



**ELDORADO GOLD**  
C O R P O R A T I O N

**March 31, 2001**

**First Quarter Report to Shareholders  
Unaudited Financial Statements**

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**Eldorado Gold Corporation**  
**Consolidated Balance Sheets**  
Expressed in thousands of U.S. dollars

	March 2001 (unaudited)	March 2000 (unaudited)	December 31 2000
<b>ASSETS</b>			
Current Assets			
Cash	\$ 3,196	\$ 2,552	\$ 2,300
Restricted cash (Note 3)	5,339	6,035	7,053
Accounts receivable	4,382	3,919	4,944
Inventories	4,666	6,512	4,669
	<u>17,583</u>	<u>19,018</u>	<u>18,966</u>
Mine property, plant and equipment	69,753	80,188	70,627
Mineral properties and deferred development	29,764	27,933	29,442
Investments and advances	272	345	277
Future income taxes	-	1,348	203
Other assets and deferred charges	1,579	1,799	1,675
	<u>\$ 118,951</u>	<u>\$ 130,631</u>	<u>\$ 121,190</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 6,835	\$ 8,179	\$ 6,553
Current portion of long term debt (Note 3)	6,176	7,499	7,331
	<u>13,011</u>	<u>15,678</u>	<u>13,884</u>
Provision for reclamation costs	3,467	5,526	3,467
Deferred gain	5,421	10,820	4,322
Future income taxes	169	211	193
Convertible debentures	2,293	2,816	2,427
Long term debt (Note 3)	16,611	22,611	18,006
	<u>40,972</u>	<u>57,662</u>	<u>42,299</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 4)	316,367	310,547	310,527
Special warrants	-	-	5,840
Equity portion of convertible debentures	6,857	6,334	6,723
Deficit	(245,245)	(243,912)	(244,199)
	<u>77,979</u>	<u>72,969</u>	<u>78,891</u>
	<u>\$ 118,951</u>	<u>\$ 130,631</u>	<u>\$ 121,190</u>

Nature of operations (Note 1)

Approved by the Board

*/Paul N. Wright/*

Director

*/Wayne D. Lenton/*

Director

**Eldorado Gold Corporation**  
**Consolidated Statements of Operations and Deficit**  
**Expressed in thousands of U.S. dollars except per share amounts**

	Three months ended	
	March 31	
	2001	2000
	(unaudited)	(unaudited)
<b>Revenue</b>		
Gold sales	\$ 9,332	\$ 14,584
Interest and other income	122	121
	<u>9,454</u>	<u>14,705</u>
<b>Expenses</b>		
Operating costs	6,391	8,962
Depletion, depreciation and amortization	2,206	3,027
General and administrative	757	692
Exploration expense	136	78
Interest and financing costs	706	725
Reclamation	-	147
Foreign exchange loss (gain)	196	(161)
	<u>10,392</u>	<u>13,470</u>
(Loss) profit before the undernoted items	<u>(938)</u>	<u>1,235</u>
Gain on disposition of assets	89	-
<b>(Loss) profit before income taxes</b>	<u>(849)</u>	<u>1,235</u>
Taxes		
Current	140	(66)
Future	(203)	(165)
<b>Net (loss) income for the period</b>	<u>\$ (912)</u>	<u>\$ 1,004</u>
Deficit at the beginning of the period	(244,199)	(244,791)
Interest on equity portion of convertible debentures	(134)	(125)
Deficit at end of the period	<u>\$ (245,245)</u>	<u>\$ (243,912)</u>
<b>Weighted average number of shares outstanding</b>	<u>86,589,679</u>	<u>74,189,757</u>
<b>(Loss) Income per share - U.S.\$</b>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>
<b>(Loss) Income per share - CDN.\$</b>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>

