

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2009

The following discussion and analysis, prepared as at 18 March 2010, 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 2009 and 2008 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 Straton operation, a high grade lead/zinc/silver mine in North-Eastern Greece and the sale of gold concentrates from Olympias. 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: changes in the price of gold, base metals or certain other commodities (such as fuel and electricity) and currencies; uncertainty of mineral reserves, mineral resources, grades and recovery estimates; uncertainty of future production, capital expenditures and other costs; currency fluctuations; financing and additional capital requirements; the successful and timely permitting of the Company's Skouries, Olympias and Certej projects; legislative, political, social or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; the speculative nature of gold and base metals exploration and development, including the risks of diminishing quantities or grades of mineral reserves; the risks normally involved in the exploration, development and mining business; and risks associated with internal control over financial reporting. 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 2009 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

Permitting – Preliminary Environmental Impact Study Approved

In late September the then Ministry of Environment, Physical Planning and Public Works, completed the Preliminary Environmental Assessment and Evaluation based on the Preliminary Environmental Impact Study (“PEIS”) submitted by the Company's 95%-owned subsidiary Hellas Gold SA, and issued a pre-approval of the construction and operation of the Project (the “Pre-Approval”) in the province of Halkidiki, in North-Eastern Greece.

The “Project”, consists of:

- The development of mining and processing at the Skouries project.
- The next stages of the Olympias project, namely the mining and processing of ore and metallurgical treatment of the concentrate, to produce gold dore on site.
- Continuation of operations at the Mavres Petres deposit of the Stratoni Mine.
- The expansion of existing port facilities at Stratoni in service of the above projects' operations.

This Pre-Approval of the Project successfully concludes the major stage of assessment by the authorities and will lead to the preparation and submission of the Environmental Impact Study (“EIS”) and supporting studies required by Greek and European Legislation. The EIS will be based on terms of reference as now defined by the Pre-Approval. The EIS will be submitted to the relevant authorities for review and the normal European Union public consultation requirements in the near future. The Company is confident that the extensive detail of the successful Pre-Approval process will in turn now optimise approval of the EIS.

Olympias project

Hellas Gold completed 16 shipments of Olympias concentrates in Q4 2009 (Q4 2008 – 10) and 78 shipments for the year to end Q4 2009 (to end Q4 2008 – 34). This translates into 34,182 tonnes for Q4 2009 (Q4 2008 - 18,566) and 114,882 tonnes for the year end 2009 (2008 – 63,533) of pyrite concentrates sold. Hellas Gold has now completed the sale of the Olympias pyrite gold concentrate stockpile

Sales of pyrite concentrates were as follows:

	Sale of Gold-Bearing Concentrates from Existing Stockpile							
	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Sales								
Gold concentrate (dmt)	34,182	21,734	32,134	26,832	18,566	12,710	22,479	9,778

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. Reprocessed tailings will produce approximately 350,000 tonnes of concentrates (containing 238,000 oz of gold) over approximately a three year period. Subsequently, the resumption of underground primary mining operations at Olympias will produce more gold bearing pyrite concentrates for sale. The Company has submitted an Environmental Impact Study (“EIS”) to allow the early processing of these existing tailings and allow the rehabilitation of a significant area of the Olympias valley. It is planned that this re-processing will commence in parallel with refurbishment of underground infrastructure to recommence primary mining production.

Since Olympias already benefits from extensive mining and plant infrastructure including a concentrator plant, a shaft and a decline, the project can be brought back into efficient operation quickly and at relatively modest

cost. Hellas Gold has commenced engineering work to rehabilitate the Concentrator starting with a structural review. Scott Wilson Mining Consultants has completed an initial underground mine refurbishment study which is being optimised. Life of mine schedules, plant refurbishment plans and cost studies for the Olympias project are under technical and financial review with a view to accelerating the construction of the gold doré plant.

Skouries project

During 2009, Outotec completed the fabrication of the SAG and ball mills, motors and thickeners, which represents the bulk of the process plant for the Skouries project. Process equipment is held at a storage facility in Thessaloniki which has been approved by Outotec. With the majority of the process plant fabricated the Company is in a position to minimise the build time upon receipt of final permits. The Greek engineering group ENOIA has issued the Basic Engineering package to schedule.

Outotec is also well advanced with the Detailed Engineering of instrumentation and control systems for the concentrator plant and ENOIA is coordinating the overall control package including equipment outside of Outotec's supply to provide a fully integrated system. A hydrogeological study by IGME, the Greek geological survey, has also been completed and detailed design of all civil construction activity including the tailings management facility ("TMF") is currently being undertaken by Omikron Kappa.

The project utilises established technology and has a simple flow-sheet. The involvement of Outotec through the engineering and construction phases, together with its process guarantee, will enable a smooth advancement to production and ensure the technical performance of the plant. The balance of the project represents a large-scale civil construction project which the company believes represents low technical risk and can easily be sub-contracted.

Stratoni operations

The Company's cash flow positive mining operations at Stratoni continue to demonstrate European Goldfields' permitting and environmental capabilities and commitment to the highest levels of social responsibility.

Production

Hellas Gold completed 7 shipments in Q4 2009 (Q4 2008 – 10), and 26 shipments for the year to end Q4 2009 (to end Q4 2008 – 30). Hellas Gold's results from its operations at Stratoni for the eight most recently completed quarters are summarised in the following table:

