MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 31 DECEMBER 2010

The following discussion and analysis, prepared as at 15 March 2011, is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of European Goldfields Limited (the "**Company**"). The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2010 and 2009 and accompanying notes (the "**Consolidated Financial Statements**").

Additional information relating to the Company, including the Company's Annual Information Form, is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Except as otherwise noted, all dollar amounts in the following discussion and analysis and the Consolidated Financial Statements are stated in thousands of United States dollars.

Overview

The Company, a company incorporated under the *Yukon Business Corporations Act*, is a resource company involved in the acquisition, exploration and development of mineral properties in Greece, Romania and South-East Europe. The Company's Common Shares are listed on the AIM Market of London Stock Exchange plc and on the Toronto Stock Exchange ("**TSX**") under the symbol "**EGU**".

European Goldfields is a developer-producer with globally significant gold reserves located within the European Union. The Company generates cash flow from its 95% owned Stratoni operation, a high grade lead/zinc/silver mine in North-Eastern Greece. European Goldfields will evolve into a mid tier producer through responsible development of its project pipeline of gold and base metal deposits at Skouries and Olympias in Greece and Certej in Romania. The Company plans future growth through development of its highly prospective exploration portfolio in Greece, Romania and Turkey.

Cautionary statement on forward-looking information

Certain statements and information contained in this document, including any information as to the Company's future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute forward-looking information under provisions of Canadian provincial securities laws. When used in this document, the words "anticipate", "expect", "will", "intend", "estimate", "forecast", "planned" and similar expressions are intended to identify forward-looking statements or information. Forward-looking statements include, but are not limited to, the estimation of mineral reserves and mineral resources, the timing and amount of estimated future production, costs and timing of development of new deposits, permitting time lines and expectations regarding metal recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: global economic conditions, share price volatility, future issuances of Company securities, the fact that the Company has never paid cash dividends, legislative, political, social or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with exploration, mining or development activities; uncertainty of mineral reserves, mineral resources, grades and recovery estimates; uncertainty of future production; capital expenditures and other costs; financing and additional capital requirements; the risks normally involved in the exploration, development and mining business; ; the speculative nature of gold and base metals exploration and development, including the risks of diminishing quantities or grades of mineral reserves; changes in the price of gold, base metals or certain other commodities (such as fuel and electricity) and currencies; risks associated with the acquisition of mineral properties; currency fluctuations; the fact that the Company currently has negative cash flow and operating results; counterparty credit risk; the successful and timely permitting of the Company's Skouries, Olympias and Certej projects; title matters; environmental and other regulatory requirements; the risks associated with health, safety and community relations matters; tax residency; dependence on key management; competition in the mining industry; conflicts of interest and related party transactions; legal proceedings; the fact that substantially all of the assets of the Company are located outside Canada; labour laws and unions; the carrying value of property and the fact the Company currently sells all of its production to a single offtaker. For a more detailed discussion of such risks and material factors or assumptions underlying these forward-looking statements, see information under the heading "Risk Factors". The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

RESULTS OF OPERATIONS

The Company's results of operations for the year and three-month period ended 31 December 2010 were comprised primarily of activities related to the results of operations of the Company's 95%-owned subsidiary Hellas Gold in Greece and the Company's exploration and development programmes in Romania and Turkey.

GREECE SUMMARY

EIS – Public consultation concluded with unanimous support – In December, the Company was pleased to announce that the public consultation process for the development of the Project concluded with unanimous support from the local Prefectural Council for the Environmental Impact Study ("**EIS**"). This was the conclusion of the formal public consultation process as required by law. The endorsement of the Prefectural Council was sent to the Ministry of Environment, Energy and Climate Change for its final approval of the EIS.

The Project consists of:

A. Continuation of operations at the Mavres Petres deposit of the Stratoni Mine.

B. The next stages of the Olympias project, namely the mining and processing of ore and metallurgical treatment of the concentrate, in accordance with the business plan as originally submitted. This includes the reprocessing of previously mined tailings.

C. The development of mining and processing at the Skouries project; and

D. The expansion of port facilities at Stratoni in service of the above projects' operations.

Project Finance – Mandate for $300m Hellas Gold debt financing signed – The Company has signed a mandate letter with a group of financial institutions (collectively, the "**MLAs**") to arrange a US$300 million secured term and revolving facility for its Greek subsidiary Hellas Gold SA ("**Hellas Gold**"). The Facility will be used to fund the development of the Skouries open pit and associated processing facilities, the Olympias concentrator and underground mine refurbishment and general corporate purposes.

The mandate letter has been signed on the basis of a term sheet which has been agreed between the Company and the MLAs, each of which has received approval to proceed with the mandate through their respective initial credit processes. The terms of the facility include no gold or silver hedging requirement and a scheduled tenor of seven years. Since the year end, two additional banks have received initial approvals to join the facility. SRK has also been appointed to undertake technical due diligence on behalf of the MLAs and has recently visited site in that capacity.

Skouries Project – European Goldfields in conjunction with URS/Scott Wilson Mining have undertaken a new National Instrument 43-101 technical study to revise the Resources and Reserves in line with current metal prices and operating and capital costs. The update will be in line with the EIS documentation currently being evaluated by the Greek authorities.

The final phase of the basic engineering of the process plant by Greek engineering group, Enoia, is effectively complete and detailed tender packages to carry out the civil engineering work have been prepared.

Olympias Project – Hellas Gold has fully depleted the surface stockpile of pyrite gold concentrate at Olympias. Sales of Olympias gold concentrate will resume once Hellas Gold receives the permits to process 2.4Mt of stockpiled tailings arising from the previous operations at Olympias and when plant rehabilitation is completed. The sales of pyrite concentrates over the past 8 quarters were as follows:

Sale of Gold-Bearing Concentrates from Existing Stockpile (100% basis)								
	2010 Q4	**2010 Q3**	**2010 Q2**	**2010 Q1**	**2009 Q4**	**2009 Q3**	**2009 Q2**	**2009 Q1**
Sales								
Gold concentrate (dmt)	Nil	Nil	Nil	Nil	34,182	21,734	32,134	26,832

Olympias mine and plant rehabilitation in progress – In preparation for tailings reprocessing to produce pyrite arsenopyrite gold rich concentrate, repair work to the concentrator building and plant is nearing completion. A mechanical and electrical audit of the plant has been carried out and the necessary purchase orders prepared ready for placement. Production of the pyrite arsenopyrite gold rich concentrate is scheduled to commence later in 2011.

The refurbishment and enlargement of the mine access decline has also progressed in preparation for the commencement of extending the mine development to allow ore production once the reclamation of tailings is finished.

The Company is currently working toward updating the resources and reserves for Olympias. The update will reflect current metal prices as well as updating operating and capital costs and be in line with the EIS documentation currently being evaluated by the Greek authorities.

Stratoni operations – The Company's cash flow positive mining operations at Stratoni continue to demonstrate European Goldfields' permitting and environmental capabilities and commitment to high levels of social responsibility. The Company's 95% owned subsidiary Hellas Gold mined a total of 235,674 wet tonnes in 2010 (2009 – 231,397) and completed 35 shipments for the year (2009 – 26). Hellas Gold's results from its operations at Stratoni for the eight most recently completed quarters are summarised in the following table:

Operational results (100% basis)								
	2010 Q4	**2010 Q3**	**2010 Q2**	**2010 Q1**	**2009 Q4**	**2009 Q3**	**2009 Q2**	**2009 Q1**
Inventory (start of period)								
Ore mined (wet tonnes)	9,074	16,392	14,089	1	8,097	2,293	4,010	1,778
Zinc concentrate (tonnes)	4,143	2,663	2,839	2,817	583	25	621	2,975
Lead/silver concentrate (tonnes)	2,841	902	1,105	824	857	2,090	1,393	488
Production								
Ore mined (wet tonnes)	53,474	54,093	64,813	63,294	57,247	57,235	60,023	56,892
Ore milled (tonnes)	60,356	59,938	60,663	47,701	63,345	50,167	60,287	52,984
- Average grade: Zinc (%)	10.00	9.28	8.91	9.90	8.64	9.10	8.87	7.85
Lead (%)	5.81	6.00	5.58	6.24	5.40	5.18	5.56	6.42
Silver (g/t)	152	157	145	159	140	133	141	166
Zinc concentrate (tonnes)	11,339	10,298	10,103	8,852	10,572	8,495	9,975	7,932
- Containing: Zinc (tonnes)	5,577	5,123	4,942	4,334	5,080	4,248	4,971	3,827
Lead concentrate (tonnes)	4,526	4,630	4,479	4,040	4,684	3,503	4,483	4,667
- Containing: Lead (tonnes)	3,238	3,307	3,092	2,727	3,143	2,376	3,060	3,129
Silver (oz)	245,511	249,717	233,760	203,914	236,621	177,650	230,106	240,366
Sales								
Zinc concentrate (tonnes)	12,965	8,818	10,279	8,830	8,338	7,937	10,571	10,286
- Containing payable: Zinc (tonnes)*	5,378	3,672	4,159	3,633	3,380	3,325	4,427	4,144
Lead concentrate (tonnes)	5,627	2,691	4,682	3,759	4,717	4,736	3,786	3,762
- Containing payable: Lead (tonnes)*	3,819	1,798	3,071	2,385	3,030	3,042	2,448	2,347
Silver (oz)*	290,961	135,361	232,212	178,184	227,661	228,574	183,452	183,504
Cash operating cost per tonne milled ($)	155	153	141	151	173	165	144	156
Cash operating cost per tonne milled (€)	114	119	110	110	117	116	106	119
Inventory (end of period)								
Ore mined (wet tonnes)	24	9,074	16,392	14,089	1	8,097	2,293	4,010
Zinc concentrate (tonnes)	2517	4,143	2,663	2,839	2,817	583	25	621
Lead/silver concentrate (tonnes)	1,740	2,841	902	1,105	824	857	2,090	1,393

* Net of smelter payable deductions

Production from the underground mine was higher than scheduled for 2010. The processing plant continued to perform well in terms of throughput, recovery and concentrate quality. In financial terms, the Stratoni operation had its best performance in Q4 2010 since 2007, generating earnings before interest, taxation, depreciation and amortisation ("EBITDA") of $5.92 million in the quarter, and $13.0 million for the year.

