

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended December 31, 2012

This management's discussion and analysis ("MD&A") relates to the financial condition and results of operations of Alacer Gold Corp. and its subsidiaries ("Alacer Gold" or the "Corporation"), as of March 13, 2013, and is intended to supplement and complement the Corporation's audited annual consolidated financial statements for the year ended December 31, 2012 (the "consolidated financial statements") and the notes thereto, as well as the Annual Information Form. Comparison is provided to the year ended December 31, 2011. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from Management's expectations. Readers are encouraged to read the Cautionary Statements included with this MD&A and to consult the Corporation's consolidated financial statements for 2012 and corresponding notes, which are available on the Corporation's web site at <a href="https://www.alacergold.com">www.alacergold.com</a> and on SEDAR at <a href="https://www.sedar.com">www.sedar.com</a>. The December 31, 2012 consolidated financial statements and MD&A are presented in U.S. Dollars ("USD") and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This discussion addresses matters the Corporation considers important for an understanding of our financial condition and results of operations as at and for the year ended December 31, 2012, as well as our Outlook.

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# **Cautionary Statements**

# **Forward-Looking Information**

Except for statements of historical fact relating to Alacer Gold, certain statements contained in this MD&A constitute forward-looking information, future oriented financial information, or financial outlooks (collectively "forward-looking information") within the meaning of Canadian securities laws. Forward-looking information may be contained in this document and other public filings of Alacer Gold. Forward-looking information often relates to statements concerning Alacer Gold's future outlook and anticipated events or results and, in some cases, can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "projects", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts.

Forward-looking information contained in this MD&A and other Alacer Gold filings which may prove to be incorrect, includes statements concerning, among other things, that the Corporation and its subsidiaries will complete the Frog's Leg Mine transaction in accordance with the terms and conditions of the asset sale and purchase agreement (including the satisfaction of the requisite conditions contained in the asset sale and purchase agreement and to pay any distributions related thereto); that the Foreign Investment Review Board in Australia will approve the transactions contemplated under the asset sale and purchase agreement; that adjustments required to the purchase price pursuant to the asset sale and purchase agreement, interim toll treatment agreement and 18-month toll treatment agreement contemplated in connection with the Frog's Leg Mine transaction will not materially alter the aggregate consideration payable to the Corporation and its subsidiaries; the generation of free cash flow and payment of dividends; matters relating to proposed exploration; production guidance and ability to target high grade orebodies; the study, development and construction of proposed mines and process facilities; and the preparation and dissemination of technical studies. Such forward-looking information and statements are based on a number of material factors and assumptions, including, but not limited in any manner to, those disclosed in any other of Alacer Gold's filings, and include the inherent speculative nature of exploration results; the ability to explore; communications with local stakeholders and community and government relations; status of negotiations of joint ventures; weather conditions at Alacer Gold's operations; commodity prices; the ultimate determination of and realization of mineral reserves; existence or realization of mineral resources; the development approach; availability and final receipt of required approvals, titles, licenses, and permits; sufficient working capital to develop and operate the mines and implement development plans; access to adequate services and supplies; availability of a qualified work force; ability to negotiate, finalize and execute relevant agreements; lack of social opposition to the mines or facilities; lack of legal challenges with respect to the property of Alacer Gold; the timing and amount of future production and ability to meet production targets; timing and ability to produce studies and analyses; capital and operating expenditures; economic conditions; availability of sufficient financing; the ultimate ability to mine, process and sell mineral products on economically favorable terms and any and all other timing, exploration, development, operational, financial, budgetary, economic, legal, social, regulatory and political factors that may influence future events or conditions. While we consider these factors and assumptions to be reasonable based on information currently available to us, they may prove to be incorrect.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

You should not place undue reliance on forward-looking information and statements. Forward-looking information and statements are only predictions based on our current expectations and our projections about future events. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in Alacer Gold's filings at www.sedar.com and other unforeseen events or circumstances. Other than as required by law, Alacer Gold does not intend, and undertakes no obligation to update any forward-looking information to reflect, among other things, new information or future events.

#### **Non-IFRS Measures**

This MD&A contains the following non-IFRS financial performance measures with no standardized definitions under IFRS: Cash Operating Costs/ounce; Total Cash Costs/ounce; and Adjusted Net Profit. For further information and detailed reconciliations, see the "Non-IFRS Measures" section of this MD&A.