	Operational results							
	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Inventory (start of period)								
Ore mined (wet tonnes)	8,097	2,293	4,010	1,778	6,489	1,003	2,816	-
Zinc concentrate (tonnes)	583	25	621	2,975	2,078	5,660	2,745	1,689
Lead/silver concentrate (tonnes)	857	2,090	1,393	488	1,294	1,238	2,213	49
Production								
Ore mined (wet tonnes)	57,247	57,235	60,023	56,892	70,468	69,847	73,137	58,208
Ore milled (tonnes)	63,345	50,167	60,287	52,984	73,320	63,040	73,280	53,675
- Average grade: Zinc (%)	8.64	9.10	8.87	7.85	8.80	8.82	10.37	9.37
Lead (%)	5.40	5.18	5.56	6.42	6.54	6.40	6.21	5.35
Silver (g/t)	140	133	141	166	167	160	155	134
Zinc concentrate (tonnes)	10,572	8,495	9,975	7,932	12,106	10,451	14,139	9,427
- Containing: Zinc (tonnes)	5,080	4,248	4,971	3,827	5,914	5,132	7,004	4,644
Lead concentrate (tonnes)	4,684	3,503	4,483	4,667	6,750	5,531	6,443	4,035
- Containing: Lead (tonnes)	3,143	2,376	3,060	3,129	4,434	3,726	4,201	2,653
Silver (oz)	236,621	177,650	230,106	240,366	336,336	280,305	316,354	207,215
Sales								
Zinc concentrate (tonnes)	8,338	7,937	10,571	10,286	11,210	14,033	11,224	8,371
- Containing payable: Zinc (tonnes)*	3,380	3,325	4,427	4,144	4,591	5,818	4,633	3,454
Lead concentrate (tonnes)	4,717	4,736	3,786	3,762	7,556	5,475	7,418	1,872
- Containing payable: Lead (tonnes)*	3,030	3,042	2,448	2,347	4,775	3,495	4,628	1,188
Silver (oz)*	227,661	228,574	183,452	183,504	363,205	263,464	355,298	95,582
Cash operating cost per tonne milled (\$)	173	165	144	156	145	164	161	164
Cash operating cost per tonne milled (€)	117	116	106	119	109	109	103	110
Inventory (end of period)								
Ore mined (wet tonnes)	1	8,097	2,293	4,010	1,778	6,489	1,003	2,816
Zinc concentrate (tonnes)	2,817	583	25	621	2,975	2,078	5,660	2,745
Lead/silver concentrate (tonnes)	824	857	2,090	1,393	488	1,294	1,238	2,213

* Net of smelter payable deductions

Ore production rates from underground were lower than 2008 due to unexpected poor geotechnical conditions, particularly in the upper levels and in previously mined areas found not to be backfilled. Grade was also affected as the poor geotechnical conditions forced the operation to mine lower grade areas.

The 220 decline and sump, the 360 adit and the main internal ramp at Mavres Petres were completed and connected during the year. The main fans were installed in the 360 adit affording the operation much improved access, ventilation and supply facilities. The internal ramp has been extended downwards to the 142 level from the 220 decline to orebody extensions enabling additional large, more productive stopes to be designed and mined. Second accesses from the main internal ramp to an additional number of levels have been mined in 2009 to provide more mining faces enhancing flexibility.

ROMANIA SUMMARY

PUZ permit approvals complete

The last remaining approval required for the grant of the Zonal Urbanisation Plan (“**PUZ**”) relating to Certej was recently issued by the Ministry of Environment. Formal public notice of this approval has been issued in Romania and the full PUZ permit will be granted at the next meeting of the Certej council.

The grant of the PUZ will be a significant milestone which takes European Goldfields one step closer to production. Certej contains 2.4 million reserve ounces of gold, plus 17.3 million reserve ounces of silver, and lies in an area which was a major gold producer historically and retains considerable future potential. The Company is already well advanced in the next and final substantive part of the permitting process for Certej, which is the approval of the full Environmental Impact Study.

Basic engineering substantially complete

The Basic Engineering (“**BE**”) contract for the Certej project process plant and associated infrastructure awarded to Aker Solutions Engineering & Construction was completed in September 2009. The BE covers the entire process plant engineering, encompassing all three main areas of processing: the concentrator area, the Albion section and gold-silver doré production by CIL. Xstrata Technology, who are the owners of the Albion Process, were part of the BE team leading the design of the Albion section of the plant. The capital and operating costs calculated deviated little from previously estimated in-house calculations developed from the 2008 Cost & Definition study, also conducted by Aker Solutions. Basic design continues on the civil engineering and infrastructure components of the project. This includes geotechnical investigations with the assistance of Golder Associates UK (“**Golder**”) for the TMF, dumps and pump tests carried out by Golder’s PasteTec™ division on tailings which will allow the detailed design of the tailings pumping and delivery system.

Technical Report in preparation for Construction Permit application initiated

The Romanian contractor Cepromin has been appointed to prepare the Technical Report, which involves advancing the BE level studies. This work is due for completion in 2010, which together with the environmental permits will be required for issuing the Construction Permit.

An audit has also been completed by an independent Technical Consultant which was required in order to obtain bank finance. This audit looked at every material aspect of the project and has confirmed the validity of the Company’s technical approach to the project.

Project Finance

European Goldfields commissioned an Independent Consultant to undertake an audit for the Bank Financing of Certej which is now complete and will form the basis for the conclusion of a project finance facility. Negotiations with a group of financing institutions are well advanced: a detailed term sheet has been agreed along with the roles for each institution within the facility.

EXPLORATION SUMMARY

The Board of Directors has approved a group wide, results driven exploration budget of US\$15 million for 2010.

Greece

The Stratoni project, the Olympias and Skouries development projects and three drill-ready exploration targets are hosted within European Goldfields' 317 km² Greek Licence Area. The total 2010 exploration budget for Greece is US\$9.2 million and an aggressive drilling and exploration plan has been developed with the aim of defining new massive sulphide and porphyry style resources in the indicated and inferred categories.

Results of an airborne geophysics survey have significantly increased the number and extent of conductive anomalies identified within the Licence Area. Some of these anomalies are already known to host mineralisation and others are currently untested. The EM survey had already successfully confirmed an anomaly extending eight kilometres of strike at the Pivitsa massive sulphide target; two kilometres of this strike length have massive sulphide drill intercepts which correspond exactly with the EM anomaly. To put this new exploration target in context, the massive sulphide mineral reserves at Olympias have a strike length which totals two kilometres. This historic drilling has indicated that the grade, mineralogy and geometry of the Pivitsa mineralisation is similar to that at Olympias.

In addition, the magnetic component of the survey has already identified a 17 kilometre by six kilometre belt of porphyry intrusives over which a three dimensional model has been completed defining two other major targets, Fisoka and Tsikara. Follow-up reconnaissance mapping on the ground has confirmed the presence of porphyry style mineralisation. Historic drill results at Fisoka show mineralisation but Tsikara is a virgin target. The identification of open pittable porphyry style copper and gold resources has the potential to defer the underground development costs of the Skouries project.

Romania

In Romania a results driven exploration programme has been designed with a total cost of some US\$4.4 million with the aim of testing current targets and delineating early project stage resources.

Along the volcanic belt which hosts the Certej project, surface work including extensive soil sampling, geophysical surveys and re-interpretation of existing data has outlined a series of epithermal gold targets proximal to the Certej deposit and the historic Brad mines.

In addition porphyry style mineralised targets have been identified around the Deva porphyry which historically produced some 20Mt at 0.8% Cu and with the gold grade unrecorded.