ROMANIA SUMMARY

Public consultation underway – Following submission of the EIS for the Company's Certej Project in Romania the final public consultation will take place in April and will be conducted in accordance with EU Directives and Conventions and Romanian Law. Upon the satisfactory conclusion of this final public consultation process, the environmental authorities will re-convene the Technical Analysis Committee to confirm the decision regarding the issuance of the environmental permit.

The final public consultation follows confirmation from the Romanian Authorities that the EIS complies with all Romanian legislation, both from a technical and legal perspective. Notably the Company recently received approval from CONSIB (the National Committee for Large Embankments), a specialist committee constituted under the Ministry of Environment, for the design of the Tailings Management Facilities for the Certej project.

Certej Implementation Strategy Underway – The Certej Project team has finalised the procurement and implementation strategy for the process plant, which divides the flow sheet into three discrete sections: Minerals Processing, Albion oxidation and gold recovery. Invitations to bid have been prepared on this basis for the provision of the equipment and specialist engineering services. Major international equipment companies have already been engaged in a pre-qualification exercise and have confirmed their intention to bid on this basis. As part of their technical due diligence for the project lenders, SRK have reviewed the Company's implementation strategy and is satisfied with its progress to date.

It is also planned that the civil engineering and earth moving works will be awarded to a single contractor to cover the initial construction of the tailings facilities and the preparation of the plant, dump and stockpile areas. Corresponding engineering design work is effectively complete by Cepromin for the Technical Project report, which is a key requirement under Romanian legislation in order to obtain the Construction Permit. Pre-qualification documentation is being prepared to allow early engagement with suitable contracting groups.

Final geotechnical site investigation including drilling and associated engineering studies for the process plant, tailings management facilities and open pits have been completed by the Company in cooperation with Golder Associates UK.

As part of the ongoing preparation for site establishment and mobilisation activities, the project team has identified the critical path items to establish site access. These will be prioritised as soon as site preparation can commence.

Project Finance – During 2010, the Company significantly advanced the credit committed US$135 million financing package to part fund the development costs of the Certej gold-silver Project in Romania, through legal documentation and technical, environmental and social due diligence . The structure of the financing package consists of an eight year US$120 million secured limited recourse debt facility and a US$15 million secured equipment lease facility. The commitments are on the basis of detailed term sheets which have been agreed with the Company and a Technical, Environmental and Social Audit of the Project conducted by SRK Consulting on behalf of the banks. The terms of the facility include no hedging that limits upside exposure of shareholders to gold prices.

GROUP EXPLORATION UPDATE

The Board of Directors has approved a group-wide, results driven exploration budget of US$15 million for 2011.

Greece – Work has focused on the Piavitsa prospect, which historic drilling has shown to be an Olympias look-alike target with high grade polymetallic mineralisation in massive sulphides. New sampling of previously drilled core has confirmed that the previously identified high grade massive sulphide mineralisation occurs within a lower grade halo. Further drilling is planned in 2011 with the objective of delineating a preliminary resource on this target. Soil geochemical samples have also been taken and these have confirmed extensions to the known Piavitsa mineralisation, indicated by conductive units which were revealed by an airborne geophysical survey. The extension targets will also be drill tested in 2011.

Romania – Four exploration boreholes were drilled to test potential gold mineralisation that is close to, but currently outside, the planned Certej open pit footprint. Significant assay results include 17m grading 3.40 g/t gold and 3.76 g/t silver west of the open pit and 16m grading 2.24 g/t gold and 2.94 g/t silver northwest of the pit. Further drilling and trenching is planned in early 2011.

A new exploration survey located 12km northwest of Certej, within the vicinity of an historic gold mining area, has identified a number of significant anomalies, supported by ground geophysics soil geochemistry and mapping. The anomalies potentially represent previously undiscovered extensions to zones of gold mineralisation. Preparations are currently being made to drill the most significant anomalies in 2011.

Turkey – Exploration has focused on three targets: the Salinbas Gold Zone, the Ardala copper-gold porphyry within the Ariana joint venture and the Derinkoy gold target in the Aldridge Minerals joint venture. Regional sampling aimed at selecting other targets for licence applications has also continued across the Pontide region. Results from the trenching and initial drilling programme in Turkey have been highly encouraging and continued drilling is expected to yield further results in the coming months

SUMMARY OF FINANCIAL RESULTS

Stratoni operations

The Stratoni mine's financial results for the eight most recently completed quarters are summarised in the following table:

Financial performance (100% basis)								
	2010	2010	2010	2010	2009	2009	2009	2009
(in thousands of US dollars)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	18,217	9,204	12,017	11,134	13,656	11,500	9,472	4,935
EBITDA	5,921	1,766	2,290	3,018	2,601	1,315	305	(3,025)
Gross profit	3,499	336	320	1,378	1,196	(449)	(1,561)	(4,345)
Capital expenditure	483	1,417	1,336	287	2,053	596	2,793	4,214
Depreciation and depletion	2,422	1,430	1,970	1,640	1,405	1,764	1,866	1,320

Base metal prices had a relatively stable trend throughout 2010 with both lead and zinc maintaining price levels above $2,000 per tonne apart from a short period in the middle of the year. This translated into increased base metal revenues across the year compared to 2009 and allowed the Stratoni operation to maintain improved EBITDA through the year, ending the year in Q4 2010 with the best quarterly EBITDA performance since 2007.

Reconciliation of Stratoni revenues – 2010				
(in thousands of US dollars unless stated otherwise)	Zinc	Lead	Silver	Total
Payable metal	16,843t	11,073t	836,718oz	n/a
Realised price	$2,150t	$2,147t	$8.27oz	n/a
Payable metal revenue	36,206	23,769	6,916	66,891
TC/RCs	(12,020)	(2,725)	(724)	(15,469)
Transport recoveries/(charges)	137	8	-	145
Net revenue	24,323	21,052	6,192	51,567
Prior period revenue adjustments	(264)	(543)	(188)	(995)
Total revenue	24,059	20,509	6,004	50,572

Reconciliation of Stratoni revenues – 2009				
(in thousands of US dollars unless stated otherwise)	Zinc	Lead	Silver	Total
Payable metal	15,276t	10,867t	823,191oz	n/a
Realised price	$1,656t	$1,890t	$8.06oz	n/a
Payable metal revenue	25,294	20,542	6,632	52,468
TC/RCs	(10,085)	(2,771)	(631)	(13,487)
Transport recoveries/(charges)	181	(140)	-	41
Net revenue	15,390	17,631	6,001	39,022
Prior period revenue adjustments	171	402	(32)	541
Total revenue	15,561	18,033	5,969	39,563

For the full year 2010, total revenues from base metal concentrate sales increased 28% compared to 2009 as a result of higher payable metal sales volumes, along with higher average zinc and lead prices being realised. Payable zinc and lead in concentrate sales increased 10% and 2% respectively, as a result of higher mine production and improved grades in 2010 compared to 2009. Realised zinc prices were $2,150 per tonne for 2010, an increase of 30%, whilst realized lead prices were $2,147 for the same period, an increase of 14% compared to 2009. Net smelter returns ("NSRs") in zinc increased with lead NSRs staying at similar levels in 2010 compared to 2009.

Reconciliation of Stratoni revenues – Q4 2010				
(in thousands of US dollars unless stated otherwise)	**Zinc**	**Lead**	**Silver**	**Total**
Payable metal	5,378t	3,819t	290,961oz	n/a
Realised price	$2,282t	$2,404t	$8.32oz	n/a
Payable metal revenue	12,270	9,179	2,421	23,870
TC/RCs	(4,011)	(1,080)	(233)	(5,324)
Transport recoveries/(charges)	30	-	-	30
Net revenue	8,289	8,099	2,188	18,576
Prior quarter revenue adjustments	63	(340)	(82)	(359)
Total revenue	8,352	7,759	2,106	18,217

Reconciliation of Stratoni revenues – Q4 2009				
(in thousands of US dollars unless stated otherwise)	**Zinc**	**Lead**	**Silver**	**Total**
Payable metal	3,380t	3,030t	227,661oz	n/a
Realised price	$2,291t	$2,380t	$8.25oz	n/a
Payable metal revenue	7,745	7,211	1,879	16,835
TC/RCs	(2,389)	(810)	(210)	(3,409)
Transport recoveries/(charges)	19	-	-	19
Net revenue	5,375	6,401	1,669	13,445
Prior quarter revenue adjustments	228	(2)	(15)	211
Total revenue	5,603	6,399	1,654	13,656

Total quarterly base metal revenues from concentrate sales increased year on year by 33% as a result of higher concentrate and payable metal sales volumes enhanced by sales from concentrate inventories. Thus, payable zinc increased 59%, payable lead and silver both increased 26% and 28% in Q4 2010 compared to the comparative quarter in the prior year. Realised prices in Q4 2010 for zinc were $2,282 per tonne, down 0.4%, and for lead $2,404 per tonne, up 1% compared to Q4 2009. Prior quarter revenue adjustments yielded a small negative impact for Q4 2010, reflecting routine final adjustments on concentrate sales from the end of Q3 2010.

Olympias project

Hellas Gold completed the final shipments of Olympias gold bearing concentrates from the surface concentrate stockpile in 2009, thereby depleting the surface concentrate stockpile reserve. Therefore, no sales were made in 2010, compared to positive revenues of $23.15 million in 2009. The amounts shown in 2010 reflect final pricing adjustments from certain historic shipments.

