

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011



Management's Responsibility for Financial Reporting

The consolidated financial statements, the notes thereto, and other information in management's discussion and analysis of Alacer Gold Corp. (the "Corporation"), are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates, judgments and policies that it believes appropriate in the circumstances.

The Corporation maintains a system of internal accounting controls which provide on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that the Corporation's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit Committee, is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors and meets periodically with Management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, who were appointed by the shareholders. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

(Signed) **David F. Quinlivan**President and Chief Executive Officer

March 13, 2013

(Signed)

Rodney Antal

Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Alacer Gold Corp.

We have audited the accompanying consolidated financial statements of Alacer Gold Corp. (the Company), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of profit (loss) and comprehensive profit (loss), cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/signed/ PricewaterhouseCoopers LLP Chartered Accountants Licensed Public Accountants Toronto, Ontario, Canada March 13, 2013

Consolidated Statements of Financial Position

(expressed in thousands of U.S. dollars)

		As	of
		December 31	December 31
	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	6	277,258	249,565
Receivables and other	7	22,841	21,460
Inventories	8	132,319	74,313
		\$432,418	\$345,338
Mineral properties and equipment, net	9	1,006,744	1,431,346
Deferred tax assets	13	9,807	21,849
Other assets		11,412	4,379
Total assets		\$1,460,381	\$1,802,912
Liabilities			
Current liabilities		450.005	454.600
Trade and other payables	10	158,605	154,623
Borrowings, current portion	11	68,880	144,943
Current income tax liabilities		1,014	1,574
		\$228,499	\$301,140
Borrowings	11	482	55,517
Provisions	12	62,739	41,219
Deferred tax liabilities	13	-	8,026
Other liabilities		1,624	4,245
Total liabilities		\$293,344	\$410,147
Equity			
Equity attributable to owners of the parent			
Share capital	14	1,457,468	1,392,024
Reserves	15	40,707	20,515
Retained deficit		(439,994)	(37,735)
		\$1,058,181	\$1,374,804
Non-controlling interest in subsidiary	16	108,856	17,961
Total equity		\$1,167,037	\$1,392,765
Total liabilities and equity		\$1,460,381	\$1,802,912
Signed on behalf of the Board			
(Signed)	(Sign	ned)	
Timothy J. Haddon		rd P. Graff	
Chairman	Non-E	xecutive Director	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss)

(expressed in thousands of U.S. dollars)

		For the ended Dece	
		2012	2011
	Note	\$	\$
Revenues			
Gold sales		718,890	557,379
Cost of sales			
Production costs		329,086	237,821
Depreciation, depletion and		156 420	01 756
amortization Total cost of sales		156,429	91,756
		\$485,515	\$329,577
Mining gross profit Other costs		\$233,375	\$227,802
Exploration and evaluation	17	41,514	20,077
General and administrative	17	40,343	33,853
Impairment loss	9	489,952	33,833
Merger related expenditures	9	465,552	70,374
Share-based employee compensation			70,374
costs		7,069	8,597
Foreign exchange gain, net		(1,465)	(279)
Finance (income) expense, net	18	(26,450)	24,562
Other (gain) loss, net	9	16,018	(3,572)
Profit (loss) before income tax		(\$333,606)	\$74,190
Income tax expense (benefit)	13	8,753	(9,981)
Net profit (loss)		(\$342,359)	\$84,171
Profit (loss) attributable to:			_
Owners of the corporation		(\$385,962)	75,249
Non-controlling interest	16	43,603	8,922
Net profit (loss)		(\$342,359)	\$84,171
Other comprehensive profit (loss):			
Profit (loss) for the period		(342,359)	84,171
Changes in:			
Currency translation adjustments Unrealized gain (loss) on available-for-	15	20,040	1,840
sale securities, net of tax	15	(147)	43
Total comprehensive profit (loss)		(\$322,466)	\$86,054
Total comprehensive profit (loss) attributable to:			
Owners of the corporation		(366,069)	77,132
Non-controlling interest	16	43,603	8,922
Total comprehensive profit (loss)		(\$322,466)	\$86,054
Basic profit (loss) per share	19	(\$ 1.35)	\$ 0.29
Diluted profit (loss) per share	19	(\$ 1.35)	\$ 0.29
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Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

		For the ended Dec 2012	
	Note	\$	\$
Cash provided by (used in)			
Operating activities			
Net profit (loss) for the period		(342,359)	84,171
Non-cash items:			
Depreciation, depletion and amortization		159,885	91,756
Unrealized foreign exchange impacts		(1,195)	(105)
Debenture interest accretion	11a	3,314	6,861
Share-based employee compensation costs		7,069	14,482
Impairment loss	9	489,952	-
Other non-cash (gains) losses, net		11,696	(34)
Fair value adjustment on derivative financial	44-	(24.426)	44 527
instrument	11a	(34,436)	11,527
Deferred taxes	13	8,753	(13,823)
Interest paid, net		(6,809)	(7,408)
Income taxes paid		(4,463)	(2,077)
Net change in non-cash working capital	24	(52,466)	72,837
		\$238,941	\$258,187
Investing activities		(105 151)	(400.040)
Mineral properties and equipment, net		(195,451)	(122,048)
Contract advances and other, net		970	124
Interest paid, net		-	(1,205)
Short-term investments		-	1,999
Business acquisition		 _	84,354
		(\$194,481)	(\$36,776)
Financian assists			
Financing activities	1.4	2.100	12.562
Options and units exercised, net	14	2,199	12,562
Financing costs	11	(275)	
Borrowings		51,490	(1 274)
Repayment of borrowings	11	(55,320)	(1,274)
Repayment of matured debentures Payment of dividends to non-controlling	11a	(47,479)	-
interest	16	(6,820)	_
Sale of non-controlling interest	16	37,815	_
Sale of hon-controlling interest	10	(\$18,390)	\$11,288
		·	
Increase in cash and cash equivalents		\$26,070	\$232,699
Cash and cash equivalents - Beginning balance		249,565	18,725
Effect of exchange rates on changes on cash		4 633	(4.050)
held in foreign currencies		1,623	(1,859)
Cash and cash equivalents – Ending balance		\$277,258	\$249,565

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

(expressed in thousands of U.S. dollars)

		Attri	butable to o	wners of the	parent		
				Retained		Non-	
		Share		earnings		controlling	Total
		capital	Reserves	(deficit)	Total	interest	Equity
	Note	\$	\$	\$	\$	\$	\$
Balance at January 1, 2011		213,868	10,267	(112,984)	111,151	9,039	120,190
Profit for the period		-	-	75,249	75,249	8,922	84,171
Change in valuation – available-for-sale							
securities, net of tax	15	-	43	-	43	-	43
Functional currency translations	15		1,840		1,840		1,840
Total comprehensive profit		-	\$1,883	\$75,249	\$77,132	\$8,922	\$86,054
Transactions with owners:							
Share plans – exercises	14	35,329	(22,412)	-	12,917	-	12,917
Share-based compensation expense	14	-	7,140	-	7,140	-	7,140
Shares issued for Merger		1,142,827	23,637		1,166,464		1,166,464
Total transactions with owners		\$1,178,156	\$8,365		\$1,186,521		\$1,186,521
Balance at December 31, 2011		\$1,392,024	\$20,515	(\$37,735)	\$1,374,804	\$17,961	\$1,392,765
Profit (loss) for the period		-	-	(385,962)	(385,962)	43,603	(342,359)
Change in valuation – available-for-sale							
securities, net of tax	15	_	(147)	_	(147)	_	(147)
Functional currency translations	15		20,040		20,040		20,040
Total comprehensive profit (loss)		-	\$19,893	(\$385,962)	(\$366,069)	\$43,603	(\$322,466)
Transactions with owners:							
Sale of non-controlling interest	16	_	-	(16,297)	(16,297)	54,112	37,815
Non-controlling interest dividends	16	_	-	-	-	(6,820)	(6,820)
Debenture conversion	11a	56,187	-	-	56,187	-	56,187
Share plans – exercises	14	9,257	(7,222)	_	2,035	-	2,035
Share-based compensation expense	14		7,521		7,521		7,521
Total transactions with owners		\$65,444	\$ 299	(\$16,297)	\$49,446	\$47,292	\$96,738
Balance at December 31, 2012		\$1,457,468	\$40,707	(\$439,994)	\$1,058,181	\$108,856	\$1,167,037

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

1. General information

Alacer Gold Corp. (the "Corporation") is a leading intermediate gold producer with a globally diversified asset portfolio, including interests in multiple operating mines which feed three regional processing facilities in Australia and Turkey. In 2011, the Australian operations were acquired in connection with the Merger with Avoca Resources Limited (the "Merger"), which closed on February 18, 2011.