Turkey

An exploration budget of US\$2.2 million covering a results driven programme of drilling, trenching and continued surface exploration and licence acquisition has been approved for Turkey.

Mapping and sampling has confirmed that porphyry mineralisation continues to the south of the previously recognised outcrops, and this additional extension increases the size potential of the porphyry system. A high-grade gold zone has also been identified at some three km to the southwest of the Ardala porphyry. Trenching has returned bedrock intercepts of between 6 and 46 metres at grades of between 2.8 and 9.6 g/t gold (using a 0.5g/t gold lower cut-off and no upper cut-off grade) over a 360m strike length with mineralisation open to the south.

The Company continues to consolidate ground to the south of the Ardala licence and has finalised an agreement with Aldridge Minerals Inc ("**Aldridge**") for the joint development of Aldridge's Derinkoy properties, which covers an area of 40 km² adjacent to the Company's Ardala Licences. The Company continues to look for new opportunities in Turkey and the exploration team has conducted a number of exploration site visits to various portfolios, properties and deposits, both within the Ariana JV area of interest and elsewhere in Turkey.

CORPORATE UPDATE

Board Changes

The Company is pleased to announce that it has appointed Alfred Merton Vinton to its Board of Directors. The appointment of Mr. Vinton as our third Independent Non-Executive Director will add valuable industry experience and insight to the Board.

Mr. Vinton (aged 71) is Deputy Chairman of The Unipart Group of Companies. He is also a director of Dinamia SCR S.A, GP Investments Ltd, and Hochschild Mining plc, as well as a number of Latin American and European investment funds. From 1995–2009 he was Chairman of Electra Partners, the well-known private equity firm. Prior to 1995, he had served as Chief Executive of Quilvest Ltd, Chief Operating Officer of N M Rothschilds, and for 25 years worked for J P Morgan, latterly as Senior Vice President responsible for the bank's business in the UK and Scandinavia.

Mr. Vinton is a highly respected and well known industry executive whose appointment will augment the Board's commercial and operational experience. Mr. Vinton has already joined the Company's Audit, Compensation and Nominating and Corporate Governance Committees.

In addition the Company is pleased to announce the appointment of Varshan Gokool as Vice President, Treasurer. Mr. Gokool brings corporate banking, trading and industry experience to the management team. Prior to joining European Goldfields, Mr. Gokool was Treasurer at Katanga Mining Limited where he was responsible for the treasury activities of the Company which included the arrangement of funding for its Kamoto Copper Project in the Democratic Republic of Congo. Mr. Gokool is a graduate of the University of Cape Town with a B.Bus.Sci (Finance), and is a CFA Charterholder.

European Goldfields added to S&P/TSX Global Gold Index

The Company is pleased to announce that, as a result of Standard & Poor's Canadian index changes following the quarterly S&P/TSX Composite Index review, European Goldfields has been added to the S&P Global Gold Index. The change will be effective on Monday, March 22, 2010.

Positive update on legal proceedings

As reported previously in June 2005, certain residents of Stratoniki village submitted a request for the annulment of the Greek government's joint ministerial decision approving the EIS for the Stratoni mine (the "**JMD Approval**"). In November 2005, the same petitioners submitted a request for the annulment of the decision of the Minister of Development approving the technical study for the exploitation of the Mavres Petres mine that forms part of the Stratoni complex (the "**MOD Approval**"). The JMD Approval and the MOD Approval are necessary for the continued operation of the Stratoni mine. In both cases the petitioners alleged a lack of legal basis for the approvals and potential harm to the environment and their properties. The Greek government, supported by the Company, the Association of Extractive Companies, and two workers' unions, has taken a position that the approvals are valid. In December 2005, the petitioners requested an injunction to stop work on the Stratoni project pending the hearing of the requests for annulment, but the court rejected the request. A hearing on both requests for annulment was held in late 2009 and Company is now pleased to confirm that the Council of State has published its judgement to reject both requests for annulment in all respects.

Long term incentive plan

European Goldfields is currently finalising a Long Term Incentive Plan ("**LTIP**") for employees. As benefits under the LTIP will not take effect for some time the Board has agreed to approve a Special Grant of RSUs and Share Options to inter alia Messrs Rachovides and Morgan-Wynne being Directors and Officers of the Company and to Messrs Forward and Dimitriadis being Officers of the Company. The Company is examining longer term options such as an Employee Benefit Trust in the context of developing the LTIP plan. Details of the Special Grant will be finalised and the grant will be actually made once the Company has decided upon these arrangements and this is expected by 31 March 2010. Options issued under the Special Grant will be priced at \$6.03 reflecting the stipulations of the Company's Option Plan at the time of Board approval. Further details will be disclosed at the time the Special Grant is actually made.

Outlook and Strategy

The Company initiated a Strategic Review in November 2009 which was completed January 2010. The review focused on assessing the Company's key resource requirements – personnel, infrastructure and finance – in order to prepare for the next phase of the Company's development as it moves towards becoming a mid-tier producer. As a consequence of this review, the Company has already established a new Investor Relations and Treasury function and further key hires will be made in the near future. European Goldfields has been through a rebranding process and the new website and communication materials better support the Company's intention to reposition itself in the market. We have already expanded our positive research coverage by brokers in the UK and North America and are in the process of further broadening our exposure.

A major part of the Strategic Review was to prepare a highly detailed technical roadmap and resourcing plan which will be implemented as we further progress with permitting. In addition, the Company continues to advance discussions on the financing of its project portfolio with initial focus on Certej.

There is considerable potential to significantly add to the Company's gold resource inventory during 2010. The Company already benefits from an unusually high level of reserves and a high resource to reserve conversion ratio. However, the broader potential around its current operational and development assets is currently untested and newly identified drill ready targets present the opportunity to fast track the Company's US\$15 million 2010 exploration program with a view to increasing resource ounces.

The management of European Goldfields continues to demonstrate its ability to deliver on permitting, further derisking a globally significant gold reserve base and adding shareholder value. As the Company nears the conclusion of the permitting process for its development stage projects, management's priority will be to fully realise the potential of its current assets. This demonstration of permitting ability will be brought to bear on any new opportunities presented by the exploration programme or by acquisition.