#### **Mineral Reserves and Resources**

All mineral reserves and resources referenced in this MD&A and the Corporation's other public filings 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 and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. While terms associated with various categories of "reserve" or "resource" are recognized and required by Canadian regulations, they may not have equivalent meanings in other jurisdictions outside Canada and no comparison should be made or inferred. Actual recoveries of mineral products may differ from mineral reserves and resources due to inherent uncertainties in acceptable estimating techniques. In particular, "indicated" and "inferred" mineral resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an "indicated" or "inferred" mineral resource will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

#### **Qualified Persons:**

The disclosure in this MD&A which relates to Exploration Results and Mineral Resources and Reserves is based on information compiled and approved by the following employees of Alacer Gold:

- Mr. Chris Newman, BSc (Hons), MAusIMM, MAIG, Chief Exploration and Geology Officer, in regards to exploration results and Mineral Resources; and
- Mr. Paul Thompson, BSc (Hons), MSc, FAusIMM, Vice President, Technical Services, in regards to Mineral Reserves except for Çöpler Oxide and Sulfide.

Mr. Newman and Mr. Thompson have sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and a Qualified Person pursuant to NI 43-101.



They consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.

#### Overview

Alacer Gold is a leading intermediate gold mining company with interests in multiple mines which provide ore to three processing facilities in Australia and Turkey. Alacer Gold's primary focus is to maximize portfolio value, maximize free cash flow, minimize project risk, and return value to shareholders. Alacer Gold has a strong balance sheet and is committed to responsibly developing its current operations and focused exploration programs creating value.

Alacer Gold is a Canadian corporation incorporated in the Yukon Territory with its primary listing on the Toronto Stock Exchange. CHESS Depository Interests ("CDI") trade on the Australian Securities Exchange ("ASX").

# **Full Year 2012 Highlights**

# Strategic

- A strategic review of each business unit's performance resulted in demobilization of two openpit mining fleets, reduction of workforce in Australia, and the entry into an agreement to sell Alacer's 49% minority interest in the Frog's Leg Mine (as discussed below in "Subsequent Events").
- ➤ In Q3 2012, Çöpler's Measured and Indicated ("M+I") Resources increased to 182.6 million tonnes at a grade of 1.4g/t gold, containing a total of 8.0 million ounces (inclusive of reserves) as at June 30, 2012.
- In mid-2012, David Quinlivan and Rod Antal joined Alacer Gold as President and CEO and as CFO, respectively, strengthening the leadership team and bringing a focus on improving operational results. Shortly thereafter, Alacer Gold re-organized around its two segments (Turkey and Australia), naming Howard Stevenson and Tony James as Presidents of the respective business units.

#### Operational

➤ Full year total gold production¹ of 419,489 ounces remained consistent with 2011, however attributable gold production¹ of 381,738 ounces decreased 7% compared to 2011.

- ➤ During Q4 2012, Alacer Gold achieved its strongest quarterly production results of the year with attributable gold production¹ of 103,426 ounces.
- Attributable Total Cash Costs/ounce<sup>2</sup> were \$803/ounce for 2012 compared to \$650/ounce for 2011.
- ➤ Initial development of the Chalice underground mine was completed, with development ore from the Atlas Lode delivered to the Higginsville treatment plant in June 2012 and initial stoping ore delivered in September 2012.
- ➤ Development of the Çöpler oxide deposit continued during 2012, with ore production from both the Marble and Main Zone pits commencing in 2012.

<sup>&</sup>lt;sup>1</sup> Total consolidated gold production includes the Corporation's 49% share of Frog's Leg and 100% of Çöpler. Attributable gold production is reduced by the 20% (2011 - 5%) non-controlling interest at Cöpler.

<sup>&</sup>lt;sup>2</sup> Total Cash Costs/ounce is a non-IFRS financial performance measure with no standardized definition under IFRS. For further information and detailed reconciliations, see the "Non-IFRS Measures" section of this MD&A



# Full Year 2012 Highlights (continued)

#### Financial

- ➤ Working capital increased by \$159.7 million during the year to \$203.9 million at December 31, 2012, due to the maturing of the Corporation's C\$100 million convertible debentures ("the Debentures") in April 2012, improved cash balances and increased heap leach inventory at Çöpler.
- During Q4 2012, the Corporation recorded impairment charges of \$490.0 million for non-current assets within the Australian segment. See further discussion below in "Fourth Quarter Results."
- Attributable net loss of (\$386.0) million for 2012, compared to attributable net profit of \$75.2 million in 2011.
- Adjusted Net Profit of \$72.4 million for 2012, compared to \$130.1 million in 2011.