**Eldorado Gold Corporation**  
**Consolidated Statements of Cash Flows**  
**Expressed in thousands of U.S. dollars**

	Three months ended	
	March 31	
	2001	2000
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
Net (loss) income for the period	\$ (912)	\$ 1,004
Items not affecting cash		
Depletion, depreciation and amortization	2,206	3,027
Reclamation	-	147
Future income taxes	179	165
Gain on disposition of mine property, plant and equipment	(89)	-
Interest on equity portion of convertible debentures	(134)	(125)
Amortization of hedging gain	(901)	(1,581)
Foreign exchange loss (gain)	183	(13)
	<hr/>	<hr/>
	532	2,624
Decrease (increase) in accounts receivable	562	(824)
Decrease (increase) in inventories	3	157
Increase (decrease) in accounts payable and accrued liabilities	282	(2,902)
Liquidation of hedges	2,000	-
	<hr/>	<hr/>
	3,379	(945)
<b>Cash flow from investing activities</b>		
Mine property, plant and equipment	(1,364)	(1,143)
Proceeds from disposition of mine property, plant and equipment	215	-
Mineral properties and deferred development	(322)	(248)
Investments and advances	5	(20)
Reclamation costs incurred	-	(21)
Restricted cash	1,714	(2,766)
	<hr/>	<hr/>
	248	(4,198)
<b>Cash flow from financing activities</b>		
Repayment of long term debt	(2,550)	(1,235)
Issue of common shares:		
Voting - for cash	-	5,682
Other assets and deferred charges	2	(18)
	<hr/>	<hr/>
	(2,548)	4,429
Foreign exchange (loss) gain on cash held in foreign currency	(183)	13
	<hr/>	<hr/>
<b>Net Increase (decrease) in cash and cash equivalents</b>	896	(701)
Cash and cash equivalents at beginning of the period	2,300	3,253
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	\$ 3,196	\$ 2,552
	<hr/>	<hr/>
<b>Supplemental cash flow information</b>		
Interest paid	\$ 547	\$ 850
Income tax paid	\$ 63	\$ 1,513
	<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1<sup>st</sup> Quarter ended March 31, 2001 and 2000 ( in thousands of U.S. dollars except per share amounts

In preparing these financial statements the Company has adopted the requirements of the new Canadian Institute of Chartered Accountants standard concerning interim Financial Statements. This new standard outlines the minimum information that should be disclosed in interim financial statements. Although the Company has disclosed material transactions in its interim financial statements in the past, the presentation of these interim financial statements has been modified to conform to the requirements of the new standard

The notes to the financial statements are presented to explain significant financial changes that have occurred from December 31, 2000 to March 31, 2001.

### 1. Nature of Operations

Eldorado Gold Corporation (“Eldorado”, “the Company”) is engaged in gold mining and related activities, including exploration, extraction, processing and reclamation. Gold, the primary product, is produced in Brazil. There was also production in Mexico until November 1, 2000. Exploration activities are carried on in Brazil and Turkey.

Management estimates that the Company has sufficient working capital and anticipated cash flow to meet its planned normal operating expenditures and debt repayments for the next fiscal year. The Company has not determined whether all its development properties contain ore reserves that are economically recoverable. The recoverability of the amount shown for mineral properties and deferred development is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing, licenses and permits to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The amounts shown as mineral properties and deferred development represent net costs to date, less amounts amortized and/ or written off and do not necessarily represent present or future values.

### 2. Significant Accounting Policies

#### *Basis of presentation*

These financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. These interim financial statements should be read in conjunction with the most recent annual financial statements of the company.

These financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the company.

#### *Earnings per share*

Earnings per share amounts are calculated using the weighted average number of shares outstanding during the quarter of 86,589,679 (1<sup>st</sup> quarter 2000 –74,189,757). Diluted earnings per share are not reported, as they are not materially different from the basic earnings per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1<sup>st</sup> Quarter ended March 31, 2001 and 2000 ( in thousands of U.S. dollars except per share amounts)

### 3. Long Term Debt and Restricted Cash

	March 31, 2001	March 31, 2000	December 31, 2000
<b>Restricted Cash</b>			
Reserve account	\$ 1,315	\$ 3,422	\$ 1,305
Liquidity account	4,024	2,613	2,624
Escrow In-Trust Account	-	-	3,124
	<u>\$ 5,339</u>	<u>\$ 6,035</u>	<u>\$ 7,053</u>
<b>Long term debt</b>			
Corporate loan facility	\$ 22,111	\$ 29,000	\$ 24,506
Equipment purchase loan	359	765	498
Energold Mining Ltd. loan	317	345	333
	<u>\$ 22,787</u>	<u>\$ 30,110</u>	<u>\$ 25,337</u>
<b>Current portion</b>	<u>(6,176)</u>	<u>(7,499)</u>	<u>(7,331)</u>
	<u>\$ 16,611</u>	<u>\$ 22,611</u>	<u>\$ 18,006</u>