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:

<i>(in thousands of US dollars)</i>	Financial performance							
	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Sales	13,656	11,500	9,472	4,935	8,465	13,250	13,000	10,097
EBITDA	2,601	1,315	305	(3,025)	(5,233)	1,742	1,017	4,057
Gross profit	1,196	(449)	(1,561)	(4,345)	(7,060)	171	(198)	3,060
Capital expenditure	2,053	596	2,793	4,214	3,543	2,496	2,086	3,111
Amortisation and depletion	1,405	1,764	1,866	1,320	1,827	1,571	1,215	997

Base metal prices showed a strong improvement throughout 2009, with the prices peaking at the very end of the calendar year. This translated into increasing base metal revenues across the year, and in Q4 2009 allowed the Stratoni operation to improve its earnings before interest, taxes, depreciation and amortisation ("EBITDA") each quarter, ending the year in Q4 2009 with the best quarterly EBITDA performance in since Q1 2008 on an annual basis, however, revenues in 2009 did not recover sufficiently to match revenues in 2008. For Q4 2009 revenues were higher than Q4 2008 revenues as a result of metal prices peaking at the end of 2009.

Reconciliation of Stratoni revenues – 2009				
<i>(in thousands of US dollars)</i>				
	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)	0	41
Net revenue	15,390	17,631	6,001	39,022
Prior year adjustments	171	402	(32)	541
Total revenue	15,561	18,033	5,969	39,563

Reconciliation of Stratoni revenues – 2008				
<i>(in thousands of US dollars)</i>				
	Zinc	Lead	Silver	Total
Payable metal	18,496t	14,086t	1,077,550oz	n/a
Realised price	\$1,795t	\$1,874t	\$7.81oz	n/a
Payable metal revenue	33,200	26,398	8,420	68,018
TC/RCS	(12,671)	(8,211)	(374)	(21,256)
Transport recoveries/(charges)	44	1,090	0	1,134
Net revenue	20,573	19,277	8,046	47,896
Prior year adjustments	(721)	(2,347)	(16)	(3,084)
Total revenue	19,852	16,930	8,030	44,812

For the full year 2009, total revenues from base metal concentrate sales fell 12% compared to 2008 as a result of lower concentrate and payable metal sales volumes, along with lower average zinc prices being realised. Payable zinc and lead in concentrate sales declined 17% and 23% respectively, as a result of lower mine production in 2009 compared to 2008. Realised zinc prices were \$1,656 per tonne, a fall of 8% compared to 2008, whilst lead and silver prices were marginally improved. Net smelter returns ("NSRs") in zinc declined slightly in 2009 compared to 2008, whilst a significant improvement was seen in lead NSRs over the same period, as lead TC/RCS were marked lower under new offtake terms for 2009.

Reconciliation of Stratoni revenues – Q4 2009				
<i>(in thousands of US dollars unless stated otherwise)</i>	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	0	0	19
Net revenue	5,375	6,401	1,669	13,445
Prior quarter adjustments	228	(2)	(15)	211
Total revenue	5,603	6,399	1,654	13,656

Reconciliation of Stratoni revenues – Q4 2008				
<i>(in thousands of US dollars unless stated otherwise)</i>	Zinc	Lead	Silver	Total
Payable metal	4,591t	4,775t	363,205oz	n/a
Realised price	\$1,199t	\$1,292t	\$7.81oz	n/a
Payable metal revenue	5,506	6,168	2,835	14,509
TC/RCs	(2,979)	(1,917)	(127)	(5,023)
Transport recoveries/(charges)	44	563	0	607
Net revenue	2,571	4,814	2,708	10,093
Prior quarter adjustments	(46)	(1,573)	(9)	(1,628)
Total revenue	2,525	3,241	2,699	8,465

In Q4 2009, revenues from base metal concentrate sales increased 61% compared to Q4 2008. Although payable zinc and lead in concentrate sales declined 26% and 37% respectively, as a result of lower mine production and lower lead grades compared to Q4 2008, realised prices for zinc were \$2,291 per tonne, 91% up on Q4 2008, and \$2,380 per tonne for lead, an increase of 84% compared to Q4 2008. Overall higher realised prices and the continued benefit of higher lead NSRs outweighed lower sales volumes compared to the prior year quarter. In addition, as base metal prices trended upwards, prior quarter revenue adjustments yielded a net benefit for Q4 2009, compared to negative adjustments in a declining metal price environment for Q4 2008.

Olympias project

<i>(in thousands of US dollars)</i>	Financial performance							
	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Sales	5,073	5,537	6,732	5,807	4,309	2,851	5,461	2,611
Gross profit	4,067	4,012	4,747	4,003	2,995	1,222	3,668	1,789
Amortisation and depletion	196	124	184	153	106	72	129	56

Olympias had a record year shipping 114,882 tonnes of concentrate in 2009, an increase of 91% over 63,533 tonnes of sales in 2008, and realising revenues of \$23.1 million, 52% higher compared to \$15.2 million in 2008.

Hellas Gold completed 16 shipments of Olympias concentrates in Q4 2009 representing 34,182 tonnes of pyrite concentrates sold, an increase of 84% over the prior year period (18,566 tonnes – Q4 2008). Realised gold prices were higher than the prior year, but negative prior quarter pricing adjustments in Q4 2009 and beneficial transport recoveries in Q4 2008 meant that in dollar terms, revenues from sales of gold concentrates totaled \$5.1 million in Q4 2009, an increase of only 19% over the same period in 2008 (\$4.3 million).

Consolidated results

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

<i>(in thousands of US dollars, except per share amounts)</i>	Financial performance							
	2009	2009	2009	2009	2008	2008	2008	2008
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Statement of Profit and Loss								
Sales	18,729	17,037	16,204	10,742	12,774	16,101	18,461	12,708
Cost of sales	13,466	13,474	13,018	11,084	16,839	14,708	14,991	7,859
Gross profit	5,263	3,563	3,186	(342)	(4,065)	1,393	3,470	4,849
Interest income	(163)	147	133	508	1,164	1,306	1,502	1,757
Foreign exchange gain/(loss)	88	(501)	1,719	(2,882)	(6,253)	(2,800)	(27)	2,674
Hedge contract profit	373	1,030	1,801	2,417	3,165	1,362	391	-
Share of profit/(loss) in associate	(3)	(187)	18	60	(3)	(66)	(36)	-
Expenses	11,251	5,384	4,204	3,740	5,253	6,054	5,058	5,017
Profit/(loss) before income taxes	(5,693)	(1,332)	2,653	(3,979)	(11,245)	(4,859)	242	4,263
Income taxes	(991)	(1,847)	(1,078)	540	17,067	(451)	644	(621)
Profit/(loss) after income taxes	(6,684)	(3,179)	1,575	(3,439)	5,822	(5,310)	886	3,642
Non-controlling interest	(159)	56	(136)	183	519	267	(74)	(233)
Profit/(loss) for the period	(6,843)	(3,123)	1,439	(3,256)	6,341	(5,043)	812	3,409
Earnings/(loss) per share	(0.04)	(0.02)	0.01	(0.02)	0.04	(0.03)	0.00	0.02