# Subsequent to year end

- 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") for the sale of its 49% minority interest in the Frog's Leg Mine and an 18-month toll treatment agreement with a total transaction value of approximately A\$166 million. Pending completion of the sale of the Corporation's interest in the Frog's Leg Mine, 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 the Frog's Leg Mine on substantially the same terms as pursuant to the 18-month toll treatment agreement. See further discussion below in "Proposed Transactions."
- On February 10, 2013, the Corporation announced that it intends to make a distribution to its shareholders of approximately \$70 million as a special dividend in connection with the closing of the sale of the Frog's Leg Mine.
- On February 10, 2013, the Corporation also announced its intention to adopt a dividend policy to return a minimum of 20% of free cash flow to the Corporation's shareholders annually beginning in 2014. See further discussion below in "Liquidity and Capital Resources."

Adjusted Net Profit is a non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, see the "Non-IFRS Measures" section of this MD&A.



# **Results of Operations**

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	YTD 2012	YTD 2011 <sup>1</sup>
Alacer Gold Consolidated:						
Total ore tonnes mined	2,225,669	2,172,346	2,351,522	2,653,194	9,402,731	9,522,059
Total mined grade (g/t)	1.96	2.08	1.98	2.24	2.07	1.98
Total mined ounces	140,251	145,287	149,519	191,273	626,330	605,540
Ore tonnes treated	2,434,484	2,297,321	2,430,822	2,584,106	9,746,733	10,128,690
Head grade (g/t)	1.99	1.96	1.87	2.05	1.98	1.71
Recovery <sup>3</sup>	N/M	N/M	N/M	N/M	N/M	N/M
Gold ounces produced <sup>2</sup>	100,290	106,226	99,120	113,853	419,489	421,204
Gold ounces sold <sup>2</sup>	107,835	108,844	108,310	106,394	431,383	404,287
Cash Operating Costs/ounce sold <sup>4</sup>	\$617	\$630	\$716	\$ 709	\$ 668	\$546
Total Cash Costs/ounce sold <sup>4</sup>	\$718	\$727	\$805	\$ 802	\$ 763	\$644
Average realized gold price <sup>5</sup>	\$1,687	\$1,613	\$1,657	\$1,710	\$1,666	\$1,619
Alacer Gold Attributable:						
Gold ounces produced <sup>2</sup>	91,377	95,984	90,951	103,426	381,738	411,933
Gold ounces sold <sup>2</sup>	97,857	97,615	99,355	95,986	390,813	395,948
Cash Operating Costs/ounce sold <sup>4</sup>	\$652	\$668	\$747	\$ 743	\$ 703	\$550
Total Cash Costs/ounce sold <sup>4</sup>	\$759	\$771	\$841	\$ 842	\$ 803	\$650
Average realized gold price	\$1,687	\$1,614	\$1,656	\$1,710	\$1,667	\$1,619
Operating Segment: Turkey						
Çöpler Total – Open Pit:	(operator)					
Total ore tonnes mined	1,753,216	1,638,048	1,769,301	2,065,680	7,226,245	7,443,854
Waste tonnes mined	3,048,726	3,699,894	5,759,423	5,563,273	18,071,316	11,371,206
Total mined grade (g/t)	1.55	1.71	1.59	1.83	1.68	1.54
Total mined ounces	87,396	89,847	90,629	121,541	389,413	368,319
Ore tonnes treated	1,776,559	1,618,228	1,747,816	1,935,124	7,077,727	7,568,380
Head grade (g/t)	1.69	1.67	1.55	1.69	1.65	1.54
Recovery <sup>7</sup>	57.9%	57.3%	61.1%	59.5%	58.9%	65.0%
Gold ounces produced	44,564	51,212	40,843	52,137	188,756	185,418
Gold ounces sold	49,888	56,145	44,777	52,041	202,851	166,777
Cash Operating Costs/ounce sold <sup>4</sup>	\$271	\$301	\$378	\$395	\$335	\$322
Total Cash Costs/ounce sold <sup>4</sup>	\$312	\$347	\$416	\$432	\$375	\$369
Average realized gold price	\$1,681	\$1,610	\$1,667	\$1,704	\$1,664	\$1,644
Çöpler Attributable:	(2012 - 80%	ownership; 20	011 – 9 <mark>5%) <sup>6</sup></mark>			
Gold ounces produced <sup>8</sup>	35,651	40,970	32,674	41,710	151,005	176,147
Gold ounces sold <sup>8</sup>	39,910	44,916	35,822	41,633	162,281	158,438