These consolidated financial statements of the Corporation as of and for the year ended December 31, 2012 are comprised of the Corporation and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Corporation is the ultimate parent.

2. Basis of presentation

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5b.

These consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2013.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

changed where necessary to provide consistent application of policies with those adopted by the Group. A list of Group entities appears in Note 16.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net profit (loss) and comprehensive profit (loss) is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

b) Joint arrangements

The Group conducts a portion of its business through joint operations where the venturers are bound by contractual arrangements establishing joint control over the ventures requiring unanimous consent of each of the venturers regarding strategic, financial and operating polices of the venture. The Group undertakes its joint operations through jointly controlled entities, being corporations, partnerships or other unincorporated entities in which each venturer has an interest. Jointly controlled entities operate in the same way as other entities, controlling the assets of the venture, earning its own income and incurring liabilities and expenses. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS's applicable to the particular assets, liabilities, revenues and expenses.

c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. Gains or losses on disposals of non-controlling interests are recorded to deficit. For non-wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated statement of position. Profit (loss) for the period that is attributable to the non-controlling interests is calculated based on the ownership of the minority shareholders in the subsidiary.

d) Segment reporting

The Group operates in two reportable operating segments consisting of mining, development and exploration of mineral deposits in Turkey and in Australia.

e) Foreign currency translation

i) Functional currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Primary and secondary indicators are used to determine the functional currency (primary indicators have priority over secondary indicators). Primary indicators include the currency that mainly influences sales prices and the currency that mainly influences labor, material and other costs. Secondary indicators include the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained. The functional currency for all Group entities is the United States dollar ("U.S. dollar"), except for Australian entities, for which the functional currency is the Australian dollar.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

ii) Transactions and balances

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive profit (loss).

The financial statements of entities that have a functional currency different from the presentation currency of the Corporation are translated into U.S. dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position; and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive profit (loss) as cumulative translation adjustments.

iii) Presentation currency

The presentation currency is U.S. dollars as this currency best reflects the overall economic environment in which the Group operates.

f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held available on demand with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash balances are excluded from cash and cash equivalents, and are classified as either current or non-current assets, based upon the expiration date of the restriction.

g) Inventories

Production inventories are valued at the lower of production cost or net realizable value. Production costs is determined on an average cost basis and consists of direct production costs including mining, crushing, processing, site administration costs, depreciation and allocated indirect costs, based on normal operating capacity. Supplies inventories are valued at average cost less any allowances for obsolescence.

- i) Finished goods includes gold bullion and doré. Doré represents a bar containing predominantly gold by value, which is generally refined off-site to return saleable metals. Doré inventory is valued at the lower of average cost to produce the doré and net realizable value.
- ii) Work-in-process inventory represents costs that are incurred in the process of converting mineralized ores into partially refined precious metals, or doré. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form. The recovery of gold from ore is achieved through either a milling or heap leaching process. Under the heap leaching method, ore is crushed and placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

Cost of work-in-process inventory includes operating costs incurred to that stage of the process plus depreciation, depletion and amortization of mineral property, plant and equipment relating to that stage of the process. Costs capitalized to work-in-process inventory include direct and indirect materials and consumables; direct labor; repairs and maintenance; utilities; depreciation, depletion and amortization of mineral property, plant and equipment; and local mine administrative expenses. Costs are removed from in-process inventory and transferred to doré inventory as ounces are produced based on the average cost per recoverable ounce on the leach pad. Costs are recorded as costs of sales in the consolidated statement of comprehensive profit (loss) on the sale of refined gold, along with the impact of inventory movement reflected through costs of sales in the consolidated statement of comprehensive profit (loss).

Recoverable gold on the leach pads is estimated based on the quantities of ore placed on the leach pads (based on grade control measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on estimated ultimate recovery assumptions from the block model). The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, estimates are refined based on actual results over time. The ultimate recovery of gold from leach pads will not be known until the leaching process is concluded at the end of the mine life.

h) Mineral properties and equipment

i) Mineral Properties

Mineral properties consist of: the fair value attributable to mineral reserves and resources acquired in a business combination or asset acquisition; underground mine development costs; open-pit mine development costs; capitalized exploration and evaluation costs; and capitalized interest. Mineral properties is comprised of historical costs associated with acquisition, evaluation, development and construction of mining properties and is stated at historical cost less depletion. Historical cost includes expenditures directly attributable to acquisition and subsequent costs to evaluate and develop mineral reserves and resources. Such costs are capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Mineral properties are not subject to depletion until processing plant construction associated with a mineral property is completed and initial commercial production is achieved. Incidental revenues and operating costs are included in mineral properties prior to a plant achieving commercial production, which occurs when a property is substantially complete and ready for its intended use. Mineral property costs are depleted using the units-of-production ("UOP") method based on proven and probable mineral reserves.

A. Underground Mine Development Costs:

Underground mines incur development costs to build new shafts, drifts and ramps that will enable the Group to physically access ore underground. The time over which the costs will continue to be incurred depends on the mine life. These underground development costs are capitalized as incurred. Capitalized underground development costs incurred to enable access to specific ore blocks or areas of the underground mine, and which only provide an economic benefit over the period of mining that ore block or area, are depreciated on a UOP basis. If capitalized

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(expressed in thousands of U.S. dollars, unless otherwise stated)

underground development costs provide an economic benefit over the entire mine life, the costs are depreciated on a UOP basis.

B. Open-Pit Mining Costs:

In open-pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the orebody (referred to as pre-production stripping) are capitalized as open-pit mine development costs. Stripping costs incurred during the production stage of a pit are accounted for as costs of the inventory produced during the period that the stripping costs were incurred. Capitalized open-pit mine development costs are depreciated on a UOP basis. Capitalized open-pit mine development costs are depreciated once the open-pit has entered production and the future economic benefit is being derived.

ii) Mining Plant and Equipment

Mining plant and equipment is stated at historical costs less depreciation. Historical costs include initial purchase price or construction cost, costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and where relevant, borrowing costs.

Costs that meet the asset recognition criteria are capitalized. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance expense and are accounted for as a cost of the inventory produced in the period.

Depreciation commences when mining plant and equipment are considered available for use. Once mining plant and equipment are considered available for use, they are measured as cost less accumulated depreciation and applicable impairment losses. Mining plant and equipment, net of residual value, is depreciated on a straight-line basis, over the shorter of estimated useful lives or life of the related mineral property. Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of position date.

Annual depreciation rates of major asset categories:

Buildings, plant and equipment	5 – 25 years
Underground mobile equipment	5 – 7 years
Light vehicles and other mobile equipment	2 -3 years
Furniture, computer and office equipment	2 -3 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive profit (loss).

iii) Construction-in-progress ("CIP")

Assets under construction at operating mines are capitalized as CIP. The cost of CIP comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. CIP amounts related to development projects are included in the carrying amount of the

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

development project. CIP amounts incurred at operating mines are presented as a separate asset within Mineral Properties and Equipment. CIP is not depreciated. Once the asset is complete and available for use, it is transferred to the appropriate mineral property and equipment class and depreciation commences.

iv) Intangible Assets

Intangible assets acquired by way of an asset acquisition or business combination are recognized if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. On acquisition of a mineral property in the exploration stage, we prepare an estimate of the fair value attributable to the exploration licenses acquired, including the fair value attributable to mineral resources, if any, of that property. The fair value of the exploration license is recorded as an intangible asset (acquired exploration potential) as at the date of acquisition.