Selected financial information

The Company's financial results for the years ended 31 December 2009, 2008 and 2007, and the three-month periods ended 31 December 2009 and 2008 are summarised in the following table:

<i>(in thousands of US dollars)</i>	Years ended 31 December			Three-months ended 31 December	
	2009	2008	2007	2009	2008
	\$	\$	\$	\$	\$
Statement of Profit and Loss					
Sales	62,712	60,044	86,405	18,729	12,774
Cost of sales	51,042	54,397	42,618	13,466	16,839
Gross profit	11,670	5,647	43,787	5,263	(4,065)
Interest Income	625	5,729	6,588	(163)	1,164
Hedge contract profit	5,621	4,918	-	373	3,165
Foreign exchange gain/(loss)	(1,576)	(6,406)	3,904	88	(6,253)
Share of loss in associate	(112)	(105)	-	(3)	(3)
Expenses	24,579	21,382	20,844	11,251	5,253
Profit/(loss) before income taxes	(8,351)	(11,599)	33,435	(5,693)	(11,245)
Income taxes	(3,376)	16,639	(5,217)	(991)	17,067
Profit/(loss) after income taxes	(11,727)	5,040	28,218	(6,684)	5,822
Non-controlling interest	(56)	479	(5,019)	(159)	519
Profit/(loss) for the period	(11,783)	5,519	23,199	(6,843)	6,341
Earnings/(loss) per share	(0.07)	0.03	0.16	(0.04)	0.04
Balance sheet (end of period)					
Working capital	144,899	192,675	226,431	144,899	192,675
Total assets	744,100	766,095	782,131	744,100	766,095
Non current liabilities	145,563	155,727	182,092	145,563	155,727
Statement of cash flows					
Deferred exploration and development costs –					
Romania	5,478	6,096	5,735	1,310	1,981
Plant and equipment – Greece	37,153	26,181	21,606	4,101	12,998
Deferred development costs – Greece	2,096	2,489	2,347	745	545

For the year ended 31 December 2009, gross profit and net loss before tax has improved over the same period in 2008 primarily because of a strong performance from Olympias gold concentrate sales. Stratoni production was constrained by challenging operating conditions, but was more than offset by sales of Olympias gold concentrate. The Company's old lead hedging programme expired at the end of December 2009 and generated income of \$5.6 million for the year. This has been replaced by a new lead and zinc hedging programme for 2010. 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.

Revenues increased 47% in the three-month period ending 31 December 2009 compared to the three-month period ending 31 December 2008 as a result of higher base metal prices; however, lower hedge income, foreign exchange movements and income tax credits, along with higher corporate and equity-based compensation expenses and an impairment of mineral property meant that the Company recorded a loss for the period of \$6.7 million compared to a profit of \$17.1 million the same period in 2008.

The Company recorded a loss before taxes of \$8.4 million for the year ended 31 December 2009, compared to a loss before taxes of \$11.6 million for the same period of 2008. The Company recorded a net loss (after taxes and non-controlling interest) of \$11.8 million (\$0.07 loss per share) for the year ended 31 December 2009, compared to a net profit of \$5.5 million (\$0.03 per share) for the same period of 2008. This twelve month performance was impacted by lower average realized zinc prices, lower than planned operating performance at Stratoni, lower interest rates, income tax credits and foreign exchange movements offset by strong Olympias concentrate sales, higher hedge income and lower other operating costs, as described below.

The Company recorded a loss before taxes of \$5.7 million for the three-month period ended 31 December 2009, compared to a loss before taxes of \$11.3 million for the same period of 2008. The Company recorded a net loss (after tax and non-controlling interest) of \$6.9million (\$0.04 loss per share) for the three-month period ended 31 December 2009, compared to a net profit of \$6.3 million (\$0.04 per share) for the same period of 2008. For the three month performance, improving base metal and gold prices, higher other expenses and foreign exchange losses more than offset lower production from Stratoni and lower hedging and interest income, resulting in higher levels of gross profits and lower pre-tax losses. A very significant income tax credit in Q4 2008 meant that post-tax profits were created in Q4 2008 compared to post-tax losses in Q4 2009.

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

- On average in 2009, base metal prices were lower than the same period in 2008: the price of zinc, the Stratoni mine's primary sales product, averaged \$1,689 per tonne, 11% lower than in 2008 which averaged \$1,901 per tonne; the lead price averaged \$1,743 per tonne for the same period in 2009, a 17% reduction compared to \$2,095 per tonne in 2008. In addition, the Stratoni mine was operating at lower production levels 2009 than in the same period of 2008, with mine and mill production falling 15% and 14% respectively. Lower metal grades meant that zinc metal in concentrate production fell 20%, and lead in concentrate production fell 22%. Payable metal sales in 2009 were in line with the overall declining trend in production, with payable zinc sales of 15,276 tonnes, a 17% decrease over the same period in 2008, and payable lead sales down by 23% to 10,867 tonnes.
- In contrast there is a positive metal price trend when looking at the three-month periods ended 31 December: during that period in 2008, base metal prices were reaching their cyclical troughs; subsequently, lead and zinc rallied strongly for the whole of calendar year 2009, peaking in the same period in 2009. Thus in the three months ended 31 December 2009, zinc averaged \$2,241 per tonne and lead \$2,313 per tonne compared to \$1,219 per tonne and \$1,265 per tonne respectively for the same period in 2008. Sales of payable zinc in Q4 2009 fell 26% compared to Q4 2008, whereas sales of payable lead fell 37% over the same period.
- The trend in the Company's gold concentrate sales has remained extremely encouraging: in the year ended 31 December 2009, Hellas Gold sold a total of 114,882 tonnes of gold bearing pyrite concentrates from Olympias, compared to 63,533 in the same period of 2008. Gold prices have broadly traded in a range between \$850 and \$950 per ounce for the majority of the period since the beginning of 2008, but at the beginning of Q4 2009, the gold price made a major break through the psychological \$1,000 per ounce barrier and has subsequently maintained a comfortable margin above this level. Therefore the gold price averaged \$974 per ounce in the twelve months of 2009 compared to \$872 per ounce in the same period in 2008, and \$1,101 per ounce in the quarter ended 31 December 2009 compared to \$799 per ounce for the corresponding period in 2008. Sales in the quarter ended 31 December 2009 also showed a very positive trend with sales of 34,182 tonnes of concentrate compared to 18,566 tonnes for the corresponding period in 2008.

