



eldorado gold

March 31, 2003

Report to Shareholders

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

March 31,
2003

December 31,
2002

(Unaudited)

ASSETS

Current Assets

Cash and cash equivalents	\$	41,571	\$	37,627
Accounts receivable		1,427		1,380
Inventories		5,859		5,866
		<u>48,857</u>		<u>44,873</u>

Property, plant and equipment		61,547		62,103
Mineral properties and deferred development		33,753		32,958
Investments and advances		112		108
Other assets and deferred charges		78		90
	\$	<u>144,347</u>	\$	<u>140,132</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$	7,465	\$	8,225
		<u>7,465</u>		<u>8,225</u>

Provision for reclamation costs		3,467		3,467
Deferred gain		1,277		1,957
Future income taxes		210		196
Convertible debentures		6,841		6,796
		<u>19,260</u>		<u>20,641</u>

SHAREHOLDERS' EQUITY

Share capital (Note 4)		369,049		366,046
Equity portion of convertible debentures		1,094		1,094
Deficit		(245,056)		(247,649)
		<u>125,087</u>		<u>119,491</u>
	\$	<u>144,347</u>	\$	<u>140,132</u>

Approved by the Board

"Wayne D. Lenton"

Director

"Paul N. Wright"

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, 2003	March 31, 2002
	(Unaudited)	(Note 3) (Unaudited)
Revenue		
Gold sales	\$ 9,166	\$ 4,996
Interest and other income	282	1,159
	<u>9,448</u>	<u>6,155</u>
Expenses		
Operating costs	5,050	2,633
Depletion, depreciation and amortization	2,474	2,443
General and administrative	1,038	679
Exploration expense	250	119
Interest and financing costs	192	389
Foreign exchange (gain) loss	(2,267)	165
	<u>6,737</u>	<u>6,428</u>
Profit (loss) before income taxes	<u>2,711</u>	<u>(273)</u>
Taxes		
Current	(118)	(20)
Future	-	-
Net income (loss) for the period	<u>\$ 2,593</u>	<u>\$ (293)</u>
Deficit at the beginning of the period:		
As previously reported	(247,649)	(249,375)
Change in accounting policy (Note 3)	-	(410)
As restated	<u>\$ (247,649)</u>	<u>\$ (249,785)</u>
Deficit at the end of the period	<u>\$ (245,056)</u>	<u>\$ (250,078)</u>
Weighted average number of shares outstanding	<u>209,956,508</u>	<u>102,365,723</u>
Basic Income (loss) per share - U.S.\$	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Basic Income (loss) per share - CDN.\$	<u>\$ 0.02</u>	<u>\$ 0.00</u>
Diluted Income (loss) per share - U.S.\$	<u>\$ 0.01</u>	<u>\$ 0.00</u>

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

	Three months ended	
	March 31, 2003	March 31, 2002
	(Unaudited)	(Unaudited)
		(Note 3)
Cash flows from operating activities		
Net income (loss) for the period	\$ 2,593	\$ (293)
Items not affecting cash		
Depletion, depreciation and amortization	2,474	2,443
Interest and financing costs	45	77
Amortization of hedging gain	(680)	(969)
Foreign exchange (gain) loss	(2,430)	11
	2,002	1,269
Decrease (increase) in accounts receivable	(47)	1,288
(Increase) decrease in inventories	7	(1,345)
(Decrease) Increase in accounts payable and accrued liabilities	(760)	(535)
	1,202	677
Cash flow from investing activities		
Property, plant and equipment	(1,906)	(1,524)
Mineral properties and deferred development	(795)	(257)
Investments and advances	(4)	-
Restricted cash	-	(530)
	(2,705)	(2,311)
Cash flow from financing activities		
Repayment of long-term debt	-	(8,509)
Issue of common shares:		
Voting - for cash	3,003	230
Special Warrants	-	14,648
Other assets and deferred charges	-	(114)
	3,003	6,255
Foreign exchange gain (loss) on cash held in foreign currency	2,444	(4)
Net Increase (decrease) in cash and cash equivalents	3,944	4,617
Cash and cash equivalents at beginning of the period	37,627	4,752
Cash and cash equivalents at end of the period	\$ 41,571	\$ 9,369
Supplemental cash flow information		
Interest paid	\$ -	\$ 124
Income tax paid	\$ 10	\$ 20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

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 exploration activities are carried on in Brazil and Turkey.

