most significant intercept was obtained in hole AB46 (154 metres at 1.1 g/t Au), which extends and improves upon the previously drilled stockwork veining at Camarao. Based on the results of this drillhole and the exploration potential surrounding the Camarao target, the final payment of $1.87 million was made for the project and it is now 100% owned by Eldorado.

**Nevada**
RC drilling commenced at the Buffalo Canyon project in September. Six holes (1,537 metres) were completed by month end, targeting skarn, vein, and sediment-hosted mineralization. Hole BCR-3 intersected approximately 200 metres of magnetite skarn and hole BCR-06 intersected approximately 60 metres of oxidized jasperoid, results are pending. A core rig will begin testing targets in Q4.

## Quarterly results

millions (except per share amounts)

| | 2011 | 2011 | 2011 | 2010 [1] | 2010 | 2010 | 2010 | 2009[1] |
|---|---|---|---|---|---|---|---|---|
| | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter | Fourth quarter |
| Total revenues | $326.1 | $251.4 | $218.1 | $212.9 | $190.3 | $206.4 | $181.5 | $144.5 |
| Net income[(2)] | $102.5 | $74.9 | $52.5 | $43.9 | $69.6 | $55.7 | $50.5 | $33.3 |
| Earnings per share | | | | | | | | |
| - basic | $0.19 | $0.14 | $0.10 | $0.08 | $0.13 | $0.10 | $0.09 | $0.08 |
| - diluted | $0.19 | $0.14 | $0.10 | $0.08 | $0.13 | $0.10 | $0.09 | $0.08 |

(1) Information for 2009 and the fourth quarter of 2010 is presented in accordance with CGAAP and has not been restated in accordance with IFRS.
(2) Attributable to shareholders.

The increases in the Company's quarterly results for 2010 are derived primarily from the acquisition of Sino Gold in the fourth quarter 2009.

## Non-IFRS measures

Included in this document are measures prepared in accordance with IFRS, as well as some non-IFRS performance measures as additional information for investors who use them to evaluate the Company's performance. Since there is no standard method for calculating non-IFRS measures, they are not a reliable way to compare the Company against other companies. Non-IFRS measures should be used along with other performance measures prepared in accordance with IFRS. The Company has defined its non-IFRS measures below and reconciled them with the IFRS measures it reports.

*Cash operating cost and total cash cost*
The table below reconciles cash operating costs from gold mining operations to production costs. Cash operating costs and total cash costs are calculated according to the Gold Institute Standard. Total cash cost is the sum of cash operating cost, royalty expense and production tax expense.

| millions (except for gold ounces sold and cash operating cost per ounce) | 2011 | | | 2010 | | | |
|---|---|---|---|---|---|---|---|
| **Reconciliation of cash operating costs to production costs** | **Third quarter** | **Second quarter** | **First quarter** | **Fourth quarter[2]** | **Third quarter** | **Second quarter** | **First quarter** |
| **Production costs – excluding Vila Nova** (from consolidated income statement) | $84.3 | $78.6 | $69.9 | $69.8 | $69.1 | $72.3 | $64.6 |
| **Less:** | | | | | | | |
| Royalty expense and production taxes | (11.8) | (13.0) | (7.7) | (6.1) | (7.0) | (9.1) | (4.3) |
| By-product credits and other adjustments[1] | (1.3) | (1.3) | (1.3) | (1.5) | (2.4) | (1.4) | 0.2 |
| **Cash operating cost** | $71.2 | $64.3 | $60.9 | $62.2 | $59.7 | $61.8 | $60.5 |
| Gold ounces sold | 179,513 | 162,164 | 148,530 | 149,022 | 154,655 | 172,826 | 163,446 |
| **Cash operating cost per ounce** | $397 | $397 | $410 | $418 | $386 | $357 | $370 |

(1) Stock-based compensation expense has been allocated to production costs in the fourth quarter of 2010 under CGAAP.
(2) Production costs prepared in accordance with CGAAP.

*Cash flow from mining operations before changes in non-cash working capital*
The Company uses *cash flow from mining operations before changes in non-cash working capital* to supplement its consolidated financial statements, and calculates it by not including the period to period movement of non-cash working capital items, like accounts receivable, advances and deposits, inventory, accounts payable and accrued liabilities.

*Earnings from gold mining operations*
The Company uses *earnings from gold mining operations* to supplement its consolidated financial statements, and calculates 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. The Company discloses these measures, which have been derived from its financial statements and applied on a consistent basis, because it believes they are of assistance in understanding the results of its operations and financial position and are meant to provide further information about its financial results to investors.

## Operating cash flow, financial condition and liquidity

Operating activities before changes in non-cash working capital generated $159.7 million in cash this quarter, compared to $101.4 million in the same quarter of 2010. The increase in cash flow from a year ago was due to higher operating cash flow from the Company's mining operations.

**Capital expenditures**
The Company invested $76.0 million in capital expenditures, mine development, mining licences and other assets this quarter.

Mine development expenditures totalled $45.1 million:
- $31.5 million at Efemçukuru
- $8.7 million at Eastern Dragon
- $4.3 million at Tocantinzinho
- $0.6 million at Perama Hill.