- Cost of sales was \$51.0 million in 2009 and \$13.5 million in Q4 2009, compared to \$54.4 million and \$16.8 million, respectively, for the same periods of 2008, and included \$7.0 million in depreciation and depletion expenses in 2009, compared to \$6.0 million for the same period of 2008. In 2009, lower production offset by marginally higher US dollar unit operating costs reduced Stratoni cash costs of production by \$5.4 million, but these reductions were offset by other cost increases: transport costs were \$2.1 million higher, resulting primarily from significantly higher gold concentrate sales; amortisation and depreciation were \$1.0 million higher mainly because 2008 had benefited from a one off life of mine catch up reduction; and \$0.9 million lower because of an inventory write down in 2008. For the quarter ended 31 December 2009 compared to the same period in 2008, the trends were as follows: lower production levels were offset by higher US dollar unit operating costs resulting in a \$0.3 million increase in cash costs of production; lower sales quarter on quarter resulted in \$1.1 million lower transport costs, \$0.3 million lower amortisation and depreciation, an increase in inventory of \$1.3 million which reduced cost of sales and no inventory write-down which had increased cost of sales for the three months ended 31 December 2008 by \$1.0 million.
- As a result, the Company recorded a gross profit of \$11.7 million in 2009 and \$5.3 million in Q4 2009, on revenues of \$62.7 million and \$18.7 million, respectively, compared to a gross profit of \$5.7 million 2008 and a gross loss of \$4.1 million in Q4 2008, on revenues of \$60.0 million and \$12.8 million, respectively. The Company's corporate administrative and overhead expenses have increased from \$4.9 million in 2008 and \$0.9 million in Q4 2008, to \$7.3 million and \$4.1 million, respectively, for the same periods of 2009. The main elements to this increase in costs occurred in the final quarter, where costs were incurred relating to the departure of the former CEO plus additional bonus costs.
- The Company recorded a non-cash equity-based compensation expense of \$6.5 million in 2009 and \$4.2 million in Q4 2009, compared to \$2.9 million and \$1.4 million, respectively, for the same periods of 2008. Again, the changes relate to events in the final quarter, where equity compensation expense were incurred upon the appointment of the new Executive Chairman and the joining of the new Vice President – Investor Relations. Equity-based compensation in 2009 relates primarily to restricted share units (“**RSUs**”) and deferred phantom units (“**DPUs**”), as the Company in recent years has favoured the issuance of RSUs and DPUs over share options. 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. 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 \$1.6 million in 2009 and a foreign exchange gain of \$0.9 million in Q4 2009. In comparison, the Company incurred a foreign exchange loss of \$6.4 million in 2008, and a loss of \$6.3 million in Q4 2008. These exchange differences arise as a result of changes in the US dollar values of Hellas Gold's net current assets or liabilities.
- Hellas Gold's administrative and overhead expenses amounted to \$5.4 million in 2009 and \$0.7 million in Q4 2009, compared to \$7.6 million and \$1.4 million, respectively, for the same periods of 2008. Hellas Gold's administrative and overhead expenses include the costs of the Athens based office and environmental and water treatment expenses not directly attributable to the Stratoni operation. The principal change was a fall in the total amount spent on local community projects.
- Hellas Gold incurred an expense of \$3.4 million in 2009 and \$0.8 million in Q4 2009, compared to \$5.2 million and \$1.3 million, respectively, for the same periods of 2008, for ongoing water pumping and treatment at its non-operating mines of Olympias and Madem Lakkos backfilling, in compliance with Hellas Gold's commitment to the environment under its contract with the Greek State. Lower costs were incurred in line with the continued strategy of limiting all non essential spend where possible at the operations and in other areas of the business.
- The Company recorded a charge for income taxes of \$3.4 million in 2009 and a credit of \$1.0 million in Q4 2009, compared to credits of \$16.6 million and \$17.1 million, respectively, for the same periods of 2008. This reflects an increase relating to the finalisation of three years of tax accounts at Hellas Gold, and also the fact that there was a one off tax credit in the final quarter of 2008, as a result of announced future tax rate reductions in Greece.

- The Company recorded a charge of \$0.1 million in 2009 and \$0.2 million in Q4 2009 relating to the non-controlling shareholder's interest in Hellas Gold's profit (after tax), compared to a credit of \$0.5 million and a credit of \$0.5 million, respectively, for the same periods of 2008.

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, if this counterparty were unable to honour its obligations under the hedge contract, the Company would be exposed to the value of the hedge and 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 2009, the Company had entered into hedging arrangements as illustrated below which, for the amount of production shown, protects the Company from decreasing prices below the floor price and limits participation in increasing prices above the cap price. The period of the hedge is from 1 January 2010 until 31 December 2010 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 2009, these contracts had a fair value of (\$1,064) (2008 - \$10,282), 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 2010 – December 2010		Lead	Zinc
Total Volume	(tonne)	6,000	7,800
Monthly Volume	(tonne)	500	650
Floor Price	(\$/tonne)	2,000	2,000
Cap Price	(\$/tonne)	2,900	2,925

During the year ended 31 December 2009, the Company recorded income relating to its hedging program of \$5,621 (2008 - \$4,918).

Given the current maturity profile of the hedge, market expectations and parameters, we expect that the fair value of the existing hedge contracts (\$1,064) 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 19.7% 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 2009, Hellas Gold incurred costs of \$33,566 (2008 – \$41,852) 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 2009, Hellas Gold had accounts payable of \$3,881 (2008 – \$3,637) 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 (2008 – 30 days).

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:

<i>(in thousands of US dollars, except per share amounts)</i>	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Balance sheet (end of period)								
Cash	113,642	124,112	142,728	153,995	170,296	192,456	205,908	215,582
Working capital	144,899	146,158	171,185	176,319	192,675	208,609	216,822	225,673
Total assets	744,100	749,870	753,196	757,206	766,095	775,369	796,537	794,911
Non current liabilities	145,563	153,882	153,544	154,882	155,727	183,881	185,897	184,635
Statement of cash flows								
Cash flows from operating activities	(4,589)	2,865	(7,733)	(2,923)	883	(6,421)	(609)	(3,832)
Investing activities	(6,851)	(22,793)	(6,167)	(10,674)	(11,672)	(5,030)	(9,271)	(9,909)
- Plant and equipment	(4,101)	(20,649)	(3,450)	(8,953)	(12,998)	(2,971)	(3,065)	(7,147)
- Deferred exploration and development costs	(2,440)	(2,137)	(2,600)	(1,481)	(2,837)	(2,007)	(1,798)	(2,372)
- Other	(310)	(7)	(117)	(240)	4,163	(52)	(4,407)	(390)
Financing activities	1,692	-	80	558	(10)	-	54	3,563
Effect of foreign exchange on cash	(722)	1,312	2,553	(3,262)	(6,229)	(2,233)	152	2,021
Total movement in cash	(10,470)	(18,616)	(11,267)	(16,301)	(17,028)	(13,384)	(9,674)	(8,157)

As at 31 December 2009, the Company had cash and cash equivalents of \$113.6 million, compared to \$170.3 million as at 31 December 2008, and working capital of \$144.9 million, compared to \$192.7 million as at 31 December 2008. 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.

The decrease in cash and cash equivalents as at 31 December 2009, compared to the balances as at 31 December 2008, resulted primarily from capital expenditure in Greece (\$37.2 million), changes in working capital balances (\$13.7 million), deferred exploration and development costs in Romania (\$5.5 million), deferred development costs in Greece (\$2.1 million), deferred exploration costs in Turkey (\$1.1 million), offset by operating cash flow (\$2.1 million) and proceeds from exercise of share options (\$2.3 million).

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

Contractual obligations	Payments due by period				
	<i>(in thousands of US dollars)</i>				
	Total	Less than 1 year	2 – 3 years	4 – 5 years	After 5 years
Operating lease (London office)	1,421	173	683	565	-
Operating lease (Athens office)	1,047	150	299	299	299
Outotec OT – Processing Plant	3,594	3,594	-	-	-
Total contractual obligations	6,062	3,917	982	864	299

The Company's contractual obligation with Outotec relates to the contract to supply the large technology services for its Skouries project.

In 2010, the Company expects to spend a total of \$65 million in capital expenditures to fund the development of its project portfolio. This amount comprises \$3 million at its existing operation at Stratoni to upgrade the mill and mining equipment, \$25 million at Olympias as part of the refurbishment of the mine and process plant, and \$5 million at Skouries as the Company expects to continue to spend on engineering studies. At Certej, the Company expects to spend \$31 million as it progresses through the final stages of environmental permitting, and advances through the basic and detailed engineering phases. In addition to its capital expenditure programme, the Company expects to spend \$16 million in exploration over the wider licence areas in Greece, Romania and Turkey, \$9 million on Hellas Gold administrative and overhead and water treatment expenses, and \$12 million on corporate administrative and overhead expenses. The Company expects to fund all such costs 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:	181,777,720
Common share options:	3,406,664
Restricted share units:	<u>823,428</u>
Common shares (fully-diluted):	186,007,812
 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:

<i>(in thousands of US dollars)</i>	2009	2009	2009	2009	2008	2008	2008	2008
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Milled production (dmt)	63,345	50,167	60,287	52,984	73,320	63,040	73,280	53,675
Cash operating cost per tonne milled (€)	117	116	106	119	109	109	103	110
Cash operating cost per tonne milled (\$)	173	165	144	156	145	164	161	164
Cash cost of production	10,948	8,288	8,687	8,278	10,609	10,346	11,831	8,823
Movement in concentrate inventory	(916)	1,080	(175)	(1,300)	368	893	423	(2,782)
Cash cost of sales - Stratoni	10,032	9,368	8,512	6,978	10,977	11,239	12,254	6,041
Amortisation and depletion	1,601	1,888	2,050	1,473	1,933	1,643	1,344	1,053
Concentrate transport costs	1,833	2,218	2,666	2,423	2,977	1,565	1,664	765
Inventory write-down/adjustments	-	-	(210)	210	952	261	(271)	-
Cost of sales	<u>13,466</u>	<u>13,474</u>	<u>13,018</u>	<u>11,084</u>	<u>16,839</u>	<u>14,708</u>	<u>14,991</u>	<u>7,859</u>

Earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) is a Non-GAAP measure which the Company uses as an indicator of the 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 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 \$784 for Q4 2009 (2008: \$939) and \$3,216 for the year ended 31 December 2009 (2008: \$2,946) 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 \$480,995 of 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 \$480,995 of mineral properties was stated on the balance sheet that are subject to this estimation process.

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 2009, the Company had an asset retirement obligation relating to its Stratoni property in Greece amounting to \$7,068 (2008: \$6,937) subject to these estimates. A total of \$129 for Q4 2009 (2008: \$174) and \$365 for the year ending 31 December 2009 (2008: \$308) 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, an RSU plan and a DPU 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 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 and DPUs issued. 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. In relation to DPUs, the trend of cost charged or credited to income statement relates directly to the fluctuation in the Company's share price. A total of \$4,198 for Q4 2009 (2008: \$1,353) and \$2,332 for the year ended 31 December 2009 (2008: \$2,900) was charged to the income statement in relation to equity base compensation, which were subject to these estimates.

Future 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 \$974 for Q4 2009 (2008: \$16,811) and \$2,528 for the year to 31 December 2009 (2008: \$15,185) was charged 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 January 1, 2011, including comparative figures for the prior years. In April 2008, the AcSB issued for comment its Omnibus Exposure Draft, Adopting IFRS in Canada. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators.

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 reconciliations for the quarter as well as well 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 and post implementation.

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 the preparation of a detailed reporting pack under IFRS on a quarterly basis for its major shareholders. This IFRS pack includes accounting adjustments for all material differences between IFRS and Canadian GAAP, with the exception of IFRS 1. During 2008, the Company also undertook an IFRS diagnostic report which included an initial assessment of key accounting areas where IFRS differs to Canadian GAAP and which may 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. Concluding the planning and design phase, the Company also established a timeline for key milestones and deliverables to be reported to the audit committee on an ongoing basis.