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 interim 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 (loss) per share

Earnings or loss per common share is calculated using the weighted average number of common shares outstanding during each year. Diluted earnings or loss per common share is calculated using the treasury stock method which assumes that stock options are only exercised when the exercise price is below the average market price during the period, and that the Company will use these proceeds to purchase its common shares at their average market price during the period.

3. Change in Accounting Policy

The Company has changed its method of recording revenue to recording sales when the goods have been delivered and title passes to the purchaser. Previously the Company recorded revenue on a production basis at the net realized value of doré sales. The Company has applied the changes retroactively and prior periods have been restated. The effects of the restatement are presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

3. Change in accounting policy (continued)

Income Statement	March 2003 (Unaudited)	March 2002 (Unaudited)	2002
Revenue before change	\$ 9,166	\$ 5,936	\$ 35,404
Change in accounting policy	-	(940)	(1,353)
Revenue after change	<u>\$ 9,166</u>	<u>\$ 4,996</u>	<u>\$ 34,051</u>
Operating costs before change	\$ 5,050	\$ 2,896	\$ 19,600
Change in accounting policy	-	(263)	(573)
Operating costs after change	<u>\$ 5,050</u>	<u>\$ 2,633</u>	<u>\$ 19,027</u>
Net Income (loss) before change	\$ 2,593	\$ 384	\$ 2,916
Change in accounting policy	-	(677)	(780)
Net Income (loss) after change	<u>\$ 2,593</u>	<u>\$ (293)</u>	<u>\$ 2,136</u>
Basic income (loss) per share before change - U.S.\$	0.01	-	0.01
Change in accounting policy	-	-	-
Basic income (loss) per share after change - U.S.\$	<u>0.01</u>	<u>-</u>	<u>0.01</u>
Diluted income (loss) per share before change - U.S.\$	0.01	-	0.01
Change in accounting policy	-	-	-
Diluted income (loss) per share after change - U.S.\$	<u>0.01</u>	<u>-</u>	<u>0.01</u>
Balance Sheet			
Accounts receivable before change	\$ 1,427	\$ 3,399	\$ 3,513
Change in accounting policy	-	(1,722)	(2,133)
Accounts receivable after change	<u>\$ 1,427</u>	<u>\$ 1,677</u>	<u>\$ 1,380</u>
Inventories before change	\$ 5,859	\$ 6,151	\$ 4,923
Change in accounting policy	-	635	943
Inventories after change	<u>\$ 5,859</u>	<u>\$ 6,786</u>	<u>\$ 5,866</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

4. Share Capital

(a) Authorized and Issued 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:

2003	Shares Issued	Amount
Shares at beginning of the year	206,204,010	\$ 366,046
Shares for exercised stock options	1,132,500	244
Shares for cash consideration - Warrants	5,262,266	2,813
Shares issue costs for cash consideration - Financing	-	(54)
Shares at March 31, 2003	212,598,776	\$ 369,049

(b) Share option plan

Effective January 1, 2002, the Company adopted the new standard for accounting for Stock based Compensation.

As at March 31, 2002, the Company has a share option plan as described below. No compensation expense is recognized for this plan when options are granted pursuant to the plan. Consideration paid for shares on exercise of the share options is credited to share capital.

Stock option plan

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 quoted 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 terms and status of Company's outstanding options at March 31, 2002 and the changes for the period ending on that date is presented below:

Options	Three month ended March 31, 2003	
	Outstanding Options	Weighted average exercise price - Cdn.\$
Outstanding at the beginning of the period	4,425,000	0.58
Granted	1,160,000	2.04
Exercised	(1,132,500)	0.33
Outstanding at the end of the period	4,452,500	1.02
Options exercisable at period end	4,150,833	0.97

The following table summarizes information about share options during the quarter ended March 31, 2003.

Options granted - shares	Weighted average exercise price - Cdn.\$
660,000	1.96
100,000	2.25
400,000	2.13
1,160,000	2.04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

4. Share Capital (continued)

Stock Options			
Range Of Exercise Price - Cdn.\$	Number Outstanding At Mar. 31, 2003	Weighted-Average Remaining Contractual Life (years)	Weighted Average Exercise Price - Cdn.\$
0.40 to 0.40	350,000	0.73	0.40
0.50 to 0.65	715,000	1.14	0.54
0.70 to 0.80	110,000	2.24	0.71
0.24 to 0.51	490,000	3.35	0.33
0.70 to 1.46	1,627,500	3.99	0.86
2.13 to 2.25	1,160,000	4.82	2.04
0.24 to 2.25	4,452,500	3.38	1.02

Warrants			
Conversion Price - Cdn.\$	Number Outstanding At Mar. 31, 2003	Weighted-Average Remaining Contractual Life (years)	Weighted Average Conversion Price - Cdn.\$
2.00 to 2.00	14,324,100	0.73	2.00

Had the company determined compensation costs on this Plan based on the fair value at the grant dates for those share options consistent with the fair value method of accounting for stock – based compensation, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

Net income (loss) for the period	As reported	\$	2,593
	Pro Forma	\$	1,880
Basic earnings per share	As reported		0.01
	Pro Forma		0.01
Diluted earnings per share	As reported		0.01
	Pro Forma		0.01

The pro forma amounts presented above, do not include the effect of share options granted before January 1, 2002.

The fair values of options included in the pro forma amounts presented above, have been estimated using an option-pricing model. Assumptions used in the pricing model are as follows:

a) average risk-free interest rate	4.23%
b) expected life	5 years
c) expected volatility	50%
d) expected dividends	nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

5. Segmented Information

All of Eldorado's operations are related to the gold mining industry. In 2003 and 2002 Eldorado had one producing mine, São Bento, and had assets located in North America, South America, Turkey and Australia.

	Three months	
	ended March 31 2003 (unaudited)	ended March 31 2002 (unaudited)
Gold sales		
São Bento Mine	\$ 9,166	\$ 4,996
	<u>9,166</u>	<u>4,996</u>
Operating costs		
São Bento Mine	5,050	2,633
	<u>5,050</u>	<u>2,633</u>
Depletion, depreciation and amortization		
São Bento Mine	2,458	2,262
	<u>2,458</u>	<u>2,262</u>
Corporate expenses, net of interest and other income	1,303	(255)
Exploration expense	(250)	(119)
	<u>2,711</u>	<u>(273)</u>
Profit (loss) before income taxes		
Taxes		
Current	(118)	(20)
Future	-	-
	<u>\$ 2,593</u>	<u>\$ (293)</u>
Net income (loss) for the period		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

5. Segmented Information (continued)

	Three months ended	
	March 31 2003 (unaudited)	March 31 2002 (unaudited)
Revenues by geographic area		
North America	\$ 219	\$ 35
South America	9,199	6,120
Turkey	30	-
	\$ 9,448	\$ 6,155

Net income (loss) by geographic area		
North America	\$ 1,329	\$ (1,055)
South America	1,453	909
Turkey	(170)	(136)
Australia	(19)	(11)
	\$ 2,593	\$ (293)

	Three months ended	
	March 31 2003 (unaudited)	December 31 2002
Segment assets		
São Bento Mine	\$ 73,552	\$ 73,406
Total assets for reportable segments	73,552	73,406
Mineral properties and deferred development		
Other	33,753	32,958
	\$ 144,347	\$ 140,132
Assets by geographic area		
North America	\$ 36,343	\$ 33,023
South America	73,757	73,637
Turkey	34,243	33,468
Australia	4	4
	\$ 144,347	\$ 140,132

6. Supplementary Cash Flow Information

	Three months ended	
	March 31, 2003 (unaudited)	March 31, 2002 (unaudited)
Financing activities		
Long term debt backend fees accrual	\$ -	\$ (83)
Increase in long term debt	-	83
Interest accrual on convertible debentures	45	50
Convertible debentures	(45)	(50)
	\$ -	\$ -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

7. 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 \$1,100.

PRODUCTION HIGHLIGHTS ¹

	First Quarter 2002	Second Quarter 2002	Third Quarter 2002	Fourth Quarter 2002	First Quarter 2003
<u>Gold Production</u>					
Ounces produced	16,963	27,702	28,469	30,399	21,831
Cash Operating Cost (\$/oz)	166	195	185	183	215
Total Cash Cost (\$/oz) ²	171	201	189	189	222
Total Production Cost (\$/oz) ³	310	296	259	274	330
<u>São Bento Mine, Brazil</u>					
Ounces produced	16,963	27,702	28,469	30,399	21,831
Tonnes to Mill	89,342	96,519	100,185	95,249	92,104
Grade (grams / tonne)	9.85	9.23	8.87	10.01	9.55
Cash Operating Cost (\$/oz)	166	195	185	183	215
Total Cash Cost (\$/oz) ²	171	201	189	189	222
Total Production Cost (\$/oz) ³	310	296	259	274	330
<u>Gold Sold</u>					
Ounces sold	13,792	27,004	28,901	29,962	23,854
Realized Price (\$/oz) ⁴	292	303	305	316	356

- 1 Cost figures calculated in accordance with Gold Institute Format
- 2 Cash Operating Costs plus royalties and the cost of off-site administration.
- 3 Total Cash Cost plus depreciation, amortization and reclamation.
- 4 Excludes amortization of deferred gain.