	Q1 2012	Q2 2012	Q3 2012	Q4 2012	YTD 2012	YTD 2011 <sup>1</sup>
<b>Operating Segment: Australia</b>						
Higginsville:	(operator a	nd 100% ow	nership)			
Open Pit:	(operator a		р,			
Total ore tonnes mined	4,248	10,793	12,063	_	27,104	40,735
Waste tonnes mined	502,335	398,464	47,023	_	947,822	1,854,397
Total mined grade (g/t)	1.84	3.10	5.11	_	3.80	4.84
Total mined ounces	251	1,074	1,983	_	3,308	6,333
Underground:		2,071	1,303		3,300	0,555
Total ore tonnes mined	250,066	259,672	267,102	323,704	1,100,544	918,311
Total mined grade (g/t)	4.15	3.80	3.38	3.80	3.78	4.43
Total mined ounces	33,392	31,747	29,064	39,592	133,795	130,739
Ore tonnes treated	332,299	345,134	355,554	324,353	1,357,340	1,329,755
Head grade (g/t)	3.23	3.26	2.92	3.56	3.23	3.53
Recovery	96.5%	97.3%	96.9%	96.4%	97.0%	96.9%
Gold ounces produced <sup>9</sup>	33,329	35,227	32,357	35,774	136,687	146,323
Gold ounces sold	33,752	32,948	36,875	32,029	135,604	148,002
Cash Operating Costs/ounce sold <sup>4</sup>	\$943	\$916	\$924	\$1,006	\$946	\$727
Total Cash Costs/ounce sold <sup>4</sup>	\$1,176	\$1,141	\$1,103	\$1,227	\$1,159	\$922
Average realized gold price	\$1,697	\$1,618	\$1,643	\$1,720	\$1,669	\$1,598
	71,037	71,010	71,043	71,720	71,005	71,550
SKO-Frog's Leg –	/		. (1		· · · · · · · · · · · · · · · · · · ·	. 1
Underground:		•		er Gold's 499		-
Total ore tonnes mined	73,800	88,584	74,461	95,010	331,855	306,380
Total mined grade (g/t)	5.76	5.02	6.15	6.98	6.00	6.34
Total mined ounces	13,661	14,301	14,728	21,316	64,006	62,419
Ore tonnes treated	87,028	76,076	97,209	82,041	342,354	335,442
Head grade (g/t)	5.20	4.88	5.09	5.99	5.30	5.78
Recovery	92.5%	91.0%	92.2%	91.9%	91.9%	92.3%
Gold ounces produced <sup>9</sup>	13,590	10,858	14,666	14,526	53,640	57,570
Gold ounces sold	14,613	11,078	15,072	11,936	52,699	57,723
Cash Operating Costs/ounce sold <sup>4</sup>	\$796	\$871	\$892	\$821	\$845	\$523
Total Cash Costs/ounce sold <sup>4</sup>	\$838	\$912	\$934	\$862	\$886	\$561
Average realized gold price	\$1,683	\$1,616	\$1,659	\$1,701	\$1,666	\$1,608
SKO-Other – Open Pit:	(operator a	nd 100% ow	nership)			
Total ore tonnes mined	144,339	175,249	228,595	168,800	716,983	812,779
Waste tonnes mined	4,202,137	3,094,940	2,102,163	936,130	10,335,370	4,075,350
Total mined grade (g/t)	1.20	1.48	1.78	1.63	1.55	1.44
Total mined ounces	5,551	8,318	13,115	8,824	35,808	37,730
Ore tonnes treated	238,598	257,883	230,243	242,588	969,312	895,113
Head grade (g/t)	1.30	1.18	1.65	1.58	1.42	1.23
Recovery	90.0%	90.9%	92.2%	92.6%	91.3%	90.4%
Gold ounces produced <sup>9</sup>	8,807	8,929	11,254	11,416	40,406	31,893
Gold ounces sold	9,582	8,673	11,586	10,388	40,229	31,785
	\$996	\$1,368	\$1,134	\$1,240	\$1,179	\$915
Cash Operating Costs/ounce sold <sup>4</sup>	0 و و ډ	71,500	71,137	71,270	71,175	7510
Cash Operating Costs/ounce sold <sup>4</sup> Total Cash Costs/ounce sold <sup>4</sup>	\$1,032	\$1,380	\$1,196	\$1,278	\$1,218	\$946