Spending at the Company's producing mines totalled $25.8 million:
- $8.0 million at Kişladağ, mostly related to capitalized waste stripping and mining equipment
- $9.2 million at Jinfeng, mostly related to underground mine development and land payments

- $6.7 million at White Mountain, mainly related to underground mine development
- $1.9 million at Tanjianshan mainly related to processing plant upgrades.

Eldorado also spent $5.1 million on land acquisition costs in Turkey and fixed assets for the Company's corporate offices in Canada and China.

### Liquidity and capital resources

| millions | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Cash and cash equivalents | $356.5 | $314.3 |
| Working capital | $362.0 | $320.3 |
| Restricted collateralized accounts | $55.4 | $52.4 |
| Debt, net of transaction costs | $104.9 | $166.7 |

Chinese regulations governing cash movements within and injected into the country require that the Company's existing debt only be paid from cash flows generated from its Chinese operations that are party to the loans.

Cash and cash equivalents of $267.1 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 September 30, 2011, together with future cash flows from operations, is sufficient to support the Company's planned and foreseeable commitments.

### Contractual obligations

| millions | 2012 $ | 2013 $ | 2014 $ | 2015 $ | 2016 and later $ | Total $ |
|---|---|---|---|---|---|---|
| Debt, gross | 85.4 | 20.5 | - | - | - | 105.9 |
| Capital leases | 0.0 | 0.1 | 0.1 | - | - | 0.2 |
| Operating leases | 2.5 | 8.3 | 4.4 | 3.6 | 2.3 | 21.1 |
| Purchase obligations | 43.6 | 35.7 | 12.5 | 1.5 | 1.2 | 94.5 |
| Totals | 131.5 | 64.6 | 17.0 | 5.1 | 3.5 | 221.7 |

The table does not include interest on debt.

### Debt

Significant changes in the Company's debt from that disclosed in its December 31, 2010 annual MD&A and consolidated financial statements are as follows:

*Eastern Dragon HSBC revolving loan facility*
During 2011, Eastern Dragon drew down RMB 40.5 million ($6.6 million) under the HSBC revolving loan facility.

*Eastern Dragon China Merchants Bank (CMB) letter of credit loan*
During 2011, Eastern Dragon extended the maturity date of its letter of credit loan with CMB to February 5, 2012.

*Eastern Dragon entrusted loan*
In 2010, Eastern Dragon, HSBC Bank (China) and Tanjianshan, entered into an entrusted loan agreement. During 2011, Eastern Dragon drew down RMB 66.1 million ($10.4 million) under the entrusted loan. The loan has been recorded on a net settlement basis.

*Jinfeng construction loan*
During 2011, Jinfeng made three scheduled debt payments of RMB 35.0 million ($5.5 million) each as well as a prepayment of RMB 130.0 million ($20.5 million) on the outstanding balance of this loan. Subsequent to September 30, 2011, Jinfeng prepaid RMB 100.0 million ($15.7 million) of the construction loan.

*White Mountain loans*
During 2011, White Mountain prepaid the full amounts outstanding on the working capital project loan with China Construction Bank and the working capital loan with China Merchants Bank. White Mountain prepaid RMB 155.2 million ($24.4 million) of the fixed asset loan.

**Dividends**
A dividend of $33.4 million (cdn$0.06 per share) was paid to shareholders during the quarter.

**Equity**
This quarter, the Company received net proceeds of $22.6 million for issuing 2,426,782 common shares related to stock options and warrants being exercised.

| | |
|---|---|
| Common shares outstanding | |
| - as of November 1, 2011 | 551,511,917 |
| - as of September 30, 2011 | 551,511,917 |
| Share purchase options | |
| - as of September 30, 2011 | 8,823,781 |
| (Weighted average exercise price per share: $12.46 Cdn) | |

## Other information

### 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/after January 1, 2013. The extent of the impact of adoption of IFRS 9 has not yet been determined.

- IFRS 11 *'Joint Arrangements'* – This standard replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. These joint venture entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 11 to have a material impact on the 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 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. This interpretation is effective for years on/after January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the financial statements as the Company currently applies comparable principles to those found in this interpretation.

## Adoption of IFRS

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The three-month period ended March 31, 2011 was the Company's first reporting period under IFRS. Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2 and 3 to those financial statements. Those financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS as set out in Note 14 of those 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 the Company's financial statements. There have been no changes in the Company's internal control over financial reporting in the third quarter of 2011 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., the Company's Chief Operating Officer, is the Qualified Person under NI 43-101 responsible for preparing and supervising the preparation of the scientific or technical information contained in this MD&A and verifying the technical data disclosed in this document.

### Forward-looking information and risks

This MD&A includes statements and information about what the Company expects to happen in the future. When this document discusses the Company strategy, plans and future financial and operating performance, or other things that have not yet happened in this review, these statements are considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States securities laws. They are refer to 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 the Company's current views, which the Company considers to be reasonable, there is 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 the Company's ability to achieve its goals.
- It is also subject to the risks associated with the Company 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 the Company's annual information form and MD&A.
- If the Company's assumptions prove to be incorrect or the risks materialize, the Company's actual results and events may vary materially from what it currently expects.

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

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