Management Discussion and Analysis

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

Please review this report with the Consolidated Financial Statements and accompanying Notes. All monetary amounts are in United States dollars unless otherwise noted.

The Management's Discussion and Analysis ("MD&A") contains certain "Forward-Looking Statements" within the meaning of section 21E of the United States Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included herein, including without limitation statements regarding potential mineralization and reserves, exploration results and future plans and objectives of Eldorado Gold Corporation ("Eldorado", the "Company" or "we") are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

First Quarter 2003 Financial Performance

Eldorado Gold Corporation's unaudited net income for the first quarter of 2003 was a profit of \$2,593 (\$0.01 per share) compared to a loss of \$293 (\$0.00 per share) in the first quarter of 2002. The Company's positive financial results for the first quarter of 2003 was mainly driven by a gain of \$2,267 in foreign exchange compared to a loss on foreign exchange of \$165 in the first quarter of 2002. The gain on foreign exchange is a result of the Canadian dollar strengthening versus the US dollar. Eldorado currently holds \$41,571 in cash; of this amount 80% is held in Canadian dollars. As the Canadian dollar has strengthened against the US dollar over the past quarter, a favorable gain has occurred. We believe the Canadian dollar will continue to strengthen over the next quarter resulting in further foreign exchange gains.

For the first quarter 2003 gold revenues were \$9,166 compared to \$4,996 for the first quarter of 2002. The increased revenues are the result of the sale of 23,854 ounces of gold at a realized price of \$356 per ounce (excluding a total hedging gain of \$680) compared to sale of 13,792 ounces of gold at a realized price of \$292 per ounce (excluding a total hedging gain of \$969 in 2002). The Company benefited from the Sao Bento mine autoclaves operating at higher capacity and 100% power availability during the first quarter of 2003. During the first quarter of 2002 the Sao Bento mine was operating under mandated energy consumption restraints as well as having one of the two autoclaves shutdown for major repairs. During the 1st Qtr 2002 the Company received business interruption insurance claims in the amount of \$1,118 recorded as other income from the repair of the #2 Autoclave at São Bento. The repairs were complete and the final insurance claims were paid in the 2nd Qtr 2002. Cash flow for the first quarter from operating activities was \$1,202 compared to \$677 in the first three months of 2002.

Sao Bento

In the first quarter of 2003, Sao Bento Mine produced 21,831 ounces of gold at total cash cost of \$222/oz. compared to 16,963 ounces at a total cash cost of \$171/oz. in the first quarter of 2002. The increase in gold production in the first quarter of 2003 compared to the first quarter of 2002 was a result of the major shutdown for repair of Autoclave #2 during the first three months of 2002 and governmental mandated power restrictions. During the first quarter of 2003 the #1 autoclave was shut down for one and a half month for planned major maintenance resulting in a monthly production rate lower than the annualized production rate of 105,000 ounces of gold forecast for 2003. The 2003 operating plan for Sao Bento reflects the shutdown of Autoclave #1 for major maintenance during the first quarter. This maintenance was completed in the quarter on time and within budget. With the maintenance rebuild complete of autoclave #1 both autoclaves are now operating at normal capacity and the Company continues to forecast production of 105,000 ounces of gold at cash cost of \$190/oz. for 2003.

On April 2, 2003 the Company announced the shaft deepening at the Sao Bento Mine. The preparation of the shaft deepening is expected to commence in the second quarter of 2003 with the deepened shaft to be commissioned in December 2004. The 5.2 meter diameter concrete lined shaft will be deepened by approximately 370 meters at an approximate cost of \$12,000. The shaft deepening will provide a bottom working elevation approximately 1,300 meters below surface at the Mine's 28th level. The capital required to complete the shaft will be provided by internally generated cash flow from the Sao Bento Mine.

Thousands of U.S. dollars except share amounts

	1st Quarter 2003	1st Quarter 2002
Gold Revenue	\$ 9,166	\$ 4,996
Net Income (loss)	\$ 2,593	\$ (293)
Net Income per share (loss)	\$ 0.01	\$ -
Cash Flow from operations	\$ 1,202	\$ 677

Interest and other income decreased by \$877 over the first quarter of 2002, as a result of recording \$1,058 of cash received from the autoclave business interruption insurance claim in 2002 offset by higher interest income in 2003.