In 2011, the Australian operations were acquired in connection with the Merger with Avoca Resources Limited (the "Merger"), which closed on February 18, 2011. However, to assist the reader in understanding the YTD 2012 mine operating results as compared to YTD 2011, these YTD 2011 production and sales results reflect statistics for the full Q1 2011 period. Costs per ounce calculations for the Australian operations include the impacts of purchase price step ups. Production results for YTD 2011 also include production and sales activity for Çöpler prior to the commencement of commercial operations on April 1, 2011.



(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

Consolidated gold ounces include the Corporation's 49% share of Frog's Leg and 100% of Çöpler. Attributable gold ounces are reduced by the 20% (2011 - 5%) non-controlling interest at Çöpler.

<sup>3</sup> "N/M" means not meaningful for consolidated results.

- Cash Operating Costs/ounce and Total Cash Costs/ounce are non-IFRS financial performance measures with no standardized definitions under IFRS. For further information and detailed reconciliations, see the "Non-IFRS Measures" section of this MD&A.
- Total YTD 2012 revenue for the Australia and Turkey segments is \$381,315 and \$337,575, respectively. YTD 2011 revenue for the Australia segment is \$326,686 and only includes revenues for the Australian operations subsequent to the Merger. YTD 2011 revenue for the Turkey segment is \$230,693 and excludes \$36,722 of revenues, which were recorded to Development Property during Q1 2011 as required by IFRS for pre-commercial production.
- <sup>6</sup> Çöpler production data represents 100% for all periods presented, unless indicated by Footnote 8.
- <sup>7</sup> For Çöpler, recovery rate is indicative of the modeled ultimate recovery of material placed on the heap-leach pad during the respective period presented.
- <sup>8</sup> Reflects impacts of non-controlling interest (2012: 20%; 2011: 5%).
- For all periods presented, ounces produced represents gold poured plus net change of gold-in-circuit. Coupled with the reporting of rounded grades and recoveries, post-Merger ounces produced are subject to rounding and estimation differences.

#### Full Year 2012 vs. Full Year 2011

## Çöpler Results

Çöpler had record production results in 2012 of 188,756 ounces, overcoming several factors that could have had stronger negative impacts to tonnes mined and processing activities as discussed further below. Due to the increased non-controlling interest in Çöpler (from 5% to 20%) from our partner in Çöpler, Lidya Madencilik A.Ş. ("Lidya Mining"), Alacer's attributable share of production decreased 14% compared to the same period in 2011.

Q1 2012 ounces mined were negatively impacted by an unusually strong winter with heavy snow falls and very low temperatures, however Çöpler continuously increased mined ounces throughout 2012, culminating in Q4 mined ounces of 121,541 on a 100% basis. Despite a tonnage decrease of 3% compared to 2011, total ounces mined increased by 6% year on year as a result of higher grades.

During 2012 the permanent crushing facilities were fully operational, which allowed crushed and agglomerated material to offset ROM ore placed on the pad. This resulted in a decrease in overall tonnage placed compared to 2011. Ore processed through the crushing and agglomeration circuit was temporarily impacted by a fire in February 2012, which damaged one of two tertiary crusher screens. A by-pass system was implemented to maintain production levels, and a new screen was operational in June 2012. Also, during 2012, Çöpler encountered a higher percentage of clay ore material than was originally predicted in the mining plan, which affected crusher throughput. A revised mine plan was implemented that focused on mining harder rock ore from the Manganese and Marble open pits, and this led to improved crusher throughput in the latter half of 2012. During Q4, the construction commenced on a stand-alone clay handling and conveying circuit to address this issue.

Cash Operating Costs/ounce and Total Cash Costs/ounce for 2012 increased 4% and 2%, respectively, compared to 2011. Overall costs were relatively consistent year over year as increased processing and administrative costs were offset by a 7% increase in the grade of ore processed. Overall, processing cost increases were related to normal operations of the crushing circuit, which became fully operational in Q4 2011. Reagent related costs increased in the latter half of 2012 as a result of processing different ore

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

types as contemplated in the mine plan. Administrative cost increases were driven by a business improvement program (the "Improvement Program") initiated in Q2 2012. This Improvement Program was designed to increase mining and plant efficiencies and lower near-term and future operating costs.

#### **Higginsville Results**

Production ounces decreased 7% compared to the same period in 2011. Despite a 2% increase in tonnes processed, an 8% reduction in processed grade resulted in the lower ounces.

In 2012, the combined mined ounces from both the Trident and Chalice underground mines exceeded that of 2011 by 2%. The majority of the underground ore mined in 2012 was from Trident, with a total ore hoist of 989,532 tonnes at a grade of 3.93g/t for 125,127 contained ounces and represent an 8% increase, an 11% decrease, and a 4% decrease, respectively, over 2011. The decrease in grade mined from Trident is associated with lower grades being mined from the Apollo and Athena orebodies which accounted for 83% of Higginsville production. Mining of the Apollo orebody is by large sub-level open stopes, and the mined grade decreased from 4.10g/t to 3.50g/t (or 15%). The grade and width of the orebody decreases with depth, and the higher grade stopes were sequenced to be mined mostly during 2011 and into early 2012. The mining of the smaller Athena orebody is done by bench stopes. The mined grade declined from 6.20g/t to 5.70g/t (or 9%). The lower mined grade is a reflection on the increased quantity of narrow Athena 10 stopes in 2012, as well as some mining-related extraction issues associated with the hangingwall host rock and stope grade continuity.

Total underground development advance for 2012 was 7,638 meters, comprised of 3,643 meters of capital development and 3,995 meters of operating development. At the end of 2012, the Trident Decline progressed 30 vertical meters to the 609mRL (Surface level at the Trident mine is 1,310mRL).

At the Chalice mine, initial production stoping mined the lower-grade stopes of the Atlas orebody located in the upper levels of Chalice. The ore mined from Chalice was 111,012 tonnes at an average grade of 2.43g/t. The Chalice decline progressed 28 vertical meters to the 1,026mRL (Surface level at the Chalice mine is 1,320mRL) at the end of 2012.

The Vine open pit was completed in July 2012 bringing to an end the open-pit mining activities at Higginsville in 2012.

Cash Operating Costs/ounce and Total Cash Costs/ounce for the period increased 30% and 26%, respectively, over 2011. The most significant increases are due to increased mining costs of approximately \$100/ounce. This was due to increasing underground costs associated with higher unit rates, longer haul distances and lower mined grade. Additionally, 2012 expensed production-related paste fill costs of approximately \$64/ounce, whereas such costs were capitalized during 2011. Power consumption costs increased approximately \$35/ounce due to a reduction in diesel fuel rebates associated with the introduction of the carbon tax in Australia. Total Cash Costs/ounce were unfavorably impacted by an increase of approximately \$38/ounce on variable royalty pricing components.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

# SKO – Frog's Leg Results

Production decreased 7% from 2011, which was driven by an 8% decrease in grade processed offset by a 2% increase in tonnes processed. As compared to 2011, ore tonnes mined increased 8% and mined grade decreased 5% in accordance with the mine production schedule which anticipated extracting ore from lower grade production areas. This resulted in a 3% net increase of mined ounces in comparison to 2011.

Underground development totaled 2,424 meters, comprising 1,147 meters of capital development and 1,277 meters of operating development.

Cash Operating Costs/ounce and Total Cash Costs/ounce for 2012 increased 62% and 58%, respectively, from 2011. The most significant increase is due to approximately \$145/ounce from lower mined grade and underground equipment maintenance. Additionally, 2012 expensed production-related paste fill costs of approximately \$126/ounce, whereas such costs were capitalized during 2011. Other unit cost increases include approximately \$25/ounce associated with increased ore tonnes and increased ore haulage rates from the Frog's Leg mine to the Jubilee processing plant.

## SKO – Other Results

Gold production increased 27% from 2011, due to improved grade processed of 15% and an increase in tonnes processed of 8%.

Ore tonnes mined decreased 12% during 2012 as compared to 2011. This decrease in tonnes was offset by an increase in mined grade of 8%, resulting in a 5% reduction in overall mined ounces. In 2012, the majority of ore mined was sourced from the newly developed Triumph and Pernatty open pits, compared with ore mined from the HBJ stage two east wall cutback in 2011. While the Triumph and Pernatty pits contained higher grade ore, they had less overall available tonnes of ore. The significant increase in waste tonnes mined reflects stripping of the Triumph and Pernatty open pits. Ore tonnes processed during 2012 included approximately 252,000 tonnes of stockpiled ore, which was used to supplement and optimize ore feed to the Jubilee mill.

Cash Operating Costs/ounce and Total Cash Costs/ounce for the period both increased 29%, compared with 2011. Costs increased approximately \$196/ounce associated with the significant increase in strip ratio and ore haulage both associated with the Triumph and Pernatty pits. Other unit cost increases include an estimated \$49/ounce in geology due to increased grade control drilling programs associated with the new open pits. Additionally, costs increased approximately \$9/ounce in connection with the Improvement Program and other general cost increases.



#### Outlook

The forward-looking information contained in this section and in the table below is subject to assumptions contained in the "Cautionary Statements" section, the risk factors disclosed in the Corporation's Annual Information Form for the year ended December 31, 2012 and the risk factors disclosed in the Corporation's other public filings.

Alacer Gold's focus is to maximize value in 2013 by targeting the highest grade ore available, while realigning the mine development programs to ensure the Corporation is in a position to maximize production cash flow from high value ore zones from 2014 onwards. See further discussion regarding specific operations below.

Key assumptions underlying Alacer Gold's 2013 outlook include:

- Minerals reserves and resources as set out in the Corporation's Annual Information Form for the year ended December 31, 2012;
- USD:AUD exchange rate of 1.02; and
- USD:TRY exchange rate of 1.76.

The Corporation's 2013 outlook is presented on a gold produced basis. Estimated Alacer Gold 2013 attributable gold production is 330,000 – 365,000 ounces and excludes production from the Frog's Leg Mine due to the pending sale of the Corporation's 49% minority interest in the Frog's Leg Mine, as discussed above.

The Corporation's gold production, unit costs and capital expenditures for 2013 are forecast to be as follows:

(all figures in '000's except those stated as /ounce)	<u>Çöpler</u> <sup>1</sup>	<u>Higginsville</u>	South Kalgoorlie	Alacer Gold Attributable <sup>1</sup>
Gold ounces produced	162 to 178	138 to 152	30 to 35	330 to 365
Cash Operating Costs/ounce <sup>2</sup>	\$340 - \$375	\$955 - \$1,055	\$1,200 - \$1,320	\$675 - \$749
Total Cash Costs/ounce <sup>2</sup>	\$385 - \$425	\$1,125-\$1,240	\$1,210 - \$1,330	\$769 - \$851
Capital expenditures – Sustaining and general	\$26,000	\$60,000	\$10,000	\$96,000
Capital expenditures - Growth	\$26,000	\$-	\$-	\$26,000
Exploration expenditures <sup>3</sup>	\$19,000	\$16,000	\$20,000	\$55,000

Attributable gold ounces and attributable capital expenditures are reduced by the 20% non-controlling interest at Çöpler.

Approximately 80% of Alacer Gold's attributable exploration expenditures are considered likely to be expensed. General and administrative expense is forecast to be \$47 million, which includes depreciation and amortization expense for corporate of \$5 million for the year.

Alacer Gold intends to begin reporting an all-in approach to cash costs after the completion of the sale of the Frog's Leg Mine. The Corporation believes that an all-in approach to cash costs will provide

<sup>&</sup>lt;sup>2</sup> Cash Operating Costs/ounce and Total Cash Costs/ounce are non-IFRS financial performance measures with no standardized definitions under IFRS. For further information, see the "Non-IFRS Measures" section of this MD&A.

Attributable exploration expenditures for Çöpler include Çöpler, Çöpler District, and Turkey Other of \$10 million, \$8 million, and \$1 million, respectively. Attributable exploration expenditures for Çöpler are reduced by the 20% non-controlling interest at Çöpler. Attributable exploration expenditures for the Çöpler District and Turkey Other projects reflect 50% non-controlling interest in the joint ventures.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

investors with an alternative to better evaluate its cost structure. Included in the calculation of all-in costs will be corporate general and administrative expenses, exploration expenses and sustaining capital expenses.

#### Turkey

# Çöpler Development

In parallel with the ongoing work on the whole ore pressure oxidation sