



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

December 31, 2000

Report to Shareholders

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Eldorado Gold Corporation

Consolidated Balance Sheets

Expressed in thousands of U.S. dollars

	December 31	
	2000	1999
ASSETS		
Current Assets		
Cash	\$ 2,300	\$ 3,253
Restricted cash (Note 9)	7,053	3,269
Accounts receivable	4,944	3,095
Inventories (Note 4)	4,669	6,669
	<u>18,966</u>	<u>16,286</u>
Mine property, plant and equipment (Note 5)	70,627	81,976
Mineral properties and deferred development (Note 5)	29,442	27,685
Investments and advances	277	325
Future income taxes (Note 13)	203	1,513
Other assets and deferred charges (Note 6)	1,675	1,877
	<u>\$ 121,190</u>	<u>\$ 129,662</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,553	\$ 11,065
Current portion of long term debt (Note 9)	7,331	6,732
	<u>13,884</u>	<u>17,797</u>
Provision for reclamation costs	3,467	5,399
Deferred gain (Note 7)	4,322	12,401
Future income taxes (Note 13)	193	228
Convertible debentures (Note 8)	2,427	2,941
Long term debt (Note 9)	18,006	24,613
	<u>42,299</u>	<u>63,379</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	310,527	304,865
Special warrants (Note 10)	5,840	-
Equity portion of convertible debentures (Note 8)	6,723	6,209
Deficit	(244,199)	(244,791)
	<u>78,891</u>	<u>66,283</u>
	<u>\$ 121,190</u>	<u>\$ 129,662</u>
Nature of operations (Note 1)		
Commitments and Contingencies (Note 15)		
Subsequent events (Note 9 and 18)		

Approved by the Board

/Paul N. Wright/

Director

/Wayne Lenton/

Director

Eldorado Gold Corporation

Consolidated Statements of Operations and Deficit

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

	Year ended December 31	
	2000	1999
Revenue		
Gold sales	\$ 51,455	\$ 60,541
Interest and other income	1,962	2,975
	<u>53,417</u>	<u>63,516</u>
Expenses		
Operating costs	34,013	38,159
Depletion, depreciation and amortization	11,369	12,925
General and administrative	3,163	3,988
Exploration expense	539	248
Interest and financing costs	3,076	2,895
Reclamation	674	747
Foreign exchange loss (gain)	(576)	(1,157)
	<u>52,258</u>	<u>57,805</u>
Profit before the undernoted items	<u>1,159</u>	<u>5,711</u>
Write down, disposals of investments and advances	(59)	(191)
Gain on disposition of subsidiary	297	-
Profit before income taxes	1,397	5,520
Taxes		
Current (Note 13)	1,019	(1,654)
Future (Note 13)	(1,310)	1,513
Net income for the year	<u>\$ 1,106</u>	<u>\$ 5,379</u>
Deficit at the beginning of the year	(244,791)	(249,698)
Interest on equity portion of convertible debentures	(514)	(472)
Deficit at end of the year	<u>\$ (244,199)</u>	<u>\$ (244,791)</u>
Weighted average number of shares outstanding	<u>79,874,211</u>	<u>73,479,758</u>
Income (loss) per share - U.S.\$	<u>\$ 0.01</u>	<u>\$ 0.07</u>
Income (loss) per share - CDN.\$	<u>\$ 0.02</u>	<u>\$ 0.10</u>

Eldorado Gold Corporation

Consolidated Statements of Cash Flows

Expressed in thousands of U.S. dollars

	Year ended December 31	
	2000	1999
Cash flows from operating activities		
Net income (loss) for the year	\$ 1,106	\$ 5,379
Items not affecting cash		
Depletion, depreciation and amortization	11,369	12,925
Future income taxes	1,310	(1,513)
Reclamation	674	747
Gain on disposition of subsidiary	(297)	-
Interest on equity portion of convertible debentures	(514)	(472)
Interest and financing costs	101	-
Write down, disposals of investments and advances	59	191
Amortization of hedging gain	(5,167)	(2,184)
Foreign exchange loss (gain)	224	192
	<hr/>	<hr/>
	8,865	15,265
(Increase) Decrease in accounts receivable	(2,676)	1,698
Decrease (Increase) in inventories	384	475
Increase (Decrease) in accounts payable and accrued liabilities	(2,495)	(3,547)
Liquidation of hedges	511	4,998
	<hr/>	<hr/>
	4,589	18,889
Cash flow from investing activities		
Mine property, plant and equipment	(4,183)	(8,555)
Mineral properties and deferred development	(1,757)	(1,620)
Investments and advances	(11)	(110)
Reclamation costs incurred	(779)	(880)
Restricted cash	(3,784)	(3,269)
	<hr/>	<hr/>
	(10,514)	(14,434)
Cash flow from financing activities		
Repayment of long term debt	(6,514)	(5,231)
Proceeds from disposition of subsidiary	303	-
Issue of common shares:		
Voting - for cash	5,662	458
Special warrants	5,840	-
Other assets and deferred charges	(60)	577
	<hr/>	<hr/>
	5,231	(4,196)
Foreign exchange (loss) gain on cash held in foreign currency	(259)	(176)
	<hr/>	<hr/>
Net Increase (decrease) in cash and cash equivalents	(953)	83
Cash and cash equivalents at beginning of the year	<hr/>	<hr/>
	3,253	3,170
Cash and cash equivalents at end of the year	<hr/>	<hr/>
	\$ 2,300	\$ 3,253
Supplemental cash flow information		
Interest paid	<hr/>	<hr/>
	\$ 3,020	\$ 2,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

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 and Mexico until the sales of the Mexican subsidiaries. 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 agreed to further reduce its net debt. (Note 9) If the Company can not make such a reduction it may be necessary to amend the credit agreement to access its restricted cash or defer scheduled repayments. The Company has been successful in amending its credit agreement in the past, but there can be no assurance that it will be able to do so in the future.

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 consolidation

The consolidated financial statements include the accounts of Eldorado, its subsidiaries and its joint venture interests on a proportionate consolidation basis. The consolidated financial statements have been prepared using accounting principles generally accepted in Canada.

Foreign currency translation

Eldorado’s subsidiaries are integrated operations. The financial statements and other transactions stated in foreign currencies are translated into U.S. dollars using the temporal method, as noted below:

- Monetary assets and liabilities are translated at the exchange rate at the balance sheet dates;
- Non-monetary assets are translated at historical rates;
- Revenue and expense items are translated at the average rate for the year; and
- Translation gains and losses are included in operations.

Cash

Cash includes those short-term money market instruments, which on acquisition have a term to maturity of three months or less. The Company limits its exposure to credit loss by placing its cash with creditworthy institutions.

Inventories

In-process inventories, including ore stockpiles when applicable, are valued at the lower of average production costs and net realizable value, after a reasonable allowance for further processing costs. Materials and supplies are valued at the lower of average cost and replacement cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

2. Significant Accounting Policies (continued)

Investments

Investments in shares of other companies are carried at cost or at cost less amounts written off to reflect an impairment in value that is other than temporary.

Property, plant and equipment

Property, plant and equipment are carried at cost, including costs associated with properties under development. Assets used in commercial production are subject to depreciation and depletion over their estimated useful lives, on the basis described below.

Mineral properties, capitalized development and stripping costs;

Where the mine operating plan calls for production from well defined ore reserves, the unit of production method is applied. Buildings, machinery, mobile and other equipment are depreciated on a straight-line basis over their useful lives, ranging from 5 to 8 years.

Annually, reviews are undertaken to evaluate the carrying values of operating mines and development properties. Estimated undiscounted future net cash flows from each mine and development property are calculated using estimated future sale prices (considering historical and current prices, price trends and related factors) and operating capital and reclamation costs. If it is determined that the estimated net recoverable amount is less than the carrying value, a write-down to the estimated net recoverable amount is made with a charge to operations.

Exploration and development

Exploration costs are charged against operations as incurred until a mineral resource is established on a property, from which time exploration expenditures are capitalized. Capitalized amounts are expensed if it is determined that a mineral property is not economic.

Deferred financing charges

Deferred financing charges consist of commissions and expenses related to establishing the related indebtedness and are being amortized to operations over the life of such indebtedness.