Management Discussion and Analysis

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

Production São Bento Mine

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

	2003	2002
	1st Quarter	1st Quarter
Gold Production		
Ounces	21,831	16,963
Cash Operating Cost (\$/oz)	215	166
Total Cash Cost (\$/oz)	222	171
Total Production Cost (\$/oz)	330	310
Sao Bento Mine, Brazil		
Ounces	21,831	16,963
Ore tonnes	92,104	89,342
Grade (grams/tonne)	9.55	9.85
Cash Operating Cost (\$/oz)	215	166
Total Cash Cost (\$/oz)	222	171
Total Production Cost (\$/oz)	330	310
Gold Sold		
Ounces	23,854	13,792
Realized Price (\$/oz)	356	292

Gold production in the first quarter of 2003 for the São Bento mine was 21,831 ounces. This compares to first quarter 2002 gold production at São Bento of 16,963 ounces, when the #2 autoclave was down for repair. Production in the first quarter of 2003 was lower than usual (but still higher than first quarter of 2002) as a result of the scheduled shut down the #1 autoclave for the inspection and repair of the internal lining. The #1 autoclave was shut down from January 27 to March 12, 2003. The Company continues to forecast production of 105,000 ounces at cash costs of \$190/oz in 2003.

In the first quarter of 2003 São Bento mined 92,104 tonnes of ore at a grade of 9.55 grams per tonne. This compares to 89,342 tonnes of ore in the first quarter of 2002 at a grade of 9.85 grams per tonne. Of the 92,104 tons of ore mined in the quarter approximately 12,000 tonnes remain in above ground inventory as a result of the shut down of the #1 autoclave.

First quarter 2003 total cash costs at São Bento were \$222 per ounce compared to \$171 per ounce in 2002. Total cash costs for the first quarter of 2002 included business interruption credit of \$38/oz. The total cash cost for the first quarter of 2003 includes \$14 per ounce reduction in costs a result of increase in ore inventory at the mine site. The increase in ore inventory is the result of shutting down the #1 autoclave for repair of the internal lining while continuing to operate the mine a full production thereby building an ore stockpile ahead of the processing plant. Since both autoclaves are now operating at full capacity the ore stockpile will be processed over the next quarter.

Management Discussion and Analysis

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

Consolidated Gold Production Cost per Ounce

	1st Quarter 2003	1st Quarter 2002
Direct mining expenses	\$ 219	\$ 253
Inventory change	(14)	(58)
Third party smelting, refining and transportation	5	4
Vancouver Costs	5	5
By-product credits	-	-
Business Interruption credit	-	(38)
Cash operating cost per ounce	<u>\$ 215</u>	<u>\$ 166</u>
Royalties and Production taxes	7	5
Total cash costs per ounce	<u>\$ 222</u>	<u>\$ 171</u>
Depreciation/Depletion	113	133
Exchange (Gain)/ Loss	(5)	6
Reclamation and mine closure	-	-
Total production costs per ounce	<u>\$ 330</u>	<u>\$ 310</u>

Kisladag

During the first quarter of 2003, \$733 was spent on the Kisladag project. On April 2, 2003 the Company announced the positive results of the Kisladag Feasibility Study prepared by Hatch Associates, Vancouver. Kisladag is planned as a 15 year open pit heap leach gold mine constructed and operated in two phases with Phase I to be 4 years at 5,000,000 tonnes per year and Phase II expanding up to 10,000,000 tonnes per year. Phase I average annual production is expected to be 143,000 ounces and Phase II average annual production expected to increase to 230,000 ounces. Phase I initial capital and working capital expenditures is budgeted at \$56,700. Phase II expansion capital is budgeted at \$39,400. Sustaining capital is estimated at \$37,200. The cash costs are expected to be \$152 per ounce over the life of the mine.

Financial Condition and Liquidity

Cash flow from operating activities

Operations after changes in working capital generated cash flow of \$1,202 in the first quarter of 2003 compared to \$677 in the first quarter 2002.

Cash flow from investing activities

Investing activities were \$2,705 in the first quarter of 2003 compared to \$2,311 in the first quarter 2002. Decrease in cash during the first quarter 2003 was mainly on property, plant and equipment of \$1,906 of which \$1,862 related to Sao Bento Capex and \$795 on mineral properties and deferred development of which \$733 related to the Kisladag Project.