v) Leasing Arrangements

The Group enters into both leasing arrangements and arrangements that are in substance leasing arrangements. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Group are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased property and the present value of the minimum lease payment. Each lease payment is allocated between the liability and finance costs using the effective interest method, whereby a constant rate of interest expense is recognized on the balance of the liability outstanding. The interest element of the lease is charged to the consolidated statement of comprehensive profit (loss) as a finance cost. Mineral Properties and Equipment assets acquired under finance leases are depreciated, once the asset becomes available for use, over the shorter of the useful life of the asset and the lease term. All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in the consolidated statement of comprehensive profit (loss) on a straight-line basis over the lease term.

i) Development property

Once proven and probable reserves are established for a mineral property and it is determined that these reserves can be developed economically, costs incurred are capitalized until initial plant construction has been completed and commercial production is achieved. Incidental revenues and operating costs are included in Mineral Properties prior to a plant achieving commercial production. Development property is not subject to depreciation or depletion until placed in service.

j) Deferred stripping costs

Stripping costs comprise the removal of overburden from a mine. Stripping costs that represent a betterment of a mineral property are capitalized to mineral properties. Such capitalized stripping costs are amortized on a unit-of-production method over the proven and probable reserves to which these costs relate. Other stripping costs are included in the cost of inventory produced during the period and by inclusion in inventory when the stripping benefits the production within the coming year.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

Capitalized stripping costs are included as part of mineral properties and form part of the total investment in the relevant asset level or cash generating units, which are reviewed for impairment if events or changes of circumstances indicate the carrying value may not be recoverable.

k) Exploration and evaluation expenditures

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of: (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an orebody that is classified as either a mineral resource or a proven and probable reserve; (ii) determining the optimal methods of extraction and metallurgical and treatment processes; (iii) studies related to surveying, transportation and infrastructure requirements; (iv) permitting activities; and (v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Acquisition costs for exploration and evaluation stage properties are capitalized. Exploration and evaluation expenditures incurred prior to the date of a positive economic analysis on a mineral property are expensed as incurred. Exploration and evaluation expenditures incurred subsequent to completion of a positive economic analysis, including exploratory drilling and related expenditures are capitalized as mineral property in the accounting period the expenditure is incurred if Management determines there is sufficient evidence that the expenditure will result in a future economic benefit.

Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. The review is based on the Corporation's intention for development of the underlying asset.

I) Recoverability of long-lived assets

Assets subject to depreciation, depletion and amortization are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of comprehensive profit (loss) for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Previously impaired non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

m) Financial assets

Classification of financial assets depends on the purpose for which the financial assets were acquired. Routine purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset. Management determines the classification of financial assets at initial recognition. The Group classifies and provides for financial assets as follows:

- i) Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling it in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed. Gains and losses arising from changes in fair value are presented in the consolidated statement of comprehensive profit (loss) in the period in which they arise.
- *Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method, less a provision for impairment.
- iii) Available-for-sale financial assets, comprising principally short-term investments and marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments and Management intends to hold them for the medium to long term. Investments are initially recognized at fair value plus transaction costs. Changes in fair value of monetary and non-monetary securities in this classification are recognized in reserves, except for changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale, which are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the consolidated statement of comprehensive loss; other changes in the carrying amount are recognized in reserves.

When sold or impaired, the accumulated fair value adjustments previously recognized in reserves are included in profit or loss. In the case of equity securities, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the consolidated statement of comprehensive profit (loss).

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n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share-based compensation are shown in equity as a deduction, net of tax, from the proceeds.

o) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings using the effective interest method.

Fees paid to establish loan facilities are recognized as transaction costs of the loan and are deferred and recognized as an adjustment to the effective interest rate on the loan once drawn.

Compound financial instruments issued by the Group include convertible debentures that can be converted at a fixed conversion rate to share capital at the option of the holder. The liability component of convertible debentures is recognized initially at fair value of a similar liability that does not have an equity conversion option. The conversion component is initially valued at fair value based on generally accepted valuation techniques. If convertible debentures are denominated in a currency that is different from the Corporation's functional currency, both the liability and conversion components are carried as borrowings.

Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest method. The conversion component of the convertible debenture is re-measured to fair value at each reporting period using the period end foreign exchange rate and changes in value are recognized as a component of finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability, or a portion of the liability, for at least 12 months after the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

p) Current and deferred income taxes

Income tax expense or benefit for the period includes current and deferred income taxes. Tax expense or benefit is recognized in the consolidated statement of comprehensive profit (loss), except to the extent it relates to items recognized in other comprehensive profit (loss) or directly in reserves. In such cases, associated income tax is recognized in other comprehensive profit (loss) or directly in reserves.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the statement of position date in the countries where Group entities operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and the respective carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the statement of position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversals of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

q) Share-based payments

Fair value of share options and restricted share units under incentive schemes is measured at grant date and amortized over the period during which the employee becomes unconditionally entitled to the equity instrument. Amounts amortized are expensed or, to the extent appropriate, are capitalized as the cost of constructing long-term assets. Total value is determined by reference to the fair value of the instrument granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest.

The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. At each reporting date, the entity revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive profit (loss), with a corresponding adjustment to the reserve. The proceeds received, if any, net of any directly attributable transaction costs, are credited to share capital when the instruments are exercised or otherwise redeemed.

r) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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An obligation to incur decommissioning and reclamation costs generally occurs when an environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to periodic review.

Decommissioning and site reclamation costs arising from the installation of plant and other site preparation work, discounted to present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged through depreciation and/or depletion of the asset and unwinding of the discount on the provision.

s) Revenue recognition

- i) Revenue from metal sales is recognized when all the following conditions have been satisfied:
 - The significant risks and rewards of ownership have been transferred;
 - Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
 - The amount of revenue can be measured reliably;
 - It is probable that economic benefits associated with the transaction will flow to the Corporation;
 and
 - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

ii) Gold Bullion Sales

Gold bullion is sold primarily in the international gold market. The sales price is fixed based on the gold spot price and revenue from gold bullion sales is recorded at the time of physical delivery, which is also the date that title to the gold passes.

t) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding and for the effects of all dilutive potential common shares, which comprise convertible notes and share-based compensation granted to employees.

u) New and amended accounting standards adopted by the Group

There were no IFRS's, International Accounting Standards ("IAS"), or International Financial Reporting Interpretation Committee ("IFRIC") interpretations that were effective for the first time for the financial year beginning on January 1, 2012 that had a material impact on the Group. The adoption of the following new standards, interpretations and amendments resulted to changes in the Group's accounting policies, but did not have any impact on the financial position or performance on the Group on initial application.

i) IFRS 7, Financial Instruments: Disclosures was amended to improve transparency in reporting transfer transactions and improve users' understanding of risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. As noted above, adoption of this standard had no impact on the financial results and disclosures of the Corporation; however, see the recent amendment to IFRS 7 discussed below.

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ii) IAS 1, Presentation of Financial Statements was amended to require entities to group items within other comprehensive profit (loss) that may be reclassified to profit or loss.

v) Future changes to standards

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are effective for financial years beginning January 1, 2013 or after and have not been early adopted. Pronouncements that are not applicable to the Group have been excluded from those described below. The Group is currently evaluating the potential impacts of the following standards.

- i) Accounting standards effective on or after January 1, 2013:
 - A. *IFRS 7, Financial Instruments: Disclosures* was amended to provide additional information about the effect or potential effect of offsetting financial assets and financial liabilities.
 - B. IFRS 10, Consolidated Financial Statements and IFRS 12, Disclosure of Interests in Other Entities replace IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation Special Purpose Entities and provide guidance on the consolidation model, which identifies the elements of control. These standards provide a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
 - C. IFRS 11, Joint Arrangements supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities, to establish principles for financial reporting by parties to a joint arrangement. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity.
 - D. IFRS 12, Disclosure of Interests in Other Entities creates a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities).
 - E. *IFRS 13, Fair Value Measurement* sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements.
 - F. IAS 27, Separate Financial Statements aligns with the new consolidation guidance prescribed in IFRS 10, Consolidated Financial Statements as it applies to investments in subsidiaries, joint ventures and associates when an entity either elects or is required by local regulations to prepare separate financial statements in accordance with IFRS.
 - G. IAS 28, Investments in Associates and Joint Ventures was amended as a consequence of the issue of IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities. IAS 28 provides the accounting guidance for investments in

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- associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- H. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods.
- ii) Accounting standard effective on or after January 1, 2014:
 - A. *IAS 32, Financial Instruments: Presentation* was amended to clarify matters regarding offsetting financial assets and financial liabilities, as well as related disclosure requirements. Earlier application is permitted when applied with corresponding amendment to *IFRS 7, Financial Instruments: Disclosures*.
- iii) Accounting standard effective on or after January 1, 2015:
 - A. IFRS 9, Financial Instruments. In November 2009, the IASB issued IFRS 9 as the first step in its project to replace International Accounting Standard 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains, but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive profit (loss), and guidance on financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk, and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department ("Group treasury") under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

a) Credit risk

The portion of cash and cash equivalents held by banks is subject to credit risk. Such credit risk is managed by diversifying holdings among various financial institutions and by purchasing short-term investment grade securities and money market fund holdings, including bankers' acceptances, guaranteed investment contracts, corporate commercial paper, United States, Canadian, and Australian treasury bills, and United States, Canadian and Australian agencies investments in accordance with the Group's investment policy. Investment objectives are primarily directed towards preservation of capital and liquidity. The investment policy provides limitations on concentrations of credit risk, credit quality and the duration of investments, as well as minimum rating requirements for cash and cash equivalents held in banks and financial institutions. The majority of the Group's receivable balances consist of Turkish value-added tax recoverable claims and Australian GST refundable amounts. The Group is exposed to credit risk to the extent these amounts are not received. As at December 31, 2012, receivables from the Turkish and Australian governments totaled \$9,284 and \$3,051, respectively. Management monitors its exposure to credit risk on a continual basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of position. The Group monitors its exposure to credit risk on an ongoing basis. Concentration of credit risk exists with respect to the Group's cash and cash equivalents, which totaled \$277,258 and \$249,565 as at December 31, 2012 and 2011, respectively.

b) Liquidity risk

The Group's approach to managing liquidity risk is to provide reasonable assurance that it can provide sufficient capital to meet liabilities when due. The Group maintains sufficient cash and cash equivalents in order to meet short-term business requirements. The Group's ability to settle borrowings and other long term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations.

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The table below analyzes the Group's derivative and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years
As at December 31, 2012:				
Trade and other payables	52,204	106,401	-	-
Borrowings	8,480	60,400	482	
Total	\$60,684	\$166,801	\$ 482	\$-
As at December 31, 2011:				
Trade and other payables	88,406	66,217	-	-
Borrowings	109,920	7,545	52,917	2,600
Total	\$198,326	\$73,762	\$52,917	\$2,600

c) Market risk

i) Interest rate risk

The Group's main interest rate risk arises from bank borrowings with interest charges based on an interest margin over the one-month London Interbank Offering Rate ("LIBOR") and Australian dollar one-month LIBOR. The Group also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. All other financial assets and liabilities in the form of receivables, payables and provisions are non-interest bearing. Future net cash flows from interest income on cash and cash equivalents and interest expense on variable rate borrowings will be affected by interest rate fluctuations. The Group manages interest rate risk by maintaining an investment policy for short-term investments and cash and cash equivalents. This policy focuses primarily on preservation of capital and liquidity. The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

As at December 31, 2012, Management estimates that if interest rates had changed by 1% (i.e. 100 basis points), assuming all other variables remained constant, the impact to pre-tax net profit (loss) would have been approximately \$1,286 (2011 - \$183).

ii) Currency risk

The Group's functional currencies are the U.S. dollar and Australian dollar. The Group is affected by currency transaction risk and currency translation risk. Consequently, fluctuations of the U.S. dollar in relation to other currencies, and the Australian dollar in relation to the U.S. dollar, impact the fair value of financial assets and liabilities and operating results.

Certain short-term financial liabilities are denominated in other currencies, predominately Australian dollars and Turkish Liras. To reduce exposure to currency transaction risk, the Group maintains cash and cash equivalents in each of these currencies to meet short-term liquidity requirements. Other

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financial assets and liabilities subject to currency translation risk primarily include non-U.S. dollar cash and cash equivalents, receivables, and convertible debentures (until maturity).

As at December 31, 2012, Management estimates that if foreign exchange rates had weakened 10% against the U.S. dollar, assuming all other variables remained constant, pre-tax profit would have been \$31,044 (2011 - \$15,784) lower, and a strengthening of 10% in foreign exchange rates, assuming all other variables remained constant, would have increased pre-tax profit by \$25,400 (2011 - \$12,914). This is mainly a result of foreign exchange gains/losses on translation of Turkish Lira denominated cash and cash equivalents, receivables, and payables, as well as a U.S. dollar-denominated intercompany borrowing arrangement. Similarly, the impact on equity (pre-tax) would have been \$9,210 (2011 - \$12,041) lower and \$7,535 (2011 - \$9,852) higher, respectively, mainly as a result of translation of Australian dollar denominated cash and cash equivalents, receivables, payables, and borrowings. Substantially all of these losses or gains would be as a result of unrealized foreign currency translations.

iii) Commodity price risk

The market price of gold is a significant driver of profitability and ability to generate free cash flow. The Corporation sells gold produced in the international market at prevailing market rates. Future declines in commodity prices may impact the valuation of long-lived assets, and fluctuations in commodity pricing may impact cash flows and profitability.

As at December 31, 2012, Management estimates that if gold prices had changed by 10%, assuming all other variables remained constant, the impact to gold sales would have been approximately \$71,889 (2011 - \$55,738).

d) Fair value of financial instruments

Financial assets and financial liabilities are initially recognized at fair value; subsequent measurement is dependent on the applicable classification. The Group has classified cash and cash equivalents as held for trading, the carrying value of which approximates fair value. The Group has classified accounts payable and accrued liabilities, and interest payable as other financial liabilities. The carrying amounts of accounts payable and accrued liabilities, and interest payable approximate the fair values of those financial instruments, due to the short-term maturity of such instruments.

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The following table illustrates the classification of the Group's financial instruments within the fair value hierarchy as at:

As at December 31, 2012:	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equity investments	3,100	-	-	3,100
	\$3,100	\$-	\$-	\$3,100
As at December 31, 2011:				
Equity investments	2,311	-	-	2,311
Debenture conversion component		(34,436)	-	(34,436)
	\$2,311	(\$34,436)	\$-	(\$32,125)

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

e) Capital risk management

The Group's objectives when managing capital (including borrowings and share capital) are to:

- Ensure the Group has sufficient cash available to support the continuing mining, development, exploration and other areas of the business;
- Ensure the Group has sufficient capital and capacity to support its long-term growth strategy;
- Provide investors with an appropriate rate of return in context of a balanced risk profile;
- Ensure compliance with borrowing covenant ratios; and
- Minimize counterparty credit risk.

The Group adjusts its capital structure based on changes in business results, economic conditions, and the Group's strategy. The Group, upon Board approval, has the ability to adjust its capital structure by issuing new equity, drawing on existing credit facilities, issuing new debt and by selling or acquiring assets. The Group can also control how much capital is returned to shareholders through dividends and share buyback, within the context of its strategy and debt restrictions.

The Group's quantitative capital management objectives are largely driven by the requirements under the debt agreements of its subsidiaries (the "Borrowers"). The borrowing agreements include requirements to maintain certain financial ratios such as current ratio, debt service coverage ratio, and leverage ratio. At December 31, 2012, there was no externally imposed capital requirement to which the Borrowers were subject that was not complied with.

5. Critical accounting estimates and judgments

Many of the amounts included in the consolidated statement of position require Management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on Management's experience and knowledge of the relevant facts and circumstances. Actual results may differ

Level 2 – Inputs other than quoted prices that are observable either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

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from the amounts included in the consolidated statement of financial position. Information about such judgments and estimates is contained in the accounting policies within these Notes to Consolidated Financial Statements, and the key areas are summarized below.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

b) Critical judgments in applying the entity's accounting policies

i) Purchase price allocation

Business acquisitions are accounted for by the purchase method of accounting whereby the purchase price is allocated to the assets acquired and the liabilities assumed based on fair value at the time of the acquisition. The excess purchase price over the fair value of identifiable assets and liabilities acquired, if any, is goodwill. The determination of fair value often requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves acquired, future gold prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill, if any, in the purchase price allocation. If material, such adjustments would be reflected via a restatement of previously issued financial statements.

ii) Mineral reserve and resource estimates

Figures for reserves and resources are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators and Canadian Institute of Mining, Metallurgy and Petroleum standards. Proven and probable reserves are the economically mineable parts of the Corporation's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Corporation estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of an orebody requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the orebody. Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation, depletion and amortization.

iii) Depreciation, depletion and amortization

Plants and other facilities used directly in mining activities are depreciated using the UOP method over a period not to exceed the estimated life of the orebody based on recoverable ounces to be mined

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from proven and probable reserves. Mobile and other equipment is depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves. The calculation of the UOP rate, and therefore the annual depreciation, depletion and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves. Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

iv) Inventories

The assumptions used in the valuation of work-in-process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in mill circuits and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Group could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Group's earnings and working capital.

v) Mine restoration provision estimates

The Group's calculation of rehabilitation and closure provisions (and corresponding capitalized closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed land to appropriate post-operations condition. Key assumptions are reviewed regularly and adjusted to reflect current estimates used to calculate these balances. Significant judgment is required in determining the provision for mine closure and rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

vi) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognizes tax-related assets and liabilities based on the Group's current understanding of tax laws as applied to the Group's circumstances. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

vii) Recoverability of long-lived assets

The Group reviews and evaluates long-term non-financial assets for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. This assessment is done at the cash generating unit level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment

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is considered to exist if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than the carrying amount. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

6. Cash and cash equivalents

	Dec 31 2012 \$	Dec 31 2011 \$
Cash at banks and on hand	112,017	96,884
Short-term deposits	10,384	37,508
Money market funds and other	154,857	115,173
	\$277,258	\$249,565

Cash and cash equivalents earn interest based on market rates applicable to each form of interest-bearing instrument. Cash is deposited at reputable financial institutions. The fair value of cash and cash equivalents equates to the values as disclosed in this note.

7. Receivables and other

	2012 \$	2011 \$
Consumption taxes recoverable	12,335	10,345
Current portion contract advances	3,718	2,539
Prepaid expenses	4,909	4,733
Other current assets	1,879	3,843
	\$22,841	\$21,460

Doc 21

Doc 21

Under two separate letter of credit arrangements, the Group maintains funds in restricted bank accounts within Anagold Madencilik Sanayi Ve Ticaret Anonim Sirketi ("Anagold"). The first is a time deposit for electricity distribution services received from Türkiye Elektrik ve İletim A.Ş. The second is with Türkiye Vakıflar Bankası T.A.O. associated with the inception of Kartaltepe Madencilik Sanayi Ticaret Anonim Şirketi, Polimetal Madencilik Sanayi Ticaret Anonim Şirketi, and Tunçpınar Madencilik Sanayi Ve Ticaret Anonim Şirketi. As of December 31, 2012, the combined balance of these letters of credit is \$1,130 (2011: \$1,383). These letters of credit are expected to be released in 2013 and are included within other current assets above.

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8. Inventories

	Dec 31 2012 \$	Dec 31 2011 \$
Finished goods	14,692	5,827
Work-in-process	80,342	43,520
Ore stockpiles	20,243	14,813
Supplies and other	17,042	10,153
	\$132,319	\$74,313

9. Mineral properties and equipment, net

	Mineral	Mining plant	Non-producing	
	properties ¹	and equipment	properties ²	Total
	\$	\$	\$	\$
Balance at January 1, 2011	-	8,697	212,059	220,756
Assets acquired through Merger	325,393	120,121	727,936	1,173,450
Additions ³	70,972	24,673	62,078	157,723
Disposals	-	(799)	-	(799)
Rehabilitation provision ³	11,850			11,850
Transfers	156,620	51,608	(231,158)	(22,930)
Depreciation, depletion	(72,400)	(33,187)	(3,117)	(108,704)
Balance at December 31, 2011	\$492,435	\$171,113	\$767,798	\$1,431,346
Additions	52,752	18,001	128,035	198,788
Disposals	(980)	(368)	(53)	(1,401)
Rehabilitation provision	17,326	-	-	17,326
Depreciation, depletion	(109,511)	(39,645)	(15,956)	(165,112)
Impairment loss and write-downs	(284,444)	-	(215,627)	(500,071)
Transfers	103,357	2,461	(105,818)	-
Translation of Australian assets for				
presentation currency	12,754	2,150	10,964	25,868
Balance at December 31, 2012	\$283,689	\$153,712	\$569,343	\$1,006,744
1				

¹ Mineral properties represents assets subject to depreciation including production stage properties, acquired mineral reserves, capitalized mine development costs, and capitalized pre-production stripping.

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of Fair Value Less Cost to Sell ("FVLCS") and Value in Use ("VIU") approaches. The assessment is done at the Cash Generating

Non-producing properties includes construction-in-progress, capital projects and acquired mineral resources and capitalized exploration.

³ Certain reclassifications have been made to previously disclosed amounts for consistency with current year presentation.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

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Unit ("CGU") level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Impairment indicators were identified for the Australian operations and capitalized exploration as of the fourth quarter 2012. The Corporation has determined that the processing centers (Higginsville and South Kalgoorlie) represent the CGU's for the Australian operations.

FVLCS models were used to determine the recoverable amounts of the CGU's utilizing discounted cash flows with market participant variables used as inputs. The FVLCS for the capitalized exploration was determined using comparable transactions.

For the year ended December 31, 2012, the Corporation recorded impairment charges of \$490.0 million for non-current assets within the Australian segment. The impairment was driven by the proposed sale of the Corporation's interest in the Frog's Leg mine (as discussed in Note 25 below), and by an increase in general Australian operating costs, and reflects a reduction in expected future cash flows at South Kalgoorlie Operations and Higginsville, as well as updated valuation assumptions related to exploration properties. Expected future cash flows used to determine the FVLCS and VIU used in the impairment testing of noncurrent assets are inherently uncertain and could materially change over time. The cash flows are significantly affected by a number of factors including estimates of production levels, operating costs, and capital expenditures reflected in the Corporation's life of mine plans, as well as economic factors beyond Management's control, such as gold prices, discount rates, and observable net asset valuation multiples. Should Management's estimate of the future not reflect actual events, further impairments or reversals of impairments may be identified.

During the year ended December 31, 2012, the Corporation recorded write-offs of approximately \$10.1 million related to Australian exploration tenements that were released based on an evaluation of expected future benefits.

In July 2012, the Group announced that the South Kalgoorlie Operations Expansion Project in Western Australia would be deferred, pending additional geological and mine engineering work to be completed in order to ensure requisite returns on capital are achieved. Demobilization and standing down of a portion of the mining fleet resulted in a one-time charge of \$4.5 million, incurred in the three months ended June 30, 2012. This one-time charge is included in other (gain) loss, net and had no impact on production costs.

10. Trade and other payables

	Dec 31 2012 \$	Dec 31 2011 \$
Trade payables and accruals	155,733	149,797
Interest payable	-	1,240
Withholding taxes and other	2,872	3,586
	\$158,605	\$154,623

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

11. Borrowings

	Dec 31 2012 \$	Dec 31 2011 \$
Current		
Bank borrowings (b)	63,463	12,867
Lease liabilities	5,417	2,802
Convertible debentures (a)		129,274
	\$68,880	\$144,943
Non-current		
Bank borrowings (b)	-	50,317
Lease liabilities	482	5,200
	\$482	\$55,517
Total borrowings	\$69,362	\$200,460

a) Convertible debentures

The Debentures matured on April 30, 2012. The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Debentures, beginning of period	129,274	110,716
Accreted interest	3,314	9,008
Converted to common shares	(54,659)	-
Maturity of non-converted – cash settled	(47,479)	-
Change in option conversion component valuation	(34,436)	11,527
Foreign exchange loss	3,986	(1,977)
Debentures, end of period	\$-	\$129,274

b) Bank borrowings

The Group, through its subsidiaries Anagold and Kurudere Madencilik A.Ş, entered into a \$25 million three-year credit facility (the "Credit Facility") with Standard Bank Plc on November 15, 2010. The Credit Facility was of a revolving nature during the initial 12-month period and converted to a 24-month term note (the "Term Note") in December 2011. Interest is accrued on any outstanding balance at the one-month LIBOR rate plus 4.5%, and repayments of principal and accrued interest occur monthly until maturity in December 2013. The Term Note is secured by a partial pledge of Anagold shares and a guarantee by the Corporation. As at December 31, 2012, the Term Note has a balance outstanding of \$12,025 (2011: \$24,661).

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

In connection with the Merger, the Corporation assumed a Syndicated Facility Agreement (the "Facility") from Avoca Resources Limited ("Avoca"), which expires in December 2013. As at December 31, 2012, the Facility has a balance outstanding of A\$50 million (2011: A\$37,931), which equals the working capital limit. The Facility is secured by a pledge of the shares and assets of Avoca Mining Pty Ltd, Dioro Exploration NL, HBJ Minerals Pty Ltd, and Hampton Gold Mining Areas Limited, and a guarantee by Avoca. Avoca also maintains a A\$15 million contingent instrument facility in support of various bonding requirements of the Western Australian Department of Mines and Petroleum with respect to mining tenement reclamation costs, which expires in December 2013.

12. Provisions

Environmental provision:	Dec 31 2012 \$	Dec 31 2011 \$
Balance, beginning of year	\$41,219	6,136
Acquired through Merger	-	21,658
Arising during the period	17,326	11,850
Unwinding of discount	3,456	1,575
Translation of Australian liability for presentation currency	738	
Balance, end of year	\$62,739	\$41,219

The Group makes a full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value (discounted utilizing estimated government bond rates) of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2019. These provisions have been created based on third-party and internal Management estimates. Assumptions based on the current economic environment have been made, which Management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices, which are inherently uncertain.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

13. Income taxes

a) Income tax expense (benefit) - The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Current	4,864	3,842
Deferred	3,889	(13,823)
Provision (benefit) for income taxes	\$8,753	(\$9,981)

b) Reconciliation of effective tax rate - The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Net profit (loss) before income tax for the year	(\$333,606)	\$74,190
Income tax expense (recovery) at Canadian statutory rate of 30.0% (2011: 31.5%)	(100,117)	23,370
Impairment of assets	146,986	-
Effect of difference in foreign tax rates	(22,494)	(17,546)
Investment tax credit utilization	(27,952)	(32,835)
Investment tax credit realization	-	(24,008)
Unrecognized benefit of income tax assets, net	10,835	12,732
Merger costs	-	21,282
Foreign currency valuations	(4,923)	6,999
Other	6,418	25
Provision (benefit) for income taxes	\$8,753	\$(9,981)

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

c) Significant components of deferred tax assets and liabilities

	Consolidated statement of financial position		Consolidated of compre profit (hensive
	2012	2011	2012	2011
	\$	\$	\$	\$
Deferred income tax assets:				
Incentive tax credits recognized	18,063	24,008	18,063	24,008
Non-capital loss carry-forwards	-	119,793	-	119,793
Environmental provision	2,360		2,360	
Other	11,356		11,356	
	\$31,779	\$143,801	\$31,779	\$143,801
Deferred income tax liabilities:				
Mineral properties and equipment	(16,859)	(5,792)	(16,859)	(5,792)
Capitalized mineral exploration	-	(104,406)	-	(104,406)
Foreign exchange impacts on deferred				
tax items	-	(8,455)	-	(8,455)
IFRS pre- commercial operations profit	-	(4,586)	-	(4,586)
Other	(5,113)	(6,739)	(5,113)	(6,739)
	(\$21,972)	(129,978)	(\$21,972)	(129,978)
Deferred income tax asset – net	\$9,807	13,823	\$9,807	13,823
			2012	2011
Unrecognized deferred tax assets:			\$	\$
Loss carry-forwards			563,450	62,889
Exploration costs			, -	24,616
Other			11,564	15,372
			,	- ,

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of \$173,178 (2011: \$17,545) in respect of losses amounting to \$563,450 (2011: \$62,889) that can be carried forward against future taxable income. Canadian losses total \$68,880 and expire in 2014 through 2031 and Turkish losses totaling \$6,363 expire in 2013 through 2017.

Deferred income tax liabilities of \$19,869 (2011: \$23,625) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totaled \$198,690 at December 31, 2012 (2011: \$157,503).

Current tax for each taxable entity in the Group is based on the local taxable profit (loss) for the period at the local statutory tax rates enacted or substantively enacted at the date of the statement of financial position. Deferred tax is recognized, using the liability method, on temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit (loss). Deferred tax is determined using tax rates and tax laws that are enacted or substantively enacted at the date of the statement of financial position and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

14. Share capital and share-based payments

a) Share capital

The Corporation has an unlimited number of common shares, without nominal or par value, authorized for issuance and an unlimited number of preferred shares, without nominal or par value, issuable in series. As of December 31, 2012, there have been no transactions involving preferred shares. The following table summarizes activity for common shares:

		Common Shares		
	Note	Number of Amo Shares		
Balance at January 1, 2011		139,296,769	213,868	
Shares issued:				
Acquisition of Avoca		135,070,307	1,142,827	
On exercise of share-based awards		5,989,570	35,329	
Balance at December 31, 2011		280,356,646	1,392,024	
Shares issued:				
On conversion of debentures	11a	6,695,750	56,187	
On exercise of share-based awards	14b	1,265,060	9,257	
Balance at December 31, 2012		288,317,456	\$1,457,468	

b) Share-based payments

i) Option plans

The Corporation adopted a share-based compensation plan on June 21, 2005 (the "2005 Plan"), and subsequently amended and restated on May 31, 2007, and further amended on January 31, 2011 (the "2011 Plan") at 6,194,829, an amount equal to the total number of options outstanding as of April 28, 2011. No further options will be issued under the 2011 Plan and the 2011 Plan remains in effect only until all options granted under it are exercised or lapse.

The following table summarizes activity for the years ended December 31:

	20	12	2011		
	Options to acquire shares	Weighted average exercise price \$	Options to acquire shares	Weighted average exercise price \$	
Outstanding - Beginning of year	2,564,817	\$3.86	4,738,324	\$3.51	
Granted	-	-	3,757,387	3.86	
Forfeited*	(795,572)	(4.90)	(942,139)	(3.78)	
Exercised	(880,027)	(3.59)	(4,988,755)	(3.75)	
Outstanding - End of year	889,218	\$3.39	2,564,817	\$3.86	
Exercisable – End of year	889,218	\$3.39	2,514,817	\$3.88	

^{*} includes shares cancelled in connection with 'cashless exercise' elections.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

As at December 31, 2012, the Corporation had share options outstanding and expiring as follows:

	Outstanding		Exerc	cisable
Expiring during the year	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
2013	666,532	\$2.68	666,532	\$2.68
2014	111,361	4.99	111,361	4.99
2015	111,325	6.02	111,325	6.02
Outstanding - End of year	889,218	\$3.39	889,218	\$3.39

Outstanding share options have a weighted average remaining contractual life of 1.2 years.

ii) Restricted share unit plan

In May 2009, shareholders approved a restricted share unit ("RSU") plan (the "2009 RSU Plan") for employees and officers. Under the 2009 RSU Plan, 2,000,000 common shares of the Corporation were reserved for issuance pursuant to the 2009 RSU Plan.

On June 2, 2011, shareholders approved an amendment to the 2009 RSU Plan to fix the total number of RSUs issuable under the 2009 RSU Plan at 1,642,738, an amount equal to the total number of RSUs outstanding as of April 28, 2011. As such, no further RSUs would be issued under the 2009 RSU Plan after June 2, 2011, and the 2009 RSU Plan would remain in effect only until all RSUs granted under the 2009 RSU Plan vest or lapse.

On June 2, 2011, the Corporation adopted two new RSU plans, the 2011 RSU plan and the NED RSU Plan (collectively, the "Alacer RSU Plans"). The aggregate number of common shares issuable pursuant to the Alacer RSU Plans, together with the aggregate number of common shares issuable pursuant to any other previously established or proposed share compensation arrangement of the Corporation, shall not exceed 5% of the total number of issued and outstanding common shares (calculated on a non-diluted basis) and the award value of all awards shall not exceed 1% of the total number of issued and outstanding common shares (calculated on a non-diluted basis) and the award value of all awards shall not exceed \$100,000 in value of equity per non-executive director. The maximum number of common shares issuable to insiders under the Alacer RSU Plans, or when combined with any other previously established or proposed share compensation arrangements, at any time or within any 12 month period, may not exceed 5% of the outstanding issue.

Each RSU becomes payable as they vest over their lives, typically three years, are subject to normal performance criteria, and entitles participants to receive one common share of the Corporation. Alternatively, the Corporation, at its discretion, may elect to satisfy all or part of its payment obligation in cash. Fair value at grant date is based on market price of Corporation's common shares. In the event an RSU participant's employment is terminated with the Corporation or one of its affiliates, or service as a Director, or engagement as a service provider to the Corporation or one of its affiliates, terminates for any reason other than death, such RSU participant's RSUs will be forfeited and no common shares of the Corporation will be issued.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

The following table summarizes activity for the years ended December 31:

	2012		201	l1
	Number of RSUs	Weighted average grant price \$	Number of RSUs	Weighted average grant price \$
Outstanding - Beginning of year	1,533,350	\$8.72	1,122,200	\$3.41
Granted	1,730,099	5.43	1,510,323	10.00
Vested and redeemed	(375,678)	(8.34)	(858,840)	(4.99)
Forfeited	(63,177)	(9.24)	(240,333)	(5.28)
Outstanding - End of year	2,824,594	\$6.85	1,533,350	\$8.72

iii) Deferred share unit plan

In May 2009, shareholders approved a deferred share unit ("DSU") plan (the "DSU Plan") pursuant to which directors of the Corporation may be granted DSUs. A total of 1,000,000 common shares of the Corporation were reserved for issuance pursuant to the DSU Plan. On June 2, 2011, shareholders approved an amendment to the DSU Plan stating no additional grants of units would be made under the DSU Plan after June 2, 2011, and the DSU Plan would remain in effect until all DSUs granted under the DSU Plan have been redeemed. During the period from January 1, 2012 through December 31, 2012, 17,458 DSUs valued at \$6.05CAD were exercised in exchange for 9,355 common shares, with the remaining approximate \$49 thousand Canadian dollar paid in cash at the election of the holder. There were 54,824 DSUs outstanding as of December 31, 2012.

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(expressed in thousands of U.S. dollars, unless otherwise stated)

15. Reserves

	Functional currency translations \$	Share- based payments \$	Available- for-sale investments \$	Total \$
Balance at January 1, 2011	-	10,136	131	10,267
Subsidiary translation to U.S. dollar	1,840	-	-	1,840
Options issued in merger	-	23,637	-	23,637
Share-based award exercises	-	(22,412)	-	(22,412)
Share-based compensation expense	-	7,140	-	7,140
Change in fair values			43	43
Balance at December 31, 2011	1,840	18,501	174	20,515
Subsidiary translation to U.S. dollar	20,040	-	-	20,040
Share-based award exercises	-	(7,222)	-	(7,222)
Share-based compensation expense	-	7,521	-	7,521
Change in fair values			(147)	(147)
Balance at December 31, 2012	\$21,880	\$18,800	\$ 27	\$40,707

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

16. Group entities

Country of Dec incorporation 20	31, Dec 31, 012 2011
Alacer Management Corp. USA 100	% 100%
Alacer Exploration Corp. S.à.r.l. Luxembourg 100	% 100%
Alacer Minerals Development Corp. S.à.r.l. Luxembourg 100	% 100%
Yeni Anadolu Mineral Madencilik Sanayi Ve Tic Ltd. Şti Turkey 100	% 100%
Trakya Copper Operations Industry Trade Limited Corporation Turkey 100	% 100%
Kartaltepe Madencilik Sanayi Ticaret Anonim Şirketi Turkey 50	% 50%
Polimetal Madencilik Sanayi Ticaret Anonim Şirketi Turkey 50	% 100%
Tunçpınar Madencilik Sanayi Ve Ticaret Anonim Şirketi Turkey 50	% 50%
Alacer Gold Holdings Corp. S.à.r.l. Luxembourg 100	% 100%
Alacer Gold Corp. S.à.r.l. Luxembourg 100	% 100%
Kurudere Madencilik A.Ş. Turkey 100	% 100%
Anagold Madencilik Sanayi Ve Ticaret Anonim Şirketi Turkey 80	% 95%
Alacer Gold Pty Ltd. Australia 100	% 100%
Avoca Resources Limited Australia 100	0% 100%
Avoca Mining Pty Ltd Australia 100	0% 100%
Dioro Exploration NL Australia 100	0% 100%
Mungari East Joint Venture Australia 49	% 49%
HBJ Minerals Pty Ltd Australia 100	0% 100%
Hampton Gold Mining Areas Limited United Kingdom 100	0% 100%

¹ Entity was incorporated in the Cayman Islands until December 2012. See further discussion below.

The Corporation is incorporated under the laws of the Yukon Territory, Canada. The address of its registered office is 3081 Third Avenue, Whitehorse, Yukon, Y1A 4Z7. Corporate administrative services are provided by Alacer Management Corp.

On August 12, 2009, the Group and Lidya Madencilik A.Ş. ("Lidya Mining") formalized an agreement to create a strategic relationship. The strategic relationship allowed Lidya Mining to acquire up to a 20% interest in Çöpler, through ownership of Anagold stock, and outlined a structure for cooperation and cross-investment to jointly explore and develop other mineral properties in Turkey on a 50/50 basis. Lidya Mining initially subscribed for 5% of the issued and outstanding Anagold stock for \$12.6 million; payments for this subscription were completed in 2010. In December 2011, Lidya Mining exercised its option to acquire an additional 15% interest in Anagold for \$37.8 million. Effective with the closing of this transaction in January 2012, Lidya Mining holds a 20% interest in Çöpler.

In addition and in conjunction with the strategic relationship with Lydia Mining, during 2011 the Corporation and Lidya Mining completed two joint ventures on other non-Çöpler Turkish holdings. During 2012 the Corporation and Lidya Mining completed on a third non-Çöpler Turkish holding joint venture. The joint venture agreements provide for equal ownership by the Corporation and Lidya Mining.

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As a shareholder of Anagold, Lidya Mining is responsible for its proportionate share of Anagold's capital and operating costs, and will receive benefit of its proportionate share of revenues and other income. Non-controlling interest represents the interest of Lidya Mining in Anagold, based on investment amounts adjusted for its share of profit or losses. The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Non-controlling interest, beginning of period	17,961	9,039
Lidya Mining share of Anagold dividends	(6,820)	-
Additional interest purchased	54,112	-
Share of profit in Anagold	43,603	8,922
Non-controlling interest, end of period	\$108,856	\$17,961

In connection with the additional investment by Lidya Mining, the Group recorded \$16,297 directly to retained earnings/deficit during the three months ended March 31, 2012. This represented the difference in value of Anagold stock versus the value of the additional interest purchased.

In December 2012, certain entities within the Group previously incorporated in the Cayman Islands transferred their incorporation to Luxembourg through a legal continuation of business. The change of country of incorporation had no impact on either the ownership interest, or the subsidiaries such entity held ownership interest in. The table below sets out the change in entity name.

Entity as at December 31, 2012 - Luxembourg

Alacer Exploration Corp. S.à.r.l. Alacer Minerals Development Corp. S.à.r.l. Alacer Gold Holdings Corp. S.à.r.l. Alacer Gold Corp. S.à.r.l.

Entity as at December 31, 2011 – Cayman Islands

2012

Anatolia Exploration Corp. Anatolia Minerals Development Corp. Anatolia Gold Holdings Corp. Anatolia Gold Corp.

17. Exploration and evaluation

The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Exploration and evaluation expenses	41,945	23,223
Exploration costs reimbursable from third parties	(431)	(3,146)
Total exploration and evaluation expenses	\$41,514	\$20,077

The Group has certain option agreements with third-parties. To complete earn in, the agreements generally require the companies to make periodic payments to the Group, fund exploration costs to specified amounts and produce a pre-feasibility study within either five or six years from the agreement date. There are no completed earn-ins as of December 31, 2012.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

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18. Finance (income) expense, net

The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Interest expense, net of amounts capitalized	8,884	16,314
Change in Debenture option valuation	(32,907)	11,527
Unwinding of rehabilitation provision discount	3,456	1,479
Interest income and other	(5,883)	(4,758)
Finance (income) expense, net	(\$26,450)	\$24,562

19. Profit (loss) per share

Basic profit (loss) per share is calculated by dividing the profit (loss) attributable to equity holders of the Corporation by the weighted average number of ordinary shares outstanding during the period.

Diluted profit (loss) per share is calculated using the treasury method, except the if-converted method is used in assessing the dilution impact of convertible debentures (until maturity) and options. The treasury method, which assumes that outstanding stock options with an average exercise price below the market price of the underlying shares, are exercised and the assumed proceeds are used to repurchase common shares of the Corporation at the average market price of the common shares for the period. The if-converted method assumes that all convertible debentures (until maturity) and options have been converted in determining fully diluted profit (loss) per share if they are in-the-money, except where such conversion would be anti-dilutive. The following table summarizes activity for the years ended December 31:

	2012	2011
Profit (loss) attributable to equity holders of the Corporation	(\$385,962)	\$75,249
Weighted average number of shares outstanding	285,508,410	259,121,410
Weighted average number of shares outstanding – diluted	285,508,410	263,306,542

20. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities not recorded in these financial statements will arise from these contingent liabilities.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

21. Commitments

a) Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Less than	Between one	More than	
	one year	and five years	five years	Total
Non-cancellable operating leases	\$2,174	\$7,451	\$-	\$9,625

b) Other

In connection with exploration and development activities, the Group may enter into option, lease, royalty or other similar agreements with third parties. Generally, payments required on these commitments do not occur until the property has been developed and production commences.

Additionally, see Note 7 for discussion regarding Restricted Cash included within Receivables and other.

22. Related party transactions

a) Services rendered

The following table summarizes activity for the years ended December 31:

	2012	2011
Services rendered	\$767	\$1,188

During 2012, the Corporation obtained legal services from a law firm where a former director of the Corporation is a partner. The former director chose not to stand for re-election for an additional term and ceased being a director on May 23, 2012. The relationship between the Group and the law firm continues, therefore the above amounts represent all legal services paid to the firm during 2012.

b) Key management compensation

Compensation of directors of the Corporation and key management personnel of the Group is shown below for the years ended December 31:

	2012 \$	2011 \$
Salaries and other short-term employee benefits	7,668	3,920
Share-based awards	4,228	9,696
Total	\$11,896	\$13,616

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

23. Segment information

During the years ended December 31, 2012 and 2011, the Group operated in two operating and geographic segments directed towards the acquisition, exploration and production of gold. Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (the chief executive officer) that are used to make strategic decisions.

	Australian Business Unit	Turkish Business Unit	Corporate and other	Total
	\$	\$	\$	\$
Year ended December 31, 2012:				
Revenues	381,315	337,575	-	718,890
Production costs	252,941	76,145	-	329,086
Depreciation, depletion, amortization	132,450	23,979		156,429
Mining gross profit (loss)	(\$4,076)	\$237,451	-	\$233,375
Exploration and evaluation	37,634	3,880	-	41,514
Administration, finance and other, net	28,541	3,934	3,040	35,515
Impairment loss	489,952	-	-	489,952
Income tax expense (benefit)	(7,883)	16,386	250	8,753
Net profit (loss) for the period	(\$552,320)	\$213,251	(\$3,290)	(\$342,359)
Year ended December 31, 2011: ¹⁸²				
Revenues	326,686	230,693	-	557,379
Production costs	190,045	47,776	-	237,821
Depreciation, depletion, amortization	80,905	10,851	-	91,756
Mining gross profit	\$55,736	\$172,066	-	\$227,802
Exploration and evaluation	16,920	3,157	-	20,077
Administration, finance and other costs	13,647	5,420	44,094	63,161
Merger related expenditures	-	-	70,374	70,374
Income tax expense (benefit)	8,120	(18,101)		(9,981)
Net profit (loss) for the period	\$17,049	\$181,590	(\$114,468)	\$84,171

¹ Year ended December 31, 2011 IFRS-based financial results for the Australian Business Unit exclude operations prior to February 18, 2011. Therefore, only reflect sales and related costs from February 18, 2011.

² Year ended December 31, 2011 IFRS-based financial results for the Turkish Business Unit exclude Çöpler operations prior to commencement of commercial operations on April 1, 2011. Therefore, no operating results were recognized during the three months ended March 31, 2011.

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

	Australian Business Unit \$	Turkish Business Unit \$	Corporate and other \$	Total \$
As of December 31, 2012:				
Current assets	146,353	277,590	8,475	432,418
Non-current assets	731,975	255,196	40,792	1,027,963
Total assets	\$878,328	\$532,786	\$49,267	\$1,460,381
Current liabilities	116,763	49,839	61,897	228,499
Non-current liabilities	49,921	14,636	288	64,845
Total liabilities	\$166,684	\$64,475	\$62,185	\$293,344
As of December 31, 2011:				
Current assets	136,003	201,255	8,080	345,338
Non-current assets	1,198,791	215,880	42,903	1,457,574
Total assets	\$1,334,794	\$417,135	\$50,983	\$1,802,912
Current liabilities	64,446	39,490	197,204	301,140
Non-current liabilities	87,736	20,526	745	109,007
Total liabilities	\$152,182	\$60,016	\$197,949	\$410,147

24. Net change in non-cash working capital

The following table summarizes activity for the years ended December 31:

	2012 \$	2011 \$
Cash flows arising from changes in:	Y	Ψ
Trade and other payables	(1,480)	74,816
Receivables and other	3,012	3,631
Inventories	(53,061)	(13,760)
Other	(937)	8,150
	(\$52,466)	\$72,837

25. Subsequent events

a) Sale of Frog's Leg Joint Ventures

On February 10, 2013, the Corporation announced that it had entered into a binding asset sale and purchase agreement with La Mancha Resources Australia Pty Limited ("La Mancha") to sell La Mancha its 49% minority interest in the Frog's Leg Mine joint venture, its 24.5% interest in the Lake Greta joint venture, and its 40% interest in the Avoca joint venture (the "Frog's Leg JVs") and to provide toll milling

Notes to Consolidated Financial Statements December 31, 2012 and 2011

(expressed in thousands of U.S. dollars, unless otherwise stated)

services to La Mancha for 18 months using its Jubilee processing facility located at its South Kalgoorlie Operations.

Under the sale agreement, the Corporation will receive approximately A\$141 million for its interest in the Frog's Leg JVs. The Lake Greta and Avoca joint ventures are exploration stage projects. The sale of the Frog's Leg JVs is subject to customary negotiated terms and conditions, and completion of the transactions is subject to certain conditions, including the approval of the Foreign Investment Review Board in Australia.

Under the 18-month toll treatment agreement, La Mancha will pay the Corporation approximately A\$25 million in six equal, advance quarterly payments beginning on February 22, 2013 and ending on April 1, 2014. In addition, certain amounts are payable for variable costs based on the actual use of certain key consumable items at the Jubilee processing facility. The obligation to toll-treat ore for La Mancha continues until 345 days of processing capacity has been provided, which is expected by June 30, 2014 (subject to processing schedule changes and force majeure events). The terms of the current Frog's Leg Joint Venture Agreement will operate until completion of the sale and purchase agreement.

Pending completion of the sale of the Frog's Leg JVs, La Mancha and the Corporation entered into an interim 12-month toll treatment agreement under which toll milling services are provided for ore produced from Frog's Leg on substantially the same terms as pursuant to the 18-month toll treatment agreement. Unless terminated earlier, the obligation to toll-treat the Frog's Leg ore pursuant to the interim toll treatment agreement continues until 230 days of processing capacity has been provided (subject to processing schedule changes and force majeure events). Any amounts paid pursuant to the interim toll treatment agreement shall be deemed to have been paid under the 18-month toll treatment agreement on completion of the sale of the Frog's Leg JVs.

b) Distribution to shareholders

As a result of the sale of the Corporation's 49% interest in the Frog's Leg Mine, the Corporation announced its intention to make a distribution to shareholders of approximately \$70 million as a special dividend.