At the end of 2008, the Company moved to the next phase of its IFRS conversion process, by initiating a detailed review and assessment of all accounting differences under IFRS standards, with particular focus on IFRS 1. This included a detailed assessment of all fixed assets throughout the Group to identify assets where a different treatment is required under IFRS. This assessment also identified the following areas where there are potential differences between IFRS and Canadian GAAP:

- Business combinations
- Exploration for and evaluation of mineral resources
- Property, plant and equipment
- Foreign currency
- Impairment of assets
- Rehabilitation provisions

This took place in the first half of 2009 along with further in-depth training to members of the project management team as well as attendance of seminars relating to IFRS changeover. The project team has identified and made an initial assessment of the various elections the Company is required to make with regards to IFRS 1.

During Q4, the Company changed its group auditors to Ernst & Young LLP, and an IFRS implementation plan was drawn up with them so the Company would be able to finalise its required elections under IFRS 1 after the 2009 audit under Canadian GAAP has been completed. The objective will be to establish opening IFRS balances as at 1 January 2010 to act as the opening position for the 2010 comparatives to the 2011 financial year for which IFRS reporting will be required. It is intended that Ernst & Young will review the Company’s implementation of IFRS1 during the first half of 2010. This will include the numerical impact on and additional disclosures in the financial statements.

The Company continues with the detailed assessment of IT and systems in the subsidiaries to affect the changeover. This will be reported to the audit committee on a timely basis.

Goodwill and intangible assets – In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3064 Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company adopted the new standards on 01 January 2009. The adoption of this new Section had no impact on the consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC 173) – In January 2009, the CICA issued EIC 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. The EIC requires the Company to take into account the Company’s own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after 01 January 2009. The adoption of this new accounting policy did not have any impact on the Company’s consolidated financial statements.

Mining Exploration Costs (EIC 174) - In March 2009, the CICA issued EIC Abstract 174, “Mining Exploration Costs”. The EIC provides guidance on the accounting and the impairment review of exploration costs. This EIC applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after 01 January 2009. The adoption of this new accounting policy did not have any material impact on the Company’s consolidated financial statements.

RISKS AND UNCERTAINTIES

Current Global Conditions – Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company’s operations 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 may 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, 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.

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.

In the past, 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, which could significantly harm the Company’s profitability and reputation.

Dilution – The Company may require additional funds to fund exploration and development 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 other factors.

Foreign country risk – Any changes in regulations in Greece, Romania or Turkey, or shifts in political attitudes are beyond the Company's control and may adversely affect its business. Exploration and development 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.

Currently 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.

Current economic and fiscal difficulties involving Greece could result in a sovereign debt default and could negatively impact economic, political and social stability. Whilst the Company believes this risk to be remote and not specifically or directly relevant to its assets in the country, this is an unusual position for a Eurozone state member. It is therefore possible that this situation may escalate and thus negatively impact the Company and its operations.

Exploration and mining risks – The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored are ultimately developed into producing mines. 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. 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.

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. There can be no assurance that: these estimates will be accurate, mineral reserves, mineral resources or other mineralisation figures will be accurate, or this mineralisation could be mined or processed profitably.

Mineralisation estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

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 silver may render portions of the Company's mineralisation uneconomic and result in reduced reported mineralisation. Any material reductions in estimates of mineralisation, or of the Company's ability to extract this mineralisation, could have a material adverse effect on the Company's results of operations or financial condition.

The grade of mineralisation ultimately mined may differ from that indicated by drilling results and such differences could be material. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological mineral resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

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, unavailability of materials and equipment including fuel, labour force disruptions, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and unanticipated transportation costs.

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.

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 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 exploration and development and would have a material adverse affect on the financial position of the Company.

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

Financing risks – Exploration and development of one or more of the Company's properties will be dependent upon the Company's 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, 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 obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's projects with the possible loss of such properties.

Market Prices

- **Mineral and Commodity prices** – The Company's profitability and long-term viability depend, in large part, upon the market price of gold and other metals and minerals produced from the Company's properties. The market price of gold and other metals 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 and other metals in response to any of the above factors.

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

- **Currency fluctuations** – Gold and other metals are sold throughout the world principally in United States dollars. Further, the capital markets in which the Company would have access to for financing (debt and equity), are predominantly denominated in United States Dollars. The Company's capital and operating costs for its European projects are incurred principally in Euros. As a result, any significant and sustained appreciation of the Euro against the U.S. dollar may materially increase the Company's costs and reduce revenues. The Company does not currently use any derivative products to manage or mitigate any foreign exchange exposure.
- **Interest Rate Fluctuations** – The Company currently has no debt, but as part of its strategy going forward may incur project debt to complete the development of certain of the Company's assets. This would introduce interest rate risk to the Company as its borrowing cost will fluctuate with interest rates over which the Company has no control.
- **Counterparty Credit Risk** - The Company's credit risk is primarily attributable to trade receivables from concentrate sales to our offtakers and on cash balances and short term investments with the Company's bankers. Though the Company is selects its offtakers considering their credit standing and diversifies this risk by selling to a number of different offtakers, however, there is a risk that should these offtakers not perform the Company will not realise its trade receivables. 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.

Exploration, development, mining and other licences – The Company's current operations, including further exploration, development and 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. 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.

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. Title to the properties may be affected by undisclosed and undetected defects.

Environmental and other regulatory requirements – The Company’s activities are subject to environmental regulations 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. A breach of such legislation 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 exploration and development 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 exploration and development 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 exploration and development 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 exploration, development and/or mining activities and these may be costly to remedy.

Amendments to current laws, regulations and permits governing operations and activities of exploration and development 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.

Tax matters – The Company believes that it is, and intends to take all necessary steps to remain, resident solely in Canada for income tax purposes. The Company’s tax residency is, however, 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 were to cease to be tax resident in Canada, it would 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, financial condition and results of operations. 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. Loss of any of these people could have a material adverse effect on the Company and its business. 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.

Joint ventures – The Company holds (and expects to hold in the future) interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may (i) have economic or business interests or targets that are inconsistent with ours; (ii) take action contrary to the Company’s policies or objectives with respect to their investments, for instance by veto of proposals in respect of joint venture operations; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the Company’s results of operations or financial condition. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the Company’s results of operations or financial condition.

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. 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 exploration, development or construction costs, result in project delays or both.

Conflicts of Interest – 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.

Legal Proceedings – the Company is a party to the legal proceedings described under the heading “Legal Proceedings”. If decided adversely to the Company, these legal proceedings, or others 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 financial condition or 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 year ended 31 December 2009 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 2009. Based upon that evaluation, the Certifying Officers have concluded that the DC&P are adequate and effective for the year ended 31 December 2009.

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 2009 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 year ended 31 December 2009.

During the year ended 31 December 2009, 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.