Environmental reclamation, rehabilitation and mine closure costs

Expenditures related to environmental protection, reclamation and site restorations undertaken during mine operations are expensed as incurred. Costs to be incurred at, or subsequent, to the closing of a mine are estimated and charged against operations over the estimated life of the mine.

Revenue recognition

Gold and silver revenues are recorded at the estimated net realizable value of dore sales. Adjustments to these amounts are made after final prices, weights, and assays are determined. Silver revenues are recorded as a cost recovery. Gains and losses realized on financial instruments and derivative financial instruments used to hedge gold price risk are recognized in sales revenue when the related production is sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

2. Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Share option plan

The Company has a share option plan as described in Note 10. No compensation expense is recognized for this plan when shares or share options are issued pursuant to the plan. Consideration paid for shares on exercise of the share options is credited to share capital.

Income taxes

Effective January 1, 2000, the Company adopted the new recommendation of the Canadian Institute of Chartered Accountants for the accounting for future income taxes. Under this standard, future income taxes are recorded as if all assets and liabilities recorded in the balance sheet were settled at their carrying amounts at the income tax rates enacted at the balance sheet date. This recommendation has been applied retroactively, but no adjustment to the Company's accounts was required to the deferred taxes payable and deferred taxes recoverable, now renamed future income taxes, or to retained earnings.

Earnings per share

Earnings per share amounts are calculated using the weighted average number of shares outstanding during the year of 79,874,211 (1999 - 73,479,758). Fully diluted earnings per share are not reported as they are not materially different from the basic earnings per share.

3. Sale of Mexican Subsidiary

Effective November 1, 2000 the Company sold its Mexican subsidiaries to Conservación y Señalamiento Vial and Exploraciones Mineras del Desierto S.A. de C.V. The Company received \$500 cash and the purchaser forgave \$1,459 debt owed by the Company.

Assets and liabilities as at the date of sale are as follows

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$ 197	Accounts payable and accrued liabilities	\$ 1,889
Accounts receivable	827		\$ 1,889
Inventories	<u>1,616</u>	Provision for reclamation costs	1,827
	\$ 2,640	Deferred gain	<u>671</u>
Mine property plant and equipment	4,527	Total Liabilities	<u>\$ 4,387</u>
Other assets and deferred charges	<u>303</u>	Shareholders' equity	<u>\$ 3,083</u>
Total Assets	<u>\$ 7,470</u>	Consideration received - cash	(500)
		Deferred gain	(2,752)
		Withholding tax	(128)
		(Gain) on disposition of subsidiary	<u>\$ (297)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

3. Sale of Mexican Subsidiary (continued)

The financial statements include the results of operations of the subsidiaries for the period January 1, 2000 to October 31, 2000.

4. Inventories

	2000	1999
In process inventory	\$ 437	\$ 2,042
Materials and Supplies	4,232	4,627
	<u>\$ 4,669</u>	<u>\$ 6,669</u>

5. Property, Plant and Equipment

	2000	1999
Mine property, plant and equipment		
São Bento mine	\$ 100,302	\$ 95,489
La Colorada mine	-	23,720
Accumulated depreciation and depletion	<u>(30,247)</u>	<u>(38,016)</u>
	\$ <u>70,055</u>	\$ <u>81,193</u>
Office furniture and equipment	\$ 2,087	\$ 3,686
Accumulated depreciation	<u>(1,515)</u>	<u>(2,903)</u>
	\$ <u>572</u>	\$ <u>783</u>
Mineral properties and deferred development	\$ 29,442	\$ 27,685
	<u>\$ 29,442</u>	<u>\$ 27,685</u>
	<u>\$ 100,069</u>	<u>\$ 109,661</u>

6. Other Assets and Deferred charges

	2000	1999
Deferred financing charges for:		
Convertible Debenture	\$ 690	\$ 690
Long term debt	2,288	2,932
Related to debentures converted/ amortization	(448)	(385)
Accumulated amortization	<u>(1,414)</u>	<u>(1,919)</u>
	\$ 1,116	\$ 1,318
Cash security deposits	<u>559</u>	<u>559</u>
	<u>\$ 1,675</u>	<u>\$ 1,877</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

7. Deferred Gain

Eldorado recorded a deferred gain of \$4,992 in 2000 (\$9,587 in 1999) as a result of liquidating a portion of its hedging position. An amount of \$5,167 was recorded to earnings in 2000. The remaining hedging gains of \$4,322 will be taken into income over the years for which the hedges were originally established per the table below.