Financial performance (100% basis)								
	2010	**2010**	**2010**	**2010**	**2009**	**2009**	**2009**	**2009**
(in thousands of US dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Sales	30	Nil	(48)	(699)	5,073	5,537	6,732	5,807
Gross profit	30	Nil	(48)	(699)	4,067	4,012	4,747	4,003
Depreciation and depletion	Nil	Nil	Nil	Nil	196	124	184	153

Consolidated results

The Company's statements of profit and loss for the eight most recently completed quarters are summarised in the following table:

	Financial performance							
	2010	2010	2010	2010	2009	2009	2009	2009
(in thousands of US dollars,	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
except per share amounts)	$	$	$	$	$	$	$	$
Statement of Profit and Loss								
Sales	18,247	9,204	11,969	10,435	18,729	17,037	16,204	10,742
Cost of sales	14,718	8,868	11,697	9,756	13,466	13,474	13,018	11,084
Gross profit	3,529	336	272	679	5,263	3,563	3,186	(342)
Interest income	144	65	35	62	(163)	147	133	508
Foreign exchange gain/(loss)	(1,460)	6,930	(10,354)	1,563	88	(501)	1,719	(2,882)
Hedge contract profit	-	183	394	-	373	1,030	1,801	2,417
Share of profit/(loss) in associate	(20)	(9)	39	-	(3)	(187)	18	60
Expenses	15,688	10,251	10,941	8,128	11,251	5,384	4,204	3,740
Profit/(loss) before income taxes	(13,495)	(2,746)	(20,555)	(5,824)	(5,693)	(1,332)	2,653	(3,979)
Income taxes	(3,086)	960	1,941	(438)	(991)	(1,847)	(1,078)	540
Profit/(loss) after income taxes	(16,581)	(1,786)	(18,614)	(6,262)	(6,684)	(3,179)	1,575	(3,439)
Non-controlling interest	31	141	341	(77)	(159)	56	(136)	183
Profit/(loss) for the period	(16,550)	(1,645)	(18,273)	(6,339)	(6,843)	(3,123)	1,439	(3,256)
Earnings/(loss) per share	(0.09)	(0.01)	(0.10)	(0.03)	(0.04)	(0.02)	0.01	(0.02)

Selected financial information

The Company's financial results for the years ended 31 December 2010, 2009 and 2008, and the three-month periods ended 31 December 2010 and 2009 are summarised in the following table:

	Years ended 31 December			Three-months ended 31 December	
(in thousands of US dollars,	2010	2009	2008	2010	2009
except per share amounts)	$	$	$	$	$
Statement of Profit and Loss					
Sales	49,855	62,712	60,044	18,246	18,729
Cost of sales	45,039	51,042	54,397	14,718	13,466
Gross profit	4,816	11,670	5,647	3,529	5,263
Interest Income	306	625	5,729	144	(163)
Foreign exchange gain/(loss)	(3,321)	(1,576)	(6,406)	(1,460)	88
Hedge contract profit	577	5,621	4,918	-	373
Share of profit/(loss) in associate	10	(112)	(105)	(20)	(3)
Expenses	45,008	24,579	21,382	15,688	11,251
Profit/(loss) before income taxes	(42,620)	(8,351)	(11,599)	(13,495)	(5,693)
Income taxes	(623)	(3,376)	16,639	(3,086)	(991)
Profit/(loss) after income taxes	(43,243)	(11,727)	5,040	(16,581)	(6,684)
Non-controlling interest	436	(56)	479	31	(159)
Profit/(loss)for the period attributable	(42,807)	(11,783)	5,519	(16,550)	(6,843)
Earnings/(loss) per share	(0.23)	(0.07)	0.03	(0.09)	(0.04)
Balance sheet (end of period)					
Working capital	79,635	146,799	192,675	79,635	146,799
Total assets	718,813	744,100	766,095	718,813	744,100
Non current liabilities	149,918	147,463	155,727	149,918	147,463
Statement of cash flows					
Deferred exploration and development costs – Romania	5,377	5,478	6,096	1,131	1,310
Plant and equipment – Greece	27,534	37,153	26,181	17,631	4,101
Deferred development costs – Greece	3,426	2,096	2,489	1,463	745

For the year ended 31 December 2010, gross profit has decreased and net loss before tax has increased over the same period in 2009 primarily because 2010 did not benefit from any shipments of Olympias gold bearing concentrates. While, the Stratoni mine's revenue performance improved as described above, this was not enough to offset the fall in gold revenues. The Company's 2010 lead hedging programme expired at the end of December 2010 and generated income of $0.58 million during the year. This has been replaced by a new lead and zinc hedging programme for 2011. Working capital declined as the Company continued its capital expenditure programmes at its operating mine and development projects, but the Company's balance sheet remains strong.

The Company recorded a loss before taxes of $42.62 million for the year ended 31 December 2010, compared to a loss before taxes of $8.35 million for the same period of 2009. The Company recorded a net loss (after taxes and non-controlling interest) of $42.81 million ($0.23 loss per share) for the year ended 31 December 2010, compared to a net loss of $11.78 million ($0.07 loss per share) for the same period of 2009. This twelve month performance was impacted by the lack of Olympias gold concentrate sales, lower hedge income, lower interest rates and income tax credits, higher foreign exchange losses and other operating costs, offset by strong Stratoni concentrate sales and higher average realised metal prices, as described below.

The Company recorded a loss before taxes of $13.50 million for the three-month period ended 31 December 2010, compared to a loss before taxes of $5.69 million for the same period of 2009. The Company recorded a net loss (after taxes and non-controlling interest) of $16.55 million ($0.09 loss per share) for the three-month period ended 31 December 2010, compared to a net loss of $6.84 million ($0.04 loss per share) for the same period of 2009. For the three month performance, improved base metal sales could not replace lost gold concentrate sales, which combined with higher other expenses and foreign exchange losses, lower hedging and interest income, to result in lower levels of gross profits and higher pre-tax losses.

In more detail, the following factors have contributed to the above:

- Most importantly, with the pyrite stockpile fully depleted, the Company's gold concentrate business has been suspended until the retreatment of the tailings dump at Olympias can begin. The sale of gold concentrates has been a more significant profit driver for the Company than the base metals business for the past two years. Therefore, in the three and twelve-month periods ended 31 December 2010, Hellas Gold sold a total of Nil tonnes of gold bearing pyrite concentrates from Olympias, compared to 34,182 tonnes and 114,882 tonnes respectively in the three and twelve months to 31 December 2009.

- A positive market for base metal prices in the three-month period ended 31 December 2010 meant that lead and zinc prices were both higher than lead and zinc price levels during Q4 2009. In the three-month period ended 31 December 2010, zinc averaged $2,333 per tonne and lead $2,406 per tonne compared to $2,241 per tonne and $2,313 per tonne respectively for the same period in 2009. The Stratoni mine was operating at slightly lower mining levels in the fourth quarter of 2010 than in the same period of 2009, with mine production decreasing 7%, and mill processing decreasing 5% respectively. However, both ROM and concentrate stockpile utilisations allowed payable metal sales in 2010 to increase, yielding payable zinc of 5,378 tonnes, a 59% increase over the same period in 2009, and payable lead of 3,819 tonnes, an increase of 26%. Following these changes in realized prices and sales volumes, revenues from payable zinc in Q4 2010 increased 49% compared to Q4 2009, and revenues from payable lead increased 21% over the same period.

- A different market for base metal prices was seen during the year ended December 2010 compared to the same period in 2009: lead and zinc metal prices traded above $2,000 per tonne for the bulk of 2010, only dipping down below that level around June and July 2010. However, 2009 represented a recovery period in both metals from a low base, with substantial gains being realised during that year. Thus, in the year ended December 2010, zinc averaged $2,185 per tonne and lead $2,171 per tonne compared to $1,689 per tonne and $1,743 per tonne respectively for the same period in 2009. The Stratoni mine was operating at slightly higher mining levels in 2010 than in the same period of 2009, with mine production increasing 2%, although mill processing only increased 1%. However, improved grades meant that tonnes of payable zinc sold in 2010 increased 10% compared to the same period 2009, and tonnes of payable lead increase of 2% over the same period. This price trend was a positive key driver for payable base metal revenues, but overall revenues decreased 21% because of the lack of gold concentrate sales in 2010 compared to the same period in 2009.

- Cost of sales of $45.04 million in 2010 and $14.72 million in Q4 2010, compared to $51.04 million and $13.47 million, respectively, for the same periods of 2009, included $7.46 million in depreciation and depletion expenses in 2010 and $2.42 million in Q4 2010, compared to $7.01 million for the same period of 2009 and $1.60 million in Q4 2009. In 2010, Stratoni costs of production fell by $1.90 million driven mainly by lower US dollar unit operating costs, and concentrate transport costs were $5.07 million lower, resulting primarily from the lack of gold concentrate sales in 2010; amortization and depreciation were $0.45 million higher in 2010 and decreases to inventory increased costs of sales by $0.51 million. For the quarter ended 31 December 2010 compared to the same period in 2009, the trends were: $1.60 million decrease in cost of production driven mainly by lower production cost, $0.73 million lower transport costs, $0.82 million higher amortization and depreciation, and a

lower transfer of cost to inventory of $2.76 million. A detailed reconciliation of cost of sales to cash unit production costs in Euros is included in the section Non GAAP Performance Measures below.

- As a result, the Company recorded a gross profit of $4.82 million in 2010 and $3.53 million in Q4 2010, on revenues of $49.86 million and $18.25 million, respectively, compared to a gross profit of $11.67 million in 2009 and $5.26 million in Q4 2009 on revenues of $62.71 and $18.73 million, respectively, for the same periods of 2009.

- The Company's corporate administrative and overhead expenses have increased from $7.30 million in 2009 and $4.09 million in Q4 2009 to $15.31 million and $5.91 million, respectively, for the same periods in 2010. This increase reflects the corporate build-out in preparation for the Company's projects, and includes bonus payments for the whole of 2010, along with higher employer taxes resulting from equity based compensation, and consulting and legal fees relating to the permitting processes in Greece and Romania and general corporate developments.

- The Company recorded a non-cash share-based compensation expense of $15.91 million in 2010 and $7.58 million in Q4 2010, compared to $6.53 million and $4.20 million, respectively, for the same periods of 2009. During 2010, the Company's share price increased significantly, with share price gains in excess of 100% experienced in the second half of the year. This strong share price resulted in the accelerated vesting of certain performance related equity based compensation, and a commensurate increase in the value of the deferred phantom unit ("**DPU**") liability. Thus the increased 2010 charges compared to 2009 relate mainly to this strong share price appreciation. Share-based compensation relates to options, restricted share units ("**RSUs**") and **DPUs**. Both RSUs and DPUs are valued by direct reference to the Company's share price, without the need for estimates to calculate the fair value of these instruments. RSUs are valued using the share price upon issuance, whilst DPUs are revalued to the Company's closing share price at the end of each reporting period. Options are valued using option valuation methodologies which require estimates to determine fair value. The Company continued a practice of recharging some of its equity-based compensation expense to its operating subsidiaries, a portion of which is capitalised by such subsidiaries.