#### **Corporate loan**

Commencing on March 31, 1999 the Company, as part of the Amended and Restated Credit Agreement (the "ARCA") with NM Rothschild & Sons Ltd. ("NM Rothschild"), agreed to the establishment of a Reserve account in which the Company agreed to deposit cash quarterly under certain circumstances. The purpose of this account is to serve as a reserve against future payments of principal, interest and other amounts due under the Loan Agreement. As at March 31, 2001 the amount held in the Reserve account was \$1,315 (March 31, 2000 - \$3,422) and (December 31, 2000 \$1,305).

Effective March 1, 2000, the Company, as part of a Second Agreement and Amendment to the ARCA, agreed to the establishment of a Liquidity Account in which the Company agreed to deposit cash quarterly under certain circumstances. The purpose of this account is to serve as a reserve against future payments of principal, interest and other amounts due under the Loan Agreement. As at March 31, 2001 the amount held in the Liquidity Account was \$4,024 (March 31, 2000 - \$2,613) and (December 31, 2000 \$2,624).

On January 23, 2001 the hedge position was liquidated, \$2,000 was paid to NM Rothschild and flat forward contracts at \$296.60 per ounce were acquired to hedge 95% of the forecast gold production of the Company from January 2001 to December 2003.

As security for this loan, Eldorado has granted NM Rothschild a general security agreement over the assets of Eldorado as well as claims over the mine assets in Brazil and the exploration and development properties in Turkey.

The repayment schedule on the NM Rothschild corporate facility is as follows:

	April 1- Dec. 31 2001	2002	2003
Loan repayment	\$ 4,000	\$ 6,000	\$ 12,111

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1<sup>st</sup> Quarter ended March 31, 2001 and 2000 ( in thousands of U.S. dollars except per share amounts)

### 3. Long Term Debt and Restricted Cash (continued)

#### *Equipment purchase loan*

In September 1996, Eldorado established an equipment purchase loan for a total of \$2,036 to fund the purchase of mining equipment for the São Bento Mine. The interest rate on this loan is 8.81%. During the year ended December 31, 2000, some of the repayment terms were changed. The \$359 outstanding as at March 31, 2001 is to be repaid in full by June 30, 2001.

The equipment purchased with these funds was assigned as security for this loan.

#### *Energold Mining Ltd.*

In November 1998, Eldorado and Energold entered into an agreement dissolving a joint venture formed in April of 1998. As part of the dissolution of the joint venture, Eldorado agreed to pay Energold \$317 in the year 2001. This loan bears interest at a rate equal to the Prime Rate plus one percent per annum. To secure this loan Energold holds secondary rights to the Energold shares held by Eldorado.

### 4. Share Capital

Eldorado's authorized share capital consists of an unlimited number of voting and non-voting common shares with no par value. The details of the common shares issued and outstanding are as follows:

2001	Shares Issued	Amount
Shares at beginning of the year	84,040,314	\$ 310,527
Shares for cash consideration	<u>18,245,458</u>	<u>5,840</u>
Shares at March 31, 2001	<u><u>102,285,772</u></u>	<u><u>\$ 316,367</u></u>

On November 24, 2000 the Company completed a private placement of 18,245,458 Special Warrants at a price of Cdn\$.55 per Special Warrant to raise gross proceeds of Cdn\$10,035 (US\$6,520). Net proceeds received after payment of expenses related to the offering were US\$5,840. These warrants were converted on January 23, 2001 to shares in the Company for no additional consideration.

### 5. Hedging Commitments

#### *Gold hedging*

At March 31, 2001, Eldorado's hedging program consists of the following flat forward and spot deferred gold contracts.

	2001	2002	2003	2004
Forward gold sales contracts (ounces)	94,716	111,600	111,600	24,000
Average price (\$/oz.)	294	297	297	288
Deferred gain (\$/oz.)	<u>18</u>	<u>18</u>	<u>15</u>	<u>-</u>
Total (\$oz.)	<u><u>312</u></u>	<u><u>315</u></u>	<u><u>312</u></u>	<u><u>288</u></u>

The positions held by Eldorado are in the form of flat forward or spot deferred contracts including 309,916 ounces of flat forward contracts, to be delivered at a rate of 9,300 ounces per month, at a price of \$296.60.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1<sup>st</sup> Quarter ended March 31, 2001 and 2000 ( in thousands of U.S. dollars except per share amounts)

### 5. Hedging Commitments (continued)

There are 32,000 ounces of spot deferred contracts priced in the range of \$269 to \$291. These spot deferred contracts can be rolled forward or deferred to later delivery dates if the spot price at the time of maturity is higher than the contract price. Spot deferred contracts are a forward sale that will accrue contango (interest) until the intended delivery date of the contract. The average price per ounce reflects the estimated cumulative net value of contango earned to the designated delivery dates. If contracts are rolled forward then for accounting purposes the profit or loss is recorded at the time the contract was first scheduled to be matched to production.

NM Rothschild currently accounts for 100% of the Company's hedge positions and is also the Company's senior secured lender. The Company would not face any margin calls unless the gold price rose above \$321 per ounce, assuming a contango of 3.20%.

#### *Currency hedging*

**March 31, 2001**

Brazilian Real forward purchases	
Commitments outstanding	BRL26,800,000
Average Exchange Rate (BRL/USD)	1.9915

At March 31, 2001, Eldorado had outstanding commitments to purchase the above Brazilian Reals ("BRL") at fixed exchange rates for forward delivery.

### 6. Segmented Information

All of Eldorado's operations are related to the gold mining industry. In 2000 Eldorado had two producing mines, São Bento for the complete year and La Colorada for the first 10 months of the year, with mining and exploration assets located in North America, South America and Turkey. Hedging revenues have been proportionally allocated to the mines based upon their gold production.

	<b>Three months ended</b>	
	<b>March 31, 2001</b>	<b>March 31, 2000</b>
<b>Revenues by geographic area</b>		
North America	\$ 109	\$ 3,947
South America	9,344	10,750
Turkey	1	8
Australia	-	-
	<b>\$ 9,454</b>	<b>\$ 14,705</b>
<b>Net (loss) income by geographic area</b>		
North America	\$ (1,440)	\$ (2,038)
South America	550	3,113
Turkey	(44)	(86)
Australia	22	15
	<b>\$ (912)</b>	<b>\$ 1,004</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1<sup>st</sup> Quarter ended March 31, 2001 and 2000 ( in thousands of U.S. dollars except per share amounts)

### 6. Segmented Information (continued)

	Three months ended	
	March 31, 2001	March 31, 2000
<b>Gold sales</b>		
São Bento Mine	\$ 9,332	\$ 10,729
La Colorada Mine	-	3,855
	<u>9,332</u>	<u>14,584</u>
<b>Operating costs</b>		
São Bento Mine	6,391	5,563
La Colorada Mine	-	3,546
	<u>6,391</u>	<u>9,109</u>
<b>Depletion, depreciation and amortization</b>		
São Bento Mine	2,104	1,953
La Colorada Mine	-	983
	<u>2,104</u>	<u>2,936</u>
<b>Corporate expenses, net of interest and other income</b>	(1,639)	(1,226)
Exploration expense	(136)	(78)
Gain on disposition of assets	89	-
	<u>(849)</u>	<u>1,235</u>
<b>(Loss) profit before income taxes</b>		
	<u>(849)</u>	<u>1,235</u>
<b>Taxes</b>		
Current	140	(66)
Future	(203)	(165)
<b>Net (loss) income for the period</b>	<u>\$ (912)</u>	<u>\$ 1,004</u>

	Three months ended		
	March 31, 2001	March 31, 2000	December 31, 2000
<b>Segment assets</b>			
São Bento Mine	\$ 79,393	\$ 81,455	\$ 79,650
La Colorada Mine	-	10,565	-
La Trinidad Mine	-	312	-
<b>Total assets for reportable segments</b>	<u>79,393</u>	<u>92,332</u>	<u>79,650</u>
<b>Mineral properties and deferred development</b>	29,764	27,933	29,442
<b>Other</b>	9,794	10,366	12,098
	<u>\$ 118,951</u>	<u>\$ 130,631</u>	<u>\$ 121,190</u>
<b>Assets by geographic area</b>			
North America	\$ 9,019	\$ 20,491	\$ 11,308
South America	79,602	81,766	79,877
Turkey	30,329	28,369	30,004
Australia	1	5	1
	<u>\$ 118,951</u>	<u>\$ 130,631</u>	<u>\$ 121,190</u>

## Management Discussion and Analysis

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

### First Quarter 2001 Financial Performance

Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Eldorado Gold Corporation (the "Company" or "Eldorado") should be read in conjunction with the unaudited consolidated financial statements and the notes. The company prepares and files its consolidated financial statements and MD&A in United States dollars ("US\$") and in accordance with Canadian generally accepted accounting principles ("GAAP").

Eldorado Gold Corporation's unaudited net income for the first quarter of 2001 was a loss of \$912 (\$0.01 per share) compared to income of \$1,004 (\$0.01 per share) in the first quarter of 2000. The Company ended the first quarter 2001 with \$8,535 in cash of which \$5,339 was restricted compared to \$9,353 as at December 31, 2000 of which \$7,053 was restricted. Total debt excluding convertible debentures was reduced from \$25,337 as at December 31, 2000 to \$22,787 in the first quarter ended March 31, 2001. Cash flow from operations after working capital changes for the first quarter ended March 31, 2001 was \$3,379 (\$0.04 per share) compared with a usage of cash of \$945 (\$0.01 per share) for the same period in 2000.

Thousands of U.S. dollars except share amounts

	<b>1st Quarter 2001</b>	<b>1st Quarter 2000</b>
Gold Revenue	\$ 9,332	\$ 14,584
Net Income (loss)	\$ (912)	\$ 1,004
Net Income per share (loss)	\$ (0.01)	\$ 0.01
Cash Flow (loss)	\$ 3,379	\$ (945)
Cash Flow per share (loss)	\$ 0.04	\$ (0.01)

Decreased revenues in the first quarter of 2001 over the same period in 2000 occurred as a result of reduced production partly offset by higher realized gold price. This was a result of the sale of the La Colorada mine on November 1, 2000 and a change in mining methods at the São Bento mine. Increased cash flow is a result of liquidation of the Company's gold hedge position in January of 2001 creating \$2,000 in positive cash flow.

### Production

The Company sold its subsidiaries in Mexico effective November 1, 2000. Gold production in the first quarter of 2001 was 28,086 ounces produced at the São Bento Mine in Brazil. This compares to 43,338 ounces in the first quarter of 2000, which consisted of gold production of 31,143 ounces from São Bento and 12,195 ounces from the La Colorada Mine in Mexico.

Lower production at São Bento in the first quarter of 2001 compared to the first quarter of 2000 is a result of decreased ore production from the mine. In 2000 the mine modified its mining method to reduce dilution in the mine. These changes have resulted in lower tonnage being mined in the first quarter compared to the same quarter last year. During the quarter the supplier of oxygen to São Bento suffered a temporary shutdown of its oxygen production facilities due to a mechanical failure of its equipment. São Bento took this opportunity to shut down on alternative weeks its autoclaves for maintenance work which had been scheduled for later in the year. Upon completion of the repair of the oxygen plant and maintenance work on the autoclaves in January São Bento was able to recover the lost production by quarter's end.

## Management Discussion and Analysis

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

Production Highlights (All figures in U.S. Dollars)

	1st Quarter 2001	1st Quarter 2000
Gold Production		
Ounces	28,086	43,338
Cash Operating Cost (\$/oz)	221	202
Total Cash Cost (\$/oz)	228	207
Total Production Cost (\$/oz)	311	274
Realized Price	302	299
Sao Bento Mine, Brazil		
Ounces	28,086	31,143
Ore tonnes	113,855	140,260
Grade (grams/tonne)	9.25	7.48
Cash Operating Cost (\$/oz)	221	172
Total Cash Cost (\$/oz)	228	179
Total Production Cost (\$/oz)	311	238
La Colorada Mine, Mexico		
Ounces	-	12,195
Ore Tonnes	-	616,065
Grade (gram/tonne)	-	0.96
Cash Operating Cost (\$/oz)	-	279
Total Cash Cost (\$/oz)	-	279
Total Production Cost (\$/oz)	-	367

### São Bento Mine

In the first quarter of 2001 the São Bento mine produced 113,855 tons of ore at a grade of 9.25 grams per tonne. This compares to 140,260 tons of production in the first quarter of 2000 at a grade of 7.48 grams per tonne.

Gold production from the processing plant was hampered in the first quarter of 2001 as the supplier of oxygen to the São Bento operation suffered a mechanical failure thereby reducing the delivery of oxygen to the autoclaves at the São Bento operation for three weeks in January. The Company took advantage of the reduction in oxygen supplies to maintain the autoclaves at the processing plant. This major maintenance was scheduled for later in 2001 but was completed in the first quarter, thereby allowing for full production for the remainder of the year.

Cash costs in the first quarter of 2001 at the São Bento Mine increased when compared to 2000. Total cash costs in 2001 were \$228 per ounce compared to \$207 per ounce in 2000. The increased costs are a result of the modification in the mining plan to control ground instability problems. The increased costs were partially offset by higher ore grade mined in the first quarter of 2001 of 9.25 grams per tonne compared to first quarter of 2000 of 7.48 grams per tonne.

## Management Discussion and Analysis

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

### Consolidated Gold Production Cost per Ounce

	1st Quarter 2001	1st Quarter 2000
Direct mining expenses	\$ 223	\$ 199
Inventory change	(6)	4
Stripping and Development	-	2
Third party smelting, refining and transportation costs	5	4
By-product credits	(1)	(7)
Cash operating cost per ounce	<u>\$ 221</u>	<u>\$ 202</u>
Royalties and Production taxes	7	5
Total cash costs per ounce	<u>\$ 228</u>	<u>\$ 207</u>
Depreciation/Depletion	75	67
Exchange (Gain)/ Loss	8	(3)
Reclamation and mine closure	-	3
Total production costs per ounce	<u>\$ 311</u>	<u>\$ 274</u>

### Financial Condition and Liquidity

#### Cash Flow Summary

Thousands of U.S. dollars

	1st Quarter 2001	1st Quarter 2000
Cash generated from (used by) operating activities	<u>\$ 3,379</u>	<u>\$ (945)</u>
Investing activities		
Property, plant and equipment	\$ (1,364)	\$ (1,143)
Proceeds from disposition of mine property, plant and equipment	\$ 215	\$ -
Exploration and development	\$ (322)	\$ (248)
Restricted cash	\$ 1,714	\$ (2,766)
Other	\$ 5	\$ (41)
	<u>\$ 248</u>	<u>\$ (4,198)</u>
Financing activities		
Long-term debt	\$ (2,550)	\$ (1,235)
Common shares issued	\$ -	\$ 5,682
Others	\$ (181)	\$ (5)
	<u>\$ (2,731)</u>	<u>\$ 4,442</u>
Increase (decrease) in cash	<u>\$ 896</u>	<u>\$ (701)</u>

#### Cash from operations

Operations after changes in working capital generated cash flow of \$3,379 million in the first quarter of 2001, as compared to usage of \$945 in 2000. The increase in cash during the first quarter of 2001 reflects the impact the of liquidation of the Company's hedge book in January of 2001 and higher realized gold price (\$302 per ounce compared to first quarter of 2000 of \$299 per ounce) offset by increased total cash cost (first quarter of 2001 of \$228 per ounce compared to first quarter of 2000 of \$207 per ounce).

## **Management Discussion and Analysis**

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

The Company restructured its hedge book in the first quarter of 2001. This restructuring resulted in the generation of an additional \$2,000 in cash which was used to reduce the Company's debt with NM Rothschild. In restructuring the hedge book the Company liquidated its hedge position of 342,306 ounces as at January 23, 2001 at an average hedge value of \$310 per ounce and established a new flat forward hedge position of 325,500 ounces for 35 months at a rate of \$296.60 per ounce.

### **Investing Activities**

Total funds invested in property, plant and equipment were \$1,143 in the first quarter of 2001 compared to \$1,364 in the first quarter of 2000. All capital spending for mine property, plant and equipment in the first quarter of 2001 occurred at the São Bento mine. Capital expenditures at the São Bento Mine were \$795 for mine development and exploration, \$331 mining operations and \$17 other. The first quarter 2000 mine capital expenditures at São Bento were \$908 mine development and exploration, \$310 mine equipment and \$146 other.

Capitalized expenditures for Mineral properties and development were \$322 in the first quarter of 2001 compared to \$248 in the first quarter of 2000. The 2001 outlays were mainly expended at Kisladag \$294 and the remainder of \$28 at Efemcukuru and Kaymaz. In the first quarter of 2000 \$206 was expended on Kisladag and \$42 on other development projects. The Company is currently focussed on the completion of a pre-feasibility study for the Kisladag project. The majority of mineral property and deferred development expenditures for the remainder of the 2001 will be on the Kisladag project.

### **Financing Activities**

Consolidated short and long-term borrowings excluding convertible debentures were \$22,787 as at March 31, 2001 compared to \$30,110 as at March 31, 2000 and \$25,337 as at December 31, 2000. During the first quarter of 2001 payments of \$2,500 were made on the Corporate loan facility with NM Rothschild. The Corporate loan facility as at March 31, 2001 was \$22,111 that includes \$611 in financing fees. This compares to a December 31, 2000 balance of \$24,506 that includes \$506 in financing fees.

On February 23, 2001 the Company filed with the Securities Commissions the final prospectus in regard to the financing announced on November 24th, 2000. With the filing of the final prospectus the remaining funds of \$3,124 held in the financing escrow account were released to the Company. The Company in complying with the financing agreements retained 50% (\$1,392 after share issue costs) of these funds for operational and developmental activities and transferred the remaining 50% into the Liquidity Account.

As at December 31, 2000 the Company had warrants subscribed in the amount of 18,245,458 relating to the November financing. Upon completion of the financing on February 23, 2001 these warrants were converted into 18,245,458 shares of the Company.

### **Forward Sales and Other Commitments**

Eldorado entered into financial agreements (financial instruments) with its major credit supplier (NM Rothschild & Sons) in order to hedge underlying revenue and cost exposures arising from commodity prices and foreign currency exchange rates. Contracts include forward sales and spot deferred contracts, which commit counter-parties to prices payable at a future date. Eldorado does not hold or issue financial instruments or derivative financial instruments for trading purposes or to create hedge positions in excess of forecasted identifiable exposures.

The Company's hedging program is divided between currency and gold hedging. The Company employs forward sales contracts including spot deferred contracts to hedge prices for anticipated gold production and currency exchange rates on the Brazilian Real. The following table details the Company's consolidated gold and currency hedging position as at March 31, 2001.

## Management Discussion and Analysis

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

### Gold Hedge Position

	2001	2002	2003	2004
Gold ounces				
Spot deferred contracts				
Amount hedged	8,000	-	-	24,000
Average price (\$/oz.)	\$ 270	\$ -	\$ -	\$ 288
Fixed forward contracts				
Amount hedged	86,716	111,600	111,600	-
Average price (\$/oz.)	\$ 297	\$ 297	\$ 297	\$ -

Eldorado Gold Corporation's policy is to purchase, for forward delivery and in advance of actual requirements, a portion of its forecast foreign-currency-denominated cash operating requirements in Brazil at a predetermined forward exchange rate. As at March 31, 2001, the Company had forward purchase commitments for an aggregate of 26,800,000 Brazilian Reals ("BRL") maturing in 2001 at an average exchange rate of 1.9915 BRL/USD compared to a spot rate of 2.1670 BRL/USD.

On January 23, 2001, the Company's hedge position was liquidated, \$2,000 was paid to NM Rothschild and flat forward contracts at \$296.60 per ounce were acquired to hedge 95% of Eldorado's forecast gold production from January 2001 to December 2003.

On March 31, 2001, based on the spot gold price of \$258.00 per ounce, and a spot Brazilian Real rate of 2.1670 BRL/USD, the net mark-to-market value of Eldorado's hedge position was approximately a gain of \$7,010. The amount reflects the value that could have been paid to the Company if the contracts were closed out at the end of the quarter and is not an estimate of future gains or losses which depend, (in the case of spot deferred contracts) on additional contango that is earned to the settlement date and, (in all other cases) on the then prevailing spot rate. In addition to the mark-to-market value of Eldorado's hedge position, \$5,421 is included on the Company's balance sheet as deferred revenue, resulting from hedge contracts closed prematurely, of which \$1,688 will be recognized as revenue in the remaining three quarters of 2001.