	2001	2002	2003
Deferred Gain	\$ 1,888	\$ 1,271	\$ 1,163

8. Convertible Debentures

	2000	1999
Debentures maturing November 1, 2004	\$ 9,150	\$ 9,150
Equity portion of convertible debentures	6,723	6,209
	<u>\$ 2,427</u>	<u>\$ 2,941</u>

Debentures maturing November 1, 2004

Under an agency agreement dated November 3, 1994 Eldorado issued \$10,000 of special notes at a price of \$1 per special note, for cash of \$9,500 net of agent's commissions. Each note was subsequently exercised into a \$1 principal amount 8.25% convertible unsecured subordinated debenture. Each \$1 debenture matures on November 1, 2004 and is convertible at the holders option into 307.69 common shares of Eldorado representing a conversion price of \$US3.25 per share. Subject to certain restrictions, the debentures are redeemable for cash at par at the option of Eldorado after November 1, 1997. During 2000, no debentures were converted or redeemed.

9. Long Term Debt and Restricted Cash

	2000	1999
Restricted Cash		
Reserve account	\$ 1,305	\$ 3,269
Liquidity account	2,624	-
Escrow In-Trust account	<u>3,124</u>	<u>-</u>
	<u>\$ 7,053</u>	<u>\$ 3,269</u>
Long term debt		
Corporate loan facility	\$ 24,506	\$ 30,000
Equipment purchase loan	498	999
Energold Mining Ltd. loan	<u>333</u>	<u>346</u>
	\$ 25,337	\$ 31,345
Current portion	<u>(7,331)</u>	<u>(6,732)</u>
	<u>\$ 18,006</u>	<u>\$ 24,613</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

9. Long Term Debt and Restricted Cash (continued)

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 December 31, 2000 the amount held in the Reserve account was \$1,305 (1999 \$3,269).

Effective March 1, 2000, in connection with the equity financing described in Note 10, 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 December 31, 2000 the amount held in the Liquidity Account was \$2,624.

On November 24, 2000, as required by the Fourth Amendment to the ARCA, the Company established an Escrow In-Trust Account ("Escrow Account") to hold the proceeds from the special warrant financing. As at December 31, 2000 the amount held in the Escrow In-Trust Account was \$3,124. One half of which will go to the Company and the other half to the Liquidity Account upon final approval and receipt of the prospectus from the regulatory authorities.

On December 29, 2000, the Company entered into a Fifth Amendment to the ARCA (the "Fifth Amendment") where, among other things, it was agreed that the Company will take action to continue to reduce the net debt of the Company; this action could be an acquisition or disposal of assets, merger with another entity, acquisition of another entity or some combination of the foregoing.

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 at December 31, 2000, the total debt outstanding is \$24,000 that bears interest at LIBOR plus 2.5%, which was 9.14% at December 31, 2000. In addition, as negotiated in 2000, a fee of \$506 plus 2% on the daily average principal amount of loans outstanding from January 1, 2001 will be paid on final payment of the loan. Under certain circumstances, incremental prepayments of principal may be required.

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 re-payment schedule on the NM Rothschild corporate facility is as follows:

	2001	2002	2003
Loan re-payment	\$ 6,500	\$ 6,000	\$ 12,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

9. 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 \$498 outstanding as at December 31, 2000 is to be repaid as follows: \$232 on 5 consecutive monthly installments of \$46 plus the corresponding late interest at 15% starting January 31, 2001 and the balance on June 31, 2001.

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

Energold Mining Ltd.

In November of 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 \$333 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.

10. 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:

1999	Shares Issued	Amount
Shares at beginning of the year	73,265,205	\$ 304,407
Shares for exercised stock options	<u>863,333</u>	<u>458</u>
Shares at the end of the year	<u><u>74,128,538</u></u>	<u><u>\$ 304,865</u></u>
2000		
Shares at beginning of the year	74,128,538	\$ 304,865
Shares for exercised stock options	416,776	157
Shares for cash consideration	9,500,000	5,505
Shares returned to Treasury	<u>(5,000)</u>	<u>-</u>
Shares at December 31, 2000	<u><u>84,040,314</u></u>	<u><u>\$ 310,527</u></u>
Special warrants	<u><u>-</u></u>	<u><u>\$ 5,840</u></u>

On January 25, 2000, the Company completed a private placement of 9,500,000 Special Warrants at a price of Cdn\$.90 per Special Warrant to raise gross proceeds of Cdn\$8,550 (US\$5,900). Net proceeds received after payment of expenses related to the offering were \$5,505. Each Special Warrant was exercisable without payment of additional consideration for a unit (a "Unit") consisting of one common share of Eldorado and one half of a share purchase warrant (a "Warrant"). Each whole Warrant entitled the holder to acquire an additional common share of Eldorado at a price of Cdn\$1.10 per common share until January 24, 2002, after which time the Warrants will expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

10. Share Capital (continued)

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 \$5,840. Each Special Warrant may be exercised without further payment of additional consideration for a unit (a "Unit") consisting of one common share of Company and one half of a share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to acquire an additional common share of the Company at a price of Cdn\$.80 per common share until February 22, 2003. (Note 18)

The Company established a share purchase option plan ("the Plan") in June 1994. Amendments to the Plan were approved in June 1995, June 1996 and May 2000. The Board of Directors administers the Plan, whereby it may from time to time grant up to a total of 10,200,000 options to directors, officers, employees, consultants or advisors. All options granted under the Plan shall expire not later than the tenth anniversary of the date the options were granted. The exercise price of an option is determined by the Board of Directors, but shall not be less than the closing price of the common shares of the Company on The Toronto Stock Exchange on the last business day before the date on which the option is granted. Vesting and terms are at the discretion of the Board of Directors.

A summary of the Company's options at December 31, 2000 and 1999 and the changes for the years ending on those dates is presented below:

Options (Cdn\$)	Outstanding Options	Weighted Average Exercise Price
1999		
Outstanding options as at January 1, 1999	6,674,322	\$ 1.03
Granted	2,113,350	0.58
Exercised	(863,333)	0.78
Expired/Cancelled	<u>(1,120,029)</u>	<u>1.00</u>
Outstanding options as at December 31, 1999	<u>6,804,310</u>	<u>\$ 0.93</u>
2000		
Outstanding options as at January 1, 2000	6,804,310	\$ 0.93
Granted	945,000	0.79
Exercised	(416,776)	0.55
Expired/Cancelled	<u>(819,391)</u>	<u>0.83</u>
Outstanding options as at December 31, 2000	<u>6,513,143</u>	<u>\$ 0.84</u>

As at December 31, 2000, options to purchase up to 682,215 shares remained available to be granted under the Plan. Summaries of the Company's options outstanding, exercise prices and expiry dates are presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

10. Share Capital (continued)

Weighted Average Exercise Price Cdn\$	Options Outstanding	Expiry Date
1.34	2,540,250	2001
0.94	1,034,643	2002
0.54	805,000	2003
0.52	1,436,250	2004
0.79	<u>697,000</u>	2005
	<u><u>6,513,143</u></u>	

Shareholder rights plan

On March 8, 1995, the Board of Directors of Eldorado adopted a Shareholder Rights Plan, which was approved by the shareholders at the Annual General meeting on June 5, 1995. Under the terms of the plan, rights are attached to the common shares and to the 8.25% convertible subordinated unsecured debentures. The rights become marketable and exercisable only upon the occurrence of certain specified events. If a person or group acting in concert acquires or announces its intention to acquire 20% or more of the outstanding common shares in a non-permitted bid, each right, on exercise, entitles the holders (other than the acquiring person or group) to purchase common shares of Eldorado at half the current market price per common share.

The rights are not triggered by a "permitted bid" which is, in effect, a bid made to all shareholders for all of the voting shares by way of a bid circular. Such an offer must remain outstanding for at least 75 days and must be accepted by shareholders holding at least 50% of the outstanding shares that are not held by the bidder. At any time prior to the rights becoming exercisable, the Board of Directors may redeem all the rights at \$.00001 per right.

11. Financial Instruments

Fair value of financial instruments

At December 31, 2000 and 1999, the fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values.

The carrying values and estimated fair values of Eldorado's other financial instruments are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

11. Financial Instruments (continued)

Carrying and Estimated fair values

		Carrying Amount	Estimated fair value
2000			
Financial Assets			
	Forward Gold Sales contracts	\$ -	\$ 4,300
	Foreign Exchange Purchase Commitments	-	(288)
	Investments	277	277
Financial Liabilities			
	Convertible debentures	\$ 2,427	\$ 1,739
	Long term debt	25,337	25,337
1999			
Financial Assets			
	Forward Gold Sales contracts	\$ -	\$ (6,500)
	Foreign Exchange Purchase Commitments	-	923
	Investments	325	325
Financial Liabilities			
	Convertible debentures	\$ 2,941	\$ 2,239
	Long term debt	31,345	31,345

Financial instruments, which subject the Company to market risk and concentrations of credit risk, consist primarily of gold hedge contracts. The Company exposure to credit risk in the event of non-performance by counterparties in connection with its metal forward contracts is limited to the unrealized gains on outstanding contracts based on current market prices. Eldorado believes it has minimized credit risk by monitoring the financial conditions of its counterparties and dealing with large, creditworthy institutions.

12. Hedging Commitments

Gold hedging

At December 31, 2000, Eldorado's hedging program consists of the following flat forward and spot deferred gold contracts.

	2001	2002	2003	2004
Forward gold sales contracts (ounces)	120,000	90,673	127,445	16,155
Average price (\$/oz.)	310	305	297	303
Deferred gain (\$/oz.)	16	14	9	-
Total (\$oz.)	<u>326</u>	<u>319</u>	<u>306</u>	<u>303</u>

The positions held by Eldorado are in the form of flat forward or spot deferred contracts including 180,000 ounces of flat forward contracts, to be delivered at a rate of 10,000 ounces per month, at a price of \$310.

12. Hedging Commitments (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

There are 174,273 ounces of spot deferred contracts priced in the range of \$288 to \$314. 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.

The mark-to-market value of the Company's hedge position at December 31, 2000 was \$4,300 at a spot price of \$272.50 per ounce.

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 \$325 per ounce, assuming a contango of 4.6%.

The Company has restructured its hedge book on January 23, 2000. (Note 9)

Currency hedging

	December 2000
Brazilian Real forward purchases	
Commitments outstanding	BRL29,000,000
Average Exchange Rate (BRL/USD)	1.9122

At December 31, 2000, Eldorado had outstanding commitments to purchase the above Brazilian Reals at fixed exchange rates for forward delivery.

13. Taxes

Details of income tax expense related to operations are as follows:

	2000	1999
Income Taxes		
Recovery (Expense)		
Current		
Canada	\$ 1,297	\$ (1,037)
Foreign	(278)	(617)
Future		
Canada	(1,310)	1,513
Foreign	-	-
	<u>\$ (291)</u>	<u>\$ (141)</u>

13. Taxes (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

The reconciliation of the combined Canadian federal and provincial statutory income tax rates to the effective tax rate on earnings before taxes and other items is as follows:

	2000	1999
Statutory Rate	45.62%	45.62%
Losses not recognized net of income not subject to tax	25.70	11.50
Gain on disposition of subsidiary not taxable	(9.70)	-
Temporary differences not recorded	(70.86)	(54.53)
Other	30.07	(0.04)
Effective income tax rate	<u>20.83%</u>	<u>2.55%</u>

The temporary difference not recorded referred to in the above reconciliation relates mainly to the inclusion of previously deferred gains in income in the current year. The increase in income from these gains did not result in any related income taxes.

Eldorado's Turkish subsidiaries have tax losses from prior years, which are available to offset taxable income of future years. These tax losses expire as follows:

	2002	2003	2004
	\$ 153	\$ -	\$ 7,429

In addition, the Brazilian subsidiaries have losses of \$110,149, which can be used to offset taxable income and \$83,603 which can be used to offset income for social contribution tax. These losses have no expiry date. Of these losses \$3,162 can be used to offset 100% of income while the remainder can be used to offset 30% of income in any one year.

No recognition has been given in the accounts to the potential future benefits that may arise on utilization of tax losses.

Future income taxes, as at December 31, 2000, consist of the following temporary differences:

Assets	
Tax over book value of exploration expenditures	<u>\$203</u>
Liabilities	
Tax on undistributed earnings of a subsidiary	<u>(\$193)</u>

Additional temporary differences between the accounting and tax basis of assets and liabilities of \$19,211 have not been recognized, as they are unlikely to be realized.

14. Joint Ventures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

Aurizona Goldfields Joint Venture (50%)

In 1998 Eldorado wrote down the value of the Aurizona Goldfields joint venture to nil. The joint venture is currently inactive and the parties are actively seeking to farm out the properties.

15. Commitments and Contingencies

As at December 31, 2000, Eldorado has the following commitments and contingencies:

Interest on withholding taxes

São Bento Mineração may have a liability relating to interest and penalties on accrued but unpaid withholding tax on gold loans. The Company believes there are no grounds to the claim and will defend its position vigorously. If an unfavorable ruling were to occur the Company estimates the liability to be a maximum of \$1,000.

16. 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.

16. Segmented Information (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

	2000		1999
Gold sales			
São Bento Mine	\$ 39,339	\$	39,699
La Colorada Mine	12,116		20,842
	51,455		60,541
Operating costs			
São Bento Mine	22,656		23,901
La Colorada Mine	12,031		14,802
	34,687		38,906
Depletion, depreciation and amortization			
São Bento Mine	7,815		7,286
La Colorada Mine	3,223		5,237
	11,038		12,523
Corporate expenses, net of interest and other income	(4,032)		(3,153)
Exploration expense	(539)		(248)
Write downs, provisions for mines and restructuring	(59)		(191)
Gain on disposition of subsidiary	297		-
Profit before income taxes	1,397		5,520
Taxes			
Current	1,019		(1,654)
Future	(1,310)		1,513
Net Income for the year	\$ 1,106	\$	5,379

16. Segmented Information (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

	2000		1999	
Segment assets				
São Bento Mine	\$	79,650	\$	81,954
La Colorada Mine		-		11,788
La Trinidad Mine		-		557
Total assets for reportable segments		79,650		94,299
Mineral properties and deferred development		29,442		27,685
Other		12,098		7,678
	\$	121,190	\$	129,662
Revenues by geographic area				
North America	\$	12,790	\$	22,370
South America		40,597		41,060
Turkey		30		84
Australia		-		2
	\$	53,417	\$	63,516
Net Earnings by geographic area				
North America	\$	(7,956)	\$	(3,007)
South America		9,191		8,523
Turkey		(152)		(121)
Australia		23		(16)
	\$	1,106	\$	5,379
Assets by geographic area				
North America	\$	11,308	\$	19,198
South America		79,877		82,294
Turkey		30,004		28,163
Australia		1		7
	\$	121,190	\$	129,662

17. Supplementary cash flow information

The Company conducted non-cash investing and financing activities as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999

Expressed in thousands of U.S. dollars except per share amounts where specified

	2000	1999
Operating activities		
Foregiveness of amounts owed by the company	\$ (1,459)	\$ -
Reclassification of capital replacement parts	-	(3,117)
Reserve accrual	<u>-</u>	<u>(563)</u>
	<u>\$ (1,459)</u>	<u>\$ (3,680)</u>
Investing activities		
Foregiveness of amounts owed by the company	\$ 1,459	\$ -
Reclassification of capital replacement parts	-	3,117
Reserve accrual	<u>-</u>	<u>563</u>
	<u>\$ 1,459</u>	<u>\$ 3,680</u>
Financing activities		
Long term debt backend fees accrual	\$ (405)	\$ -
Increase in long term debt	405	-
Equity portion of debentures	514	-
Debentures	<u>(514)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

18. Subsequent event

On November 24, 2000 the Company completed a private placement of 18,245,458 special warrants at a price of Cdn\$0.55. In accordance with the terms of the financing, the net proceeds received on closing were held in escrow. As agreed with NM Rothschild half of the total net proceeds were to be paid into the Liquidity Account. On December 13, 2000 half of the funds were released upon receipt of shareholder approval satisfactory to the Toronto Stock Exchange. On February 21, 2001 the Company obtained the final receipt from the Securities Commissions and the remaining funds were released on February 28, 2001.