- The Company recorded a foreign exchange loss of $3.32 million in 2010 and a foreign exchange loss of $1.46 million in Q4 2010, compared to a foreign exchange loss of $1.58 million in 2009 and a foreign exchange gain of $0.88 million in Q4 2009. These exchange differences arise as a result of changes in the US dollar values of Euro cash and cash equivalents held by the Company, as well as Hellas Gold's monetary assets or liabilities. Since Hellas Gold has large monetary asset positions, a strengthening US dollar tends to generate foreign exchange losses as the net Euro denominated assets are revalued downwards in US dollar terms; the reverse is true as US dollar weakens. In addition, as the Euro started to weaken at the beginning of 2010, the Company began a strategy of moving its cash holdings from the US dollar into the Euro, particularly with regards to its equity contribution for the Certej project financing. The Company now holds approximately €30 million compared to 2009 when all cash was held in US dollars.

- Hellas Gold's administrative and overhead expenses amounted to $8.29 million in 2010 and $0.60 million in Q4 2010 compared to $5.40 million and $0.74 million, respectively, for the same periods of 2009, primarily as a result of once-off costs relating to the reparation of installations and dwellings, which were damaged due to an extreme rainfall event during the first nine months of the 2010. An insurance claim has been made and may allow these costs to be recovered at a later date.

- Hellas Gold incurred an expense of $3.56 million in 2010 and $0.67 million in Q4 2010, compared to $3.39 million and $0.84 million, respectively, for the same periods of 2009, for ongoing water pumping and treatment at its non-operating mines of Olympias and Madem Lakkos backfilling, in accordance with Hellas Gold's programme of environmental management.

- The Company recorded an income taxes charge of $0.62 million in 2010 and $3.09 million charge in Q4 2010, compared to a charge of $3.38 million and a credit of $0.99 million, respectively, for the same periods of 2009. The majority of the movements relate to the write off of the future tax asset raised on the Company's subsidiary Hellas Gold's losses.

- The Company recorded a credit of $0.44 million in 2010 and a credit of $0.03 million in Q4 2010 relating to the non-controlling shareholder's interest in Hellas Gold's profit (after tax), compared to a credit of $0.06 million and a charge of $0.16 million respectively, for the same periods of 2009.

Financial instruments

Hedging commitments – The Company enters into financial transactions in the normal course of business and in line with Board guidelines for the purpose of hedging and managing its expected exposure to commodity prices. There are a number of financial institutions which offer metal hedging services and the Company deals with highly rated banks and institutions who have demonstrated long term commitment to the mining industry. The Company has one counterparty in respect of its lead and zinc hedge contracts noted below. Market conditions and prices would affect the fair value of these hedge contracts and in certain market conditions, where the fair value of the hedge contract is positive to the Company and the counterparty were unable to honour its obligations under the hedge contract, the Company would be exposed to the value of the hedge, being the difference between the hedged price and the then current market price on the date of the settlement. The hedges below are treated as cash flow hedges in accordance with CICA 3865: Hedges.

Lead and Zinc hedging contracts – As at 31 December 2010, the Company had entered into hedging arrangements as illustrated below which, for the amount of production shown, protect the Company from decreasing prices below the floor price and limit participation in increasing prices above the cap price. The period of the hedge is from 1 January 2011 until 31 December 2011 and is cash settled on a monthly basis between the monthly average of the relevant commodity price and the cap and floor price, as applicable. As at 31 December 2010, these contracts had a fair value of ($970) (2009 – ($1,064)), determined by a 3rd party valuation using the appropriate Black-Scholes options valuation model, based on the then prevailing market prices including lead and zinc prices, interest rates and market volatility.

Period January 2011 – December 2011		**Lead**	**Zinc**
Total Volume	(tonnes)	6,000	7,800
Monthly Volume	(tonnes)	500	650
Floor Price	($/tonne)	2,000	2,000
Cap Price	($/tonne)	2,900	2,800

During the year ended 31 December 2010, the Company recorded income relating to its hedging program of $577 (2009 – $5,621).

Given the current maturity profile of the hedge, market expectations and parameters, we expect that the fair value of the existing hedge contracts ($970) will be released to net income within the next 12 months.

Related parties

Aktor S.A ("Aktor") Greece's largest construction Company owns 5% of Hellas Gold the Company's 95% owned subsidiary. Aktor is a 100% subsidiary of Ellaktor S.A., which owns 19.3% of the Company's issued share capital. Aktor, which is deemed a related party, contracts management, technical and engineering services to Hellas Gold.

During the year ended 31 December 2010, Hellas Gold incurred costs of $36,213 (2009 – $33,566) which have been recognised as cost of sales in the statements of profit and loss and capitalised to property, plant and equipment, for services received from Aktor. As at 31 December 2010, Hellas Gold had accounts payable of $3,866 (2009 – $3,881) to Aktor. These expenditures were contracted in the normal course of operations and are recorded at the exchange amount agreed by the parties. The terms of the payable is 30 days (2009 – 30 days).

During the period ended 31 December 2010, the Company loaned three of its directors a total of $95 (£61), (2009 – Nil) in relation to employee withholding taxes paid by the Company on behalf of the directors. These loans, which were taken out in the context of the Company's long term incentive plan to increase directors' equity investment in the Company, are interest free and repayable by mutual agreement.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet and cash flows for the eight most recently completed quarters are summarised in the following table:

	2010	2010	2010	2010	2009	2009	2009	2009
(in thousands of US dollars,	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
except per share amounts)	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance sheet (end of period)								
Cash	57,122	82,768	84,978	101,836	113,642	124,112	142,728	153,995
Working capital	79,635	97,359	105,796	129,143	146,799	146,158	171,185	176,319
Total assets	718,813	734,252	724,581	737,871	744,100	749,870	753,196	757,206
Non current liabilities	149,918	144,512	143,971	145,520	147,463	153,882	153,544	154,882
Statement of cash flows								
Cash flows from operating activities	3,556	(945)	(4,320)	(4,275)	(5,214)	2,865	(7,733)	(2,923)
Investing activities	(27,961)	(7,329)	(7,737)	(4,251)	(6,851)	(22,793)	(6,167)	(10,674)
- Plant and equipment	(17,382)	(3,702)	(4,996)	(2,513)	(4,101)	(20,649)	(3,450)	(8,953)
- Deferred exploration and development costs	(3,122)	(2,783)	(2,741)	(1,738)	(2,440)	(2,137)	(2,600)	(1,481)
- Other	(7,457)	(844)	-	-	(310)	(7)	(117)	(240)
Financing activities	-	199	113	-	1,694	-	80	558
Effect of foreign exchange on cash	(1,241)	5,865	(4,914)	(3,280)	(99)	1,312	2,553	(3,262)
Total movement in cash	(25,646)	(2,210)	(16,858)	(11,806)	(10,470)	(18,616)	(11,267)	(16,301)

As at 31 December 2010, the Company had cash and cash equivalents of $57.12 million, compare to $113.64 million as at 31 December 2009, and working capital of $79.64 million, compared to $146.80 million as at 31 December 2009. The Company has sufficient capital for its needs until all the permits to construct its new mines are received, at which point additional capital will be required. The Company is confident that the bank debt and capital markets have sufficient liquidity to provide any additional capital it may require to bring its project portfolio into production. In this regard, the Company has progressed a financing strategy which has used bank debt to provide development capital for its projects. So far, a total of $435 million of bank debt has been arranged by the Company, including a $135 million project finance facility for its Certej project in Romania, which has underwriting commitments from a group of banks, subject to acceptable legal documentation and customary conditions precedent; and a group of banks has been appointed, to arrange a $300 million debt facility for its projects in Greece which is subject to technical, legal and environmental due diligence. The company has no off-balance sheet transactions.

The decrease in cash and cash equivalents as at 31 December 2010, compared to the balances as at 31 December 2009, resulted primarily from capital expenditure Greece $27.53 million, changes in operating cash flow before net changes in non-cash working capital $17.30 million, purchase of land $8.30 million, deferred exploration and development costs in Romania $5.38 million, the effect of foreign currency translation on cash $3.57 million, deferred exploration and development costs in Greece $3.43 million, deferred exploration costs in Turkey $1.58 million, capital equipment expenditure $1.06 million, and offset by proceeds from exercise of share options $0.31 million.

The following table sets forth the Company's contractual obligations including payments due for each of the next five years and thereafter:

			Payments due by period *(in thousands of US dollars)*		
Contractual obligations	**Total**	**Less than 1 year**	**2 – 3 years**	**4 – 5 years**	**After 5 years**
Operating lease (London office)	1,075	253	654	168	-
Operating lease (Athens office)	852	142	284	284	142
Operating lease (Certej land)	3,070	155	310	310	2,295
Outotec OT – Processing Plant	457	457	-	-	-
Total contractual obligations	5,454	1,007	1,248	762	2,437

The Company's contractual obligation with Outotec relates to the contract to supply the large technology services for its Skouries project Under this agreement, Outotec will oversee the installation of the key equipment items in the Skouries concentrator plant, and provide process guarantees which cover both plant throughput and recovery rates.

In 2011, the Company's expectations of capital expenditure are ultimately dependent upon the timing of the receipt of its final permits for its projects in both Greece and Romania. The Company expects to spend a total of $97 million in capital expenditures to fund the development of its project portfolio. This amount comprises $2 million at its existing operation at Stratoni to upgrade the mill and mining equipment, $23 million at Olympias to refurbish the mine and process plant, and $51 million at Skouries as the Company expects to finalise engineering studies and commence construction activities. At Certej, the Company expects to spend $21 million to finalise engineering studies and commence construction activities. In addition to its capital expenditure programme, the Company expects to spend $15 million in exploration over the wider licence areas in Greece, Romania and Turkey, $11 million on Hellas Gold administrative and overhead and water treatment expenses, financing costs of $16 million and $18 million on corporate administrative and overhead expenses. The Company expects to fund all costs outside the major development capital from existing cash balances and operating cash flow generated from its Hellas Gold operations.

OUTSTANDING SHARE DATA

The following represents all equity shares outstanding and the numbers of common shares into which all securities are convertible, exercisable or exchangeable:

Common shares:	183,690,818
Common share options:	6,315,331
Restricted share units:	1,832,830
Less: issued to JOE plan	(500,000)
Common shares (fully-diluted):	191,338,979
Preferred shares:	Nil

NON GAAP PERFORMANCE MEASURES

The Company uses certain performance measures in its analysis. Some of these performance measures have no meaning within Canadian GAAP and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

Cash operating cost per tonne milled is a Non-GAAP measure which the Company uses as a key performance indicator, which reflects the fact that it is a key performance measure that Stratoni mine management uses to monitor operating performance. The Stratoni ore body produces three saleable products, being zinc lead and silver. Using a measure which focuses on actual cost of the production process rather than a measurement of cost per product eliminates distortions resulting from grade mined or realised metal prices, and provides a real indication of cost management compared to tonnage processed. Management uses these statistics to assess how well the Company's producing mine is performing compared to plan and to assess overall efficiency and effectiveness of the mining operation.

The Company provides this cash cost information as it is a key performance indicator required by users of the Company's financial information in order to assess the Company's profit potential and performance relative to its peers. The cash cost figure represents the total of all cash costs directly attributable to the related mining and processing operations without the deduction of any credits in respect of by-product sales. Cash cost is not a GAAP measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers. Cash operating cost per tonne milled is a measure denominated in Euros, and therefore, when stated in US dollars, will be affected by changes in the Euro – US dollar exchange rate.

The following table reconciles cash operating cost per tonne to cost of sales as disclosed in our income statement for the most recent 8 quarters:

(in thousands of US dollars)	2010 Q4 $	2010 Q3 $	2010 Q2 $	2010 Q1 $	2009 Q4 $	2009 Q3 $	2009 Q2 $	2009 Q1 $
Milled production (dmt)	60,356	59,938	60,663	47,701	63,345	50,167	60,287	52,984
Cash operating cost per tonne milled (€)	114	119	110	110	117	116	106	119
Cash operating cost per tonne milled ($)	155	153	141	151	173	165	144	156
Cash cost of production	9,347	9,181	8,553	7,221	10,948	8,288	8,687	8,278
Movement in concentrate inventory	1,845	(2,692)	157	(109)	(916)	1,080	(175)	(1,300)
Cash cost of sales - Stratoni	11,192	6,489	8,710	7,112	10,032	9,368	8,512	6,978
Amortisation and depletion	2,422	1,430	1,970	1,640	1,601	1,888	2,050	1,473
Concentrate transport costs	1,104	840	1,126	1,004	1,833	2,218	2,666	2,423
Inventory write-down/adjustments	-	109	(109)	-	-	-	(210)	210
Cost of sales	14,718	8,868	11,697	9,756	13,466	13,474	13,018	11,084

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") is a Non-GAAP measure which the Company uses as an indicator of cash generation. For each operation, it is calculated as gross profit adjusted for all depreciation, depletion and amortisation charges as presented under Canadian GAAP.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**"), which assumes the Company will be able to realise assets and discharge liabilities in the normal course of business for the foreseeable future. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern and reflect the following critical accounting estimates.

Deferred exploration and development costs – Acquisition costs of resource properties, together with direct exploration and development costs incurred thereon, are deferred and capitalised. Upon reaching commercial production, these capitalised costs are transferred from exploration properties to producing properties on the consolidated balance sheets and are amortised into operations using the unit-of-production method over the estimated useful life of the estimated related ore reserves.

The proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involved the study of geological, geophysical and economic data and the reliance on a number of financial and technical assumptions. The estimates of the reserves may be subject to change based on new information gained subsequent to the initial assessment. This may include additional information available from continuing exploration, results from the reconciliation of actual mining and plant production data against the original reserve estimates, or the impact of economic factors such as changes in metal prices, exchange rates or the cost of components of production. A total of $2,877 for the year 31 December 2010 (2009 – $3,772) and $877 Q4 2010 (2009 – $784) was charged to the income statement in relation to depletion of mineral properties, which were subject to these estimates. If actual reserves prove to be significantly different from current estimates, a material change to amounts charged to earnings could occur. A total of $492,117 (2009 - $480,995) mineral properties, was stated on the balance sheet that are subject to these estimates now and in the future.

Long-lived assets – All long-lived assets and intangibles held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognised based on the fair value of the assets. Under Canadian GAAP, a fall in metal prices is one of a number of factors in whether long-lived assets are subject to impairment. In such circumstances, management would prepare future cash flow forecasts to establish whether any actual impairment had occurred. These estimates are based on future expectations, and a number of assumptions and judgments made by management, the same as those required for the estimation of reserves. Current metal prices do not suggest there has been any impairment on any of the Company's long-lived assets. If such an impairment were to occur, this could result in a material charge to earnings. A total of $492,117 (2009 - $480,995) of mineral properties was stated on the balance sheet that are subject to this estimation process.

Upon reaching commercial production, long-lived assets are depreciated against operations using the unit-of-production method over the estimated useful life of the estimated related ore reserves. As stated above, the determination of reserves is dependent upon the reliance on a number of financial and technical assumptions, which may be subject to change. If actual reserves prove to be significantly different from current estimates, a material change to amounts charged to earnings could occur.

Asset retirement obligation – The fair value of the liability of an asset retirement obligation is recorded when it is legally incurred and the corresponding increase to the mineral property is depreciated over the life of the mineral property. The future costs of retirement obligations are estimated by management based upon knowledge of the cost of these activities and a number of assumptions and judgments are made by management in their determination. These estimates are regularly reviewed for reasonableness and any changes to the original cost estimate reflected in the asset retirement obligation liability. The liability is adjusted over time to reflect an accretion element considered in the initial measurement at fair value and revisions to the timing or amount of original estimates and drawdowns as asset retirement expenditures are incurred. As at 31 December 2010, the Company had an asset retirement obligation relating to its Stratoni property in Greece amounting to $7,195 (31 December 2009 – $7,068) subject to these estimates. A total of $127 for the period to 31 December 2010 (2009 – $131) and Q4 2010 $33 (2009 – $35) was charged to the income statement in relation to asset retirement obligation, which were subject to these estimates. A significant change to either the estimated future costs or to reserves could result in a material change to amounts charged to earnings.

Equity-based compensation – The Company operates a share option plan and an RSU plan. The Company accounts for equity-based compensation granted under such plans using the fair value method of accounting. Under such method, the cost of equity-based compensation is estimated at fair value and is recognised in the profit and loss statement as an expense, or capitalised to deferred exploration and development costs when the compensation can be attributed to mineral properties. The Company uses the Black-Scholes and Parisian option pricing model to estimate fair values of share options granted, and uses the market price of common shares to determine fair value of RSUs granted. This cost is recognised over the relevant vesting period for grants to directors, officers and employees, and measured in full at the earlier of performance completed or vesting for grants to non-employees. Any consideration received by the Company on exercise of share options is credited to share capital along with the charge recognised. A total of $10,470 for the period to 31 December 2010 (2009 – $5,694) and Q4 2010 $4,019 (Q4 2009 – $4,208) was charged to the income statement in relation to equity-based compensation, which were subject to these estimates.

Income taxes – The Company uses the asset and liability method of accounting for future income taxes. Under this method, current income taxes are recognised for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognised for temporary differences between the tax and accounting bases of assets and liabilities, calculated using the currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Future income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings, which are subject to assumptions on the future tax rates and recoverability of any tax losses. Should these estimates change, the carrying value of income tax assets or liabilities may change, and consequently the charge or credit to the income statement. A total charge of $571 for the period to 31 December 2010 (2009 – $2,528 charge) and Q4 2010 a charge of $3,034 (2009 – $974 charge) to the income statement in relation to future income taxes, which were subject to these estimates.

SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS") – In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that IFRS will replace Canadian GAAP for publicly listed companies, for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011, including comparative figures for the prior years.

The Company intends to transition to IFRS on 1 January 2011, and will file its first interim financials under IFRS for the quarter ended 31 March 2011. The IFRS compliant financial statements will include opening balance sheet and equity reconciliations for the quarter as well as reconciliations as at the 1 January 2010 transition date. The Company has identified four phases to its conversion process:

- Design and planning
- Detailed assessment and quantification of differences under IFRS
- Implementation
- Post implementation.

Design and planning

During the design and planning phase, the Company focused on ensuring that the correct skills were available and on the longer term planning to ensure the smooth transition to IFRS. This commenced in Q2 2008, when the Company established a project management team which included members of the finance function at the subsidiary level, who were already experienced in the preparation of IFRS accounts. Other team members were provided with IFRS training. In addition, the Company's finance function already had some IFRS experience from reporting under IFRS on a quarterly basis for its major shareholder. This reporting process included accounting adjustments for all material differences between IFRS and Canadian GAAP, with the exception of IFRS 1. During Q3 2008, the Company also undertook a preliminary IFRS diagnostic report which included an initial assessment of key accounting areas where IFRS differs to Canadian GAAP and which could possibly have a significant impact on the financial statements. The report also outlined the key systems and processes which would be affected by the conversion process, namely internal control over financial reporting as well as disclosure controls and procedures. Concluding the planning and design phase, the Company also established a preliminary timeline for key milestones and deliverables to be reported to the audit committee on an ongoing basis.

A detailed assessment and quantification of differences under IFRS took place during Q1 2009 and was further developed during the rest of 2009 along with additional in-depth training to members of the project management team as well as attendance of seminars relating to IFRS changeover. This process was extended to the finance departments of the group, in particular looking at the possibilities of converting local accounts and reporting to IFRS. The project team also identified and made an initial assessment of the various elections the Company is required to make with regards to IFRS 1 in Q3 2009 which was presented to the Company's auditors at the time.

During Q4 2009, the Company changed its group auditors to Ernst & Young LLP ("E&Y"), and a new IFRS implementation plan was drawn up. This new plan was designed to allow the Company to finalise its required elections under IFRS 1 after the 2009 audit under Canadian GAAP had been completed. In addition, E&Y would perform its own independent work to confirm the Company's assessment process.

During Q1 2010, the Company continued with its plan in order to meet the objective of establishing opening IFRS balances as at 1 January 2010, which would act as the opening position for the 2010 comparatives to the 2011 financial year for which IFRS reporting.

During Q2, the Company undertook in a roll forward and an impact assessment based on what had been carried out by the Company to date, with the aim of ensuring that all current IFRS updates would be included. This included the quantification of differences. The Company further undertook in training sessions with team members from its subsidiaries as well as meetings with its auditors to provide updates on issues relating to the impact assessment, IFRS 1 choices and exemptions and financial statement disclosures.

During Q3, the Company finalised its IFRS impact assessment exercise. The Company continued with its IFRS technical papers outlining the differences between GAAPs and the various elections to be made. The Company also updated skeleton IFRS financial statements in preparation for the commencement of an audit of IFRS opening balances, prior to the end of Q4 2010.

During Q4, the Company completed the majority of the technical papers as well as the papers regarding the IFRS 1 choices and exemptions, including additional financial statement disclosures and commenced with the audit of the opening balance sheet. The Company also completed the skeleton IFRS financial statements. A special audit committee meeting was held to outline and discuss and approve the impact of adopting IFRS and to approve the changes to the accounting policies. The Company also continued with its ongoing work relating to Group reporting modification as well as IFRS implementation by subsidiaries that have elected to implement IFRS in their jurisdictions.

The following is a summary timetable with regards to Q1 2011:

- Completion of all IFRS work relating to IT and systems.
- Finalisation of opening balance sheet audit.
- Finalising the impact of all 2010 related adjustments for the prior quarters as well as the year end.
- Completion of the IFRS financial statements as well as related disclosures.

The audit committee will continue to be reported to on a timely basis on progress of the implementation process and achievement of the timetable as set out above.

Detailed assessment of differences under IFRS

The Company's review and assessment of all accounting differences under IFRS standards has been ongoing since Q4 2008. This assessment has identified the following areas where there are potential differences between IFRS and Canadian GAAP which may affect the Company, as described below:

- Business combinations

  Date of acquisition

  Under IFRS, when shares of the acquirer are issued to the seller as payment of the purchase price, the fair value will be based on the share price on the date that control of the subsidiary was acquired. Canadian GAAP requires the fair value to be based on the announcement date share price.

  Acquisition related costs

  Under IFRS, transaction costs are fully expensed on acquisition whereas Canadian GAAP allows certain transaction costs to be recognised as part of the acquisition.

  Minority Interest

  Under IFRS, a non controlling interest may be recorded according to its share of the fair value of assets and liabilities of the acquired entity. Under Canadian GAAP, minority interest is recorded at the historical carrying value of the assets and liabilities of the acquired entity.

- Consolidations

  Under IFRS, changes in ownership in interests, after control is obtained and which do not result in a loss of control are accounted for as equity transactions, while under Canadian GAAP these changes are accounted for as step acquisitions using purchase accounting.

- Exploration for and evaluation of mineral resources

  IFRS provides a specialised statement with regards to the extractive industry in respect of the exploration for and evaluation of mineral resources. The standard require the separate identification of and accounting for pre-exploration, exploration and evaluation and development expenditure and for those to be classified as either tangible or intangible assets according to their nature. Canadian GAAP does not have a single accounting standard for exploration and evaluation activities and there is no requirement either to separately identify and account for pre-exploration, exploration and evaluation and development expenditure, or to separate between tangible and intangible assets.

- Property, plant and equipment

  Under IFRS, where a component of property, plant and equipment has a significant cost in relation to the cost of the item as a whole, it must be separately depreciated. This policy applies in Canadian GAAP but in practice a higher threshold of materiality is applied.

- Foreign currency translation

  Under IFRS, the functional currency concept is used to determine the measurement of foreign currency translation. This is based on the currency of the primary economic environment in which the entity operates. In determining foreign currency translations, Canadian GAAP makes use of self-sustaining and integrated operations with a different hierarchy of indicators.

- Impairment of definite life long-lived assets

  Under IFRS, a one-step approach for both testing and measuring impairment, in which the recoverable amount is compared to the carrying values of the assets. Canadian GAAP requires a two-step approach for impairment testing in which the Company must first compare undiscounted cash flows to the carrying value and determine whether an impairment exists. If the cash flows are below carrying values, the Company would be required to compare the fair value to the carrying value to determine the impairment.

- Share-Based payments

  In certain circumstances, Canadian GAAP permits that the fair value of share-based awards with graded vesting be recognised on a straight-line basis over the entire vesting period. Under IFRS, each tranche of an award is considered a separate grant with separate vesting dates and each are accounted for separately.

- Income taxes

  Under IFRS, a deferred tax asset or liability is recognised for exchange losses or gains relating to foreign non-monetary assets and liabilities that are re-measured into functional currency using historical rates. There is no such requirement under Canadian GAAP.

Detailed quantification of differences under IFRS

The Company has elected to take two IFRS 1 First-time Adoption of International Financial Reporting Standards exemptions, which have a material impact on the presentation of its financial statements as set out below. Under IFRS 1 first time adopters of IFRS have to make certain elections on the application of IFRS, including the availability of certain exemptions.

Business Combinations

The first exemption allows the Company to choose an effective date from which they adopt IFRS 3 (Revised) *Business Combinations* (IFRS 3R). When a Company adopts IFRS 3R it must also adopt IAS 27 (Revised) *Consolidated and Separate Financial Statements* (IAS 27R).

The Company has chosen to adopt IFRS 3R and IAS 27R from June 2007, which means that its acquisition of a further 30% stake in Hellas Gold in 2007 needs to be accounted for under IFRS. Under Canadian GAAP this transaction was accounted for by recognising the excess of the fair value of the non-controlling interest acquired, approximately $200 million, as additional mineral property in the balance sheet. Under IFRS, the transaction is an equity transaction with the Company's controlling and the non-controlling interests adjusted to reflect changes to their relative interests in Hellas Gold. Additional mineral property is not recognised, with the excess instead taken to equity attributable to owners of the parent. The balance of approximately $200 million is reallocated from mineral property to retained earnings, with a further $16 million of cumulative translation differences relating to the additional mineral property written off. Depletion of the additional mineral property in the period 2007-2009 is also written back, and the deferred tax liability associated with the mineral property balance is reduced by approximately $40 million.

The revised accounting for the 2007 acquisition of a further 30% stake in Hellas Gold also impacts the measurement of share capital at transition. Under Canadian GAAP, shares issued as consideration in a business combination are valued using the average share price for a period prior to and subsequent to the announcement of a transaction, whereas under IFRS, shares are valued at their acquisition date fair value. This results in an increase of approximately $26 million to share capital at transition.

Foreign Currency Translation

The second exemption relates to a transitional provision under IAS 21 *The Effects of Changes in Foreign Exchange Rates*, which allows the Company to deem the cumulative translation reserve to be zero at the date of transition. The transfer of cumulative translation differences to retained earnings reduces the Company's deficit by approximately $21 million at transition.

Income taxes

An additional GAAP difference impacts measurement of the deferred tax asset. Under Canadian GAAP tax bases are non-monetary and are translated into US$ using historical exchange rates, whereas tax bases under IAS 12 *Income taxes* are monetary and are translated using exchange rates ruling at each reporting date. An adjustment of $0.6 million is required to adjust the deferred tax asset position at transition.

RISKS AND UNCERTAINTIES

This section addresses the existing and future material risks to the Company's business. The risks below are not the only ones that the Company will face. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. All of these risks may materially affect the Company, its income, profits, earnings, assets and operations and the market price of its securities.

Current Global Conditions – Global financial conditions have been subject to increased volatility in recent years and access to public and private financing has been negatively impacted during this time. If such conditions persist or worsen, they may negatively impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. There may also be a negative impact on the Company's ability to attain funding through strategic partnerships or joint venture arrangements which may negatively impact the timeline for commencement of commercial production. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these challenging market conditions and volatility persist or worsen, the Company's business, results of operations and financial condition could be adversely impacted and the value and the price of the Company's Common Shares could be adversely affected.

Market Price Volatility – The trading price of the Common Shares has been and may continue to be subject to large fluctuations. The trading price of the Common Shares may increase or decrease in response to a number of events and factors, some of which are directly related to the Company's success and some of which are not directly related to the Company's success and are therefore not within the Company's control. Such events and factors include: the price of gold and other metals and minerals, the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Common Shares or the shares of other companies in the mineral resource sector, changes in general economic conditions, the number of the Common Shares to be publicly traded after an offering, the breadth of the public market for the Common Shares, the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors, developments that affect the market for all mineral resource sector shares, and the attractiveness of alternative investments.

Ownership of the Common Shares is currently concentrated and sales of substantial amounts of Common Shares in the public market by the Company's shareholders, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Common Shares and could impair the Company's ability to raise capital through the sale of additional equity or related securities.

The effect of these and other factors on the market price of the Common Shares on the exchanges in which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future. A decline in the market prices of the Company's securities could also impair the Company's ability to raise additional capital, whether in the form of equity or debt or through other financing arrangements.

In addition, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted against the Company, could result in substantial costs and diversion of management attention and resources and also result in significant costs being incurred by or on behalf of the Company, any of which could significantly harm the Company's business, results of operations, financial condition and reputation.

Dilution – The Company may require additional monies to fund development and exploration programs and potential acquisitions. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial amounts of Common Shares, or the availability of such Common Shares for sale, could adversely affect the prevailing market prices for the Company's securities.

No Dividends – The Company has never paid cash dividends on the Common Shares. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends on the Common Shares for the foreseeable future. Furthermore, the Company may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in Common Shares in the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Company's board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and such other factors deemed by the board of directors to be relevant at the time.

Foreign Country Risk – The bulk of the Company's mineral reserves are located in Greece and all of its historic revenues have been derived from its current operations in Greece. The Company is in the process of securing permits for a major development project in Greece and also has other development and exploration operations in Romania and Turkey. Consequently, if there were any change in the economic, legal or political framework in Greece, or other circumstances arising, which materially reduce or suspend the Company's existing operations, the Company's business, results of operations and financial condition will be materially negatively affected.

In 2010, the Greek economy experienced a severe downturn and in May 2010, the Greek government agreed to a stabilisation program, jointly supported by the International Monetary Fund, the European Central Bank and the European Union. As part of this stabilisation program, the Greek government committed to implement austerity measures to decrease expenses and increase revenues. It is not yet known the extent to which the stabilisation program's fiscal targets will be met and the immediate impact of the austerity measures on economic, political or labour activity in Greece. Whilst the Company believes the risk of Greece defaulting on its debt to be remote and although the occurrence of a default may not directly impact the Company's assets or operations in Greece, this is an unusual position for a Eurozone state member. It is therefore possible that events not known or expected by the Company may occur and negatively impact the Company and its business, results of operations and financial condition.

Any changes in regulations in Greece, Romania or Turkey, or any political changes, are beyond the Company's control and may adversely affect its business, results of operations and financial condition. Development and exploration of any one or more of the Company's mineral properties may be affected in varying degrees by government regulations or policies with respect to restrictions on future exploitation and production, labour, environmental protection, price controls, royalties, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety. Lastly, there are no restrictions on the repatriation from Greece, Romania or Turkey of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Romania, Greece or Turkey will not be imposed in the future.

Exploration and Mining Risks – The business of exploring for minerals and mining involves a high degree of risk. Although substantial benefits may be derived from the discovery of a major mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations. Only a small proportion of the properties that are explored are ultimately developed into producing operations. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations.

To date, the Company has identified various exploration projects and expects to continue its exploration efforts for the foreseeable future. Significant expenditure will be required for current and future exploration projects and the Company may not be able to recover such funds due to the speculative nature of exploration. In addition, if the Company is unable to find properties that justify commercial operations, it could have a material adverse effect on the Company's business, reserves and resources, and results of operations. Once mineralisation is discovered, it may take a number of years to complete the geological surveys necessary to assess whether production is possible and, even if production is possible, the economic feasibility of production may change during that time. Substantial capital expenditure is required to identify and delineate mineral reserves through geological surveying, drilling and sampling to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Unless otherwise indicated, mineral resource and mineral reserve figures presented herein are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological

interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate, and may require adjustments or downward revisions based upon further development or exploration work. There can be no assurance that these estimates will be accurate, mineral reserves, mineral resources or other mineralisation figures will be accurate, or that this mineralisation could be mined or processed profitably.

The mineral reserve and mineral resource estimates contained herein have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold and other metals and minerals may render portions of the Company's mineralisation uneconomic and result in reduced reported mineralisation. Any material reductions in estimates of mineral reserves or resources, grades, stripping ratios, recovery rates or of the Company's ability to extract mineral reserves or resources, could have a material adverse effect on the Company's business, results of operations and financial condition.

Mining involves various types of risks and hazards, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, seismic activity, flooding, fires, periodic interruptions due to inclement or hazardous weather conditions, variations in grade, deposit size, density and other geological problems, mechanical equipment performance problems, power outages, unavailability of materials and equipment including fuel, labour force disruptions, unanticipated or significant changes in the costs of supplies including, but not limited to, electricity and petroleum, and unanticipated transportation disruptions or costs due to weather-related problems, key equipment failures, strikes, lock-outs or other events.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, loss of key employees, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Where considered practical to do so, the Company maintains insurance against risks in the operation of its business in amounts which it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available, or is not available on commercially reasonable terms, to the Company or to other companies within the mining industry. The Company may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by its insurance policies. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or development and exploration and would have a material adverse affect on the Company's business, results of operations and financial condition.

Capital and Operating Cost Risks – The Company's forecasts, feasibility studies and technical reports are based on a set of assumptions current as at the date of completion of these forecasts and studies. The realised operating and capital costs achieved by the Company may differ substantially owing to factors outside the control of the Company, including currency fluctuations, supply and demand factors for the equipment and supplies, global commodity prices, transport and logistics costs and competition for human resources. Though the Company incorporates a level of contingency in its assumptions, these may not be adequate depending on market conditions.

The mining business is capital intensive and the development, exploration and exploitation of mineral reserves and resources and the acquisition of machinery and equipment require substantial capital expenditure. The Company has a number of development projects, as well as development plans for its existing operations, which involve significant capital expenditure. Such capital expenditure may include, but is not limited to, development of existing, or in some cases construction of new, infrastructure by, for example, building or upgrading existing roads, railroads or seaports. In particular, the Company must continue to invest significant capital to maintain or increase its reserves and the amount of ore it produces. Some of the Company's development and exploration projects may require greater investment than currently planned.

The Company's operations may be affected by the availability and pricing of raw materials and other essential production inputs, including fuel, steel, power and other reagents. The price of raw materials may be substantially affected by changes in global supply and demand, along with weather conditions, governmental controls and other factors. A sustained interruption in the supply of any of these materials would require the Company to find acceptable substitute suppliers and could require it to pay higher prices for such materials. Any significant increase in the prices of

these materials will increase the Company's operating costs and affect production, development and exploration considerations.

Further, the Company relies on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for, the development, construction and continuing operation of its assets. As a result, the Company's operations at its sites are subject to a number of risks, some of which are outside the Company's control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events and failure of a supplier or contractor to perform under its agreement with the Company. The occurrence of one or more of these risks could have a material adverse effect on the Company's business, results of operations and financial condition.

Financing Risks – Development and exploration of one or more of the Company's properties will be dependent upon its ability to obtain financing through joint ventures, equity or debt financing or other means, and although the Company has been successful in the past in obtaining financing through the sale of equity securities and agreeing terms with banks, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to cover capital expenditure or obtain additional financing could result in delay or indefinite postponement of development and exploration of the Company's projects with the possible loss of such properties, any of which would have a materially adverse effect on the Company's business, results of operations and financial condition.

The Company currently has no debt, but intends to raise debt financing for the purpose of supporting its development projects in Greece and Romania. The Company signed a mandate letter with a group of financial institutions in December 2010 to arrange a US$300 million secured term and revolving facility for Hellas Gold and has already received credit commitments from a group of financial institutions for a US$135 million Project Finance facility for Deva Gold (the "Facilities"). There is no guarantee that the Facilities will close in a timely fashion, on the terms negotiated or at all. In the event the Facilities are not put in place in a timely fashion or at all, certain of the Company's planned development and operations for the Company's projects may be delayed. Risks to closing the Facilities include among other things, settlement of final documentation and satisfaction of technical, legal and environmental due diligence. In addition, the Company plans to supplement its debt financing through equity funding.

The documentation for the Facilities is expected to include agreements granting security over the Company's assets that may involve restrictive covenants limiting the Company's operating flexibility going forward. It is also expected that the Company will be required to cross guarantee all or part of the obligations of Hellas Gold and Deva Gold under the Facilities. If either Hellas Gold or Deva Gold is unable or fails to pay its indebtedness or other obligations, a creditor under such Facilities may require the Company to pay all amounts due, which may have a material adverse impact on the Company's profitability, cash flow and financial condition.

Furthermore, entering into such Facilities will introduce interest rate risk to the Company as its borrowing costs will fluctuate depending on prevailing interest rates at the time it accesses the Facilities, which may have an adverse effect on the Company's future profitability.

While neither the Company's articles of incorporation nor its by-laws limit the amount of indebtedness that the Company may incur, the level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis, or at all, and to take advantage of business opportunities that may arise, thereby potentially limiting the Company's operational flexibility and prospects.

Future Acquisitions – Part of the Company's strategy is to increase its resources and reserves through acquisitions of interests in further mineral properties. Risks commonly associated with acquisitions of companies, businesses or properties include the difficulty of integrating operations and personnel in relation to any such business or property, problems with minority shareholders if the transactions are structured as the acquisition of companies, the potential disruption of the Company's own business, the diversion of management's time and resources, and the possibility that indemnification agreements with sellers may be unenforceable or insufficient to cover potential liabilities and difficulties arising out of integration. Furthermore, the value of any business, company or property that the Company acquires or invests in may actually be less than the amount it pays for it.

There can be no assurance that any acquisition will achieve the results intended and any problems experienced by the Company in connection with an acquisition as a result of one or more of these factors or other factors could have a material adverse effect on the Company's business, results of operations and financial condition.

Mineral and Commodity Prices – The Company's profitability and long-term viability depend, in large part, upon the market price of gold, silver, copper and other metals and minerals produced from the Company's properties. The market price of gold, silver, copper and other metals and minerals is volatile and is impacted by numerous factors beyond the Company's control, including: expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and certain other currencies, interest rates, global or regional political or economic conditions, supply and demand for jewellery and industrial products containing metals, costs of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and producers of gold, silver, copper and other metals and minerals in response to any of the above factors.

While the Company enters into financial transactions in the normal course of business for the purpose of hedging its base metal production at Stratoni and managing its expected exposure to commodity prices, these are of a limited nature and, therefore, the Company's long term financial performance is still highly dependent upon the market price of gold and other metals.

There can be no assurance that the market price of gold, silver, copper and other metals and minerals will remain at current levels or that such prices will improve. A decrease in the market price of gold, silver, copper and other metals and minerals could adversely affect the profitability of the Company's existing operations, which would have a material adverse effect on the Company's business, results of operations and financial condition. A decline in the market price of gold, silver, copper or other metals and minerals, may also require the Company to write-down its mineral reserves or abandon some or all of its current development and exploration plans, any of which would have a material adverse effect on the Company's business, results of operations and financial condition.

Currency Fluctuations – Gold and other metals are sold throughout the world principally in U.S. dollars. Further, the capital markets in which the Company expects to have access to for financing (debt and equity), are predominantly denominated in United States dollars. The Company's capital and operating costs are incurred principally in Euros, with smaller exposures to the Romanian leu and the Turkish lira. The Company does not currently use any derivative products to manage or mitigate any foreign exchange exposure. As a result, any significant and sustained appreciation of the Euro or other currencies against the U.S. dollar may materially increase the Company's costs and reduce revenues.

Negative Operating Results and Operating Cash Flow – The Company incurred a loss before income taxes of $42.6, $8.4 million and $11.6 million for the years ended 31 December 2010, 2009 and 2008, respectively. The Company had negative operating cash flow for the twelve months ended 31 December 2008 and 2010, and may experience periods of negative operating cash flow in the future.

The Company may continue to incur losses before income taxes and have negative operating cash flow until its development projects are in production or longer. Furthermore, the Company will continue to significantly increase capital expenditure in order to ensure its development projects are constructed. A failure to obtain a profit or positive operating cash flows could have a material adverse effect on the Company's financial results, production and development and exploration projects and the market price of the Common Shares.

Counterparty Credit Risk – The Company's credit risk is primarily attributable to trade receivables from concentrate sales to its offtakers and on cash balances and short term investments with the Company's bankers. Though the Company selects its offtakers considering their credit standing and tries to diversify this risk by selling to a number of different offtakers, there is a risk that the Company will not realise its trade receivables should these offtakers not perform. While the majority of the Company's cash and cash equivalents are on deposit with banks or money market participants with a Standard and Poors rating of at least A, there can be no assurance that the Company will be able to realise the full value of these accounts in a timely manner or at all.

Mining, Development, Exploration and Other Licences – The Company's current operations, including further mining, development, exploration and other mining activities, require certain licenses, concessions, leases, permits and regulatory consents (the "Authorisations") from various levels of governmental authorities. The Company may also be required to obtain certain property rights to access, or use, certain of its properties in order to proceed to development.

Obtaining the necessary governmental permits can be a complex and time-consuming process. The duration and success of permit applications are contingent on many factors that are outside the Company's control. There can be no assurance that all Authorisations which the Company requires for the conduct of mining operations will be obtainable on reasonable terms or in a timely manner, or at all, that such terms may not be adversely changed, that required extension will be granted, or that the issuance of such Authorisations will not be challenged by third parties. Delays in obtaining or a failure to obtain such Authorisations or extension thereto, challenges to the issuance of such Authorisations, whether successful or unsuccessful, changes to the terms of such Authorisations, or a failure to comply with the terms of any such Authorisations that the Company has obtained, could have a material adverse impact on the Company's business, results of operations financial condition and the market price of the Common Shares.

Title Matters – While the Company has diligently investigated title to all mineral concessions and, to the best of the Company's knowledge, title to all of its properties are in good standing, this should not be construed as a guarantee of title. The Company's properties may be subject to prior unregistered agreements or transfers that have not been recorded or detected through title research and title may be affected by undetected defects. There can be no assurance that title to some of the Company's properties will not be challenged or impugned. Additionally, the land upon which the Company holds exploration rights may not have been surveyed and, therefore, the precise area and location of such interests may be subject to challenge. Any defects or challenges could adversely affect the Company's title to the affected properties, or delay or increase the cost of development of such properties.

Environmental and Other Regulatory Requirements – The Company's activities are subject to environmental laws, regulations and permits promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. Environmental legislation also provides for restrictions on the use of resources such as water. For example, the Company may require licenses for the use of water in its operations. The costs associated with compliance of such laws, regulations and permits are substantial, and possible additional future laws and regulations, changes to existing laws and regulations or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities could cause additional expenditure to be incurred or impose restrictions on, or suspensions of, the Company's operations and delays in the development of its assets. For example, the Company's regulatory permits require that it set aside certain amounts as rehabilitation bonds to cover the cost of decommissioning plants and general site rehabilitation.

A breach of environmental legislation, related regulatory requirements or permit conditions may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The Company's current development and exploration activities require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in development and exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for development and exploration will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to the Company's activities. However, there may be unforeseen environmental liabilities resulting from development, exploration and/or mining activities and these may be costly to remedy.

Amendments to current laws, regulations and permits governing operations and activities of development and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, or require abandonment, or cause delays in developing new mining properties.

Health, Safety and Community Relations – The Company's operations are subject to various health and safety laws and regulations that impose various duties on the Company's operations relating to, among other things, worker safety and surrounding communities. These laws and regulations also grant the authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance of such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Company's operations. The Company has made, and expects to make in the future, significant expenditure to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, create social and economic benefit in the surrounding communities.

As a mining business, the Company may come under pressure in the jurisdictions in which it operates, or will operate in the future, to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which they operate) benefit and will continue to benefit from the Company's commercial activities, and/or that the Company operates in a manner that will minimise any potential damage or disruption to the interests of those stakeholders. The Company currently maintains good relations with local communities in the areas in which it operates and has a demonstrable track record of promoting community and social relations activities for the benefit of local communities. However, the Company may face opposition with respect to its current and future development and exploration projects which could materially adversely affect the Company's business, results of operations and financial condition.

Further, certain non-governmental organisations ("NGOs"), some of which oppose globalisation and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or the Company's operations specifically, could have an adverse effect on the Company's reputation and financial condition and may impact its relationship with the communities in which it operates. The Company seeks to mitigate this risk by its commitment to operate in a socially responsible manner. However, there can be no guarantee that the Company's efforts in this respect will mitigate this potential risk.

The Company may also be held responsible for the costs of addressing contamination at the site of current or former activities and could be held liable for exposure to hazardous substances. The costs associated with such responsibilities and liabilities may be significant.

Tax Matters –The Company's tax residency is affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If ever the Company was assessed to be non-tax resident in Canada, it may be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this could have a material adverse effect on the Company's business, results of operations and financial condition. Further, the income tax consequences to holders of Common Shares would be different from those applicable if the Company were resident in Canada.

Dependence on Management – The Company's development to date has largely depended and in the future will continue to depend on the efforts of key management and other key personnel. Loss of any of these people, particularly to competitors, could have a material adverse effect on the Company's business. Further, with respect to the development of the Company's projects, it will become necessary to attract both international and local personnel for this development. The marketplace for skilled personnel is becoming more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside the Company's control, including competition for human capital and the high-level of technical expertise and experience required to execute this development will affect the Company's ability to employ the specific personnel required. The failure to retain or attract a sufficient number of skilled personnel could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has not taken out and does not intend to take out key man insurance in respect of any directors, officer or other employees.

Competition – The international mining industry is highly competitive. The Company's ability to acquire properties and add mineral reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration, of which there is a limited supply. The Company may be at a competitive disadvantage in acquiring additional mining properties because it

must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter competition from other mining companies in its efforts to hire experienced mining professionals. Competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. Competition for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project development, exploration or construction costs, result in project delays or both.

Conflicts of Interest and Related Party Transactions – Certain directors of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnership or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors may conflict with the interests of the Company. Directors of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

The Company has entered into, and may, in the future, enter into, arrangements or transactions with related parties, including Aktor and its subsidiaries, companies controlled by it or in which it owns a controlling interest, and with entities in which the executive and/or non-executive directors are connected, which may be on terms that it may not be possible to achieve with other third parties. For example, Aktor and its subsidiaries are currently responsible for many of capital projects as well as the Company's current mining operations. The Company is aware of its legal and regulatory obligations with respect to related party transactions, and the Company has procedures in place to ensure that prospective related party transactions are properly reported and approved, including by its Shareholders where necessary.

Legal Proceedings – The Company is currently involved with administrative proceedings in the European Commission. If decided adversely to the Company, these proceedings, or other legal proceedings that could be brought against the Company in the future which are not now known, for example, litigation based on its business activities, environmental laws, volatility in its stock price or failure to comply with its disclosure obligations, could have a material adverse effect on the Company's business, results of operations and financial condition.

Non-Canadian Assets and Management – While the Company is incorporated under the laws of Yukon and its registered office is located in Whitehorse, the Company also has an office in London, England. Furthermore, its officers and directors and substantially all of the assets of the Company are located outside Canada. It may not be possible for holders of securities to effect service of process within Canada upon such officers and directors who reside outside Canada. There may be difficulty in enforcing against the Company's assets and judgments obtained in Canadian courts predicated upon the provisions of applicable Canadian provincial securities legislation may not be recognised or enforceable in jurisdictions where the Company's officers or directors reside or where the Company's assets are located.

Depletion of Reserves – Unless replaced with new or additional reserves, the Company's reserves will decline as gold, copper, lead and zinc are mined from its operations. To realise future production growth, extend the lives of its operations and ensure the continued operation of the business, the Company must continue to realise its existing identified reserves, convert resources into reserves, achieve success in a certain number of its exploration initiatives and/or acquire additional reserves and resources.

There can be no assurance that the Company's ability to find additional reserves in the future will be adequate to support the future production levels at those operations. If the Company is unsuccessful in replacing existing reserves, then the Company will not be able to extend production beyond its current reserve base which would materially adversely affect the Company's future business.

Labour Laws and Unions – The Company is subject to various labour laws which impose certain costs and obligations upon the Company. Although management believes its labour relations, with both employees and contractors, are good, there can be no assurance that a work slowdown, work stoppage or strike will not occur at any of the Company's operations. There can also be no assurance that wages or other operational costs will not rise due to changes in labour relations or availability or union activities. Further, any new or amended labour laws in relevant jurisdictions may

increase the Company’s labour costs. Any of the above could have a material adverse effect on the Company’s business results of operations and financial condition.

Carrying Value of Property – Based on annual impairment reviews made by management, in the event that the long-term expectation is that the net carrying amount of certain capitalised development and exploration costs will not be recovered, then the carrying amount is written down to the appropriate fair value, with the write-down amount charged to the income statement. These write-downs could occur if: the carrying amounts of the capitalised costs exceed the related undiscounted net cash flows of reserves; exploration activities have ceased; exploration results are not promising such that exploration will not be planned for the foreseeable future; or insufficient funding is available to complete the development and exploration program.

Expected future cash flows are inherently uncertain, and could materially change over time. They are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditure. If any of these uncertainties occur either alone or in combination, it could require management to recognise an impairment, which could adversely affect the Company’s business, results of operations and financial condition.

Customers – The Company is currently under contract to sell the base metal concentrates produced from ore extracted from its Stratoni mine to a single off-taker. If the off-taker were unexpectedly to reduce or discontinue its purchasing of the Company's metals, no assurance can be given that delays or disruptions in sales would not be experienced until such time as alternative customers could be found, or that arrangements with alternative customers would be entered into on terms as favourable to the Company. There can be no guarantee that alternative customers would be available on similar terms, or at all. Any of the foregoing risks could have a negative impact on the Company's results of operations.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Executive Chairman and the Chief Financial Officer of the Company (the "**Certifying Officers**") have established and maintained in the period ended 31 December 2010 disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**IFCR**") for the Company.

The Certifying Officers have caused DC&P, as defined in National Instrument 52-109 ("**NI 52-109**"), to be designed under their supervision, to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to the Certifying Officers by others within those entities, as appropriate, to allow decisions regarding required disclosure within the time periods specified by legislation, particularly during the period in which interim and annual filings are being prepared.

The Certifying Officers have evaluated the effectiveness of the Company's DC&P as at 31 December 2010. Based upon that evaluation, the Certifying Officers have concluded that the DC&P are adequate and effective for the period ended 31 December 2010.

The Certifying Officers have caused internal control over financial reporting, as defined in NI 52-109, to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

As of 31 December 2010 the Certifying Officers assessed the effectiveness of the Company's internal control over financial reporting. Based upon that evaluation, the Certifying Officers concluded that the internal controls and procedures are adequate and effective for the period ended 31 December 2010.

During the period ended 31 December 2010, there has been no change in the Company's internal control over financial reporting that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Certifying Officers believe that disclosure controls and procedures and internal control systems can only provide reasonable assurance, and not absolute assurance, that such objectives are met.