Cash flow from financing activities

Financing activities were \$3,003 in the first quarter of 2003 compared to \$6,255 in the first quarter 2002. Increase in cash during the first quarter 2003 was from the exercise of employee stock options of \$244 and warrants of \$2,813 offset by an under accrual of \$54 in share issue costs on the December 23, 2002 financing.

Risk Factors

Gold Price Volatility

The profitability of the Company's operations is significantly affected by changes in the gold price. The gold price can fluctuate widely and is affected by numerous factors beyond the Company's control, including industrial and jewellery demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or economical events, and production and cost levels in major gold-producing regions such as South Africa. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities. The supply of gold consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. As the amounts produced in any single year constitute a small portion of the total potential supply of gold, typical variations in current production do not necessarily have a significant impact on the supply of gold or its price.

Management Discussion and Analysis

1st Quarter ended March 31, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

Impact of Hedging Activities

Hedging activities are intended to protect the Company from the fluctuations of the price of gold and to minimise the effect of declines in gold prices on results of operations for a period of time. Although hedging activities may protect a company against low gold prices, they may also limit the price that can be realized on gold that is subject to forward sales and call options where the market price of gold exceeds the gold price in a forward sale or call option contract. Currently the Company has no gold hedges.

Reserve and Resource Estimates

The proven and probable reserve figures set forth by the Company are estimates, and there is no certainty that the indicated levels of gold production will be realized. Reserve estimates may require revision based on various factors such as actual production experience, market price fluctuations of gold, production costs or recovery rates. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Certain reserve and resource estimates included herein were made before NI 43-101 came into force and may vary materially from estimates made in accordance with NI 43-101.

Production Estimates

Estimates of future production for the São Bento Mine and for the Company as a whole are derived from the Company's five-year mining plans. The plans are developed based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed previously, actual ore mined varying from estimates in grade and metallurgical and other characteristics, mining dilution, pit wall failures or cave-ins, strikes and other actions by labour at unionized locations, restrictions imposed by government agencies and other factors. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors (including, in some instances, feasibility studies prepared by Company personnel and/or outside consultants) but it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated. It is not unusual in new mining operations to experience unexpected problems during the start-up phase. Delays often can occur in the commencement of production.

Risk of Sovereign Investments

Virtually all of the Company's activities and investments are located in foreign countries. The Company's material foreign investments include operations in Brazil and exploration and development projects in Brazil and Turkey.

These investments are subject to the risks normally associated with conducting business in foreign countries. Some of these risks are more prevalent in countries which are less developed or have emerging economies, including uncertain political and economical environments, as well as risks of war and civil disturbances or other risks which may limit or disrupt a project, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or appropriation without fair compensation, risk of adverse changes in laws or policies of particular countries, increases in foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, limitations on ownership and repatriation of earnings and foreign exchange controls and currency devaluations. Although the Company is not currently experiencing any significant or extraordinary problems in foreign countries arising from such risks, there can be no assurance that such problems will not arise in the future.

In the countries where the Company has operations or conducts exploration activities, the mineral rights or certain portions of such rights are owned by the relevant governments. Such governments have entered into contracts with the Company and its subsidiaries, or granted permits or concessions that enable them to conduct operations or development and exploration activities on such lands. Notwithstanding such arrangements, the Company's ability to conduct its operations or development and exploration activities on such lands is subject to changes in government policy over which the Company has no control. If such a change were to occur that affected the right of the Company or any of its subsidiaries to conduct operations or development and exploration activities, it could have a material adverse effect on the results of the Company's operations.

Mining/Operations Risks

The business of gold mining is subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and gold recovery, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions, and other acts of God or unfavourable operating conditions and bullion losses. Such risks could result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, loss of key employees, environmental damage, delays in mining, monetary losses and possible legal liability.

Outlook

The Company is forecasting to produce 105,000 ounces of gold at cash cost of \$190 per ounce for 2003 from our Sao Bento Mine. We are completing the detailed engineering for a shaft-deepening project at the Sao Bento Mine with planned construction beginning in the second quarter of 2003. The projected cost for the shaft deepening is planned at \$12,000. Construction is planned to occur over an 18-month period with completion planned for the fourth quarter of 2004.

The Environmental Impact Assessment ("EIA") for the Kisladag project has been submitted to the Turkish governments for review. The Company is forecasting approval of the EIA and issuance of the positive certificate early in the 3rd quarter of 2003. The bankable feasibility study has been completed for the Kisladag project and financing of the project is planned to be completed in the 3rd quarter of 2003. We are planning to begin construction of the Kisladag mine in the 4th quarter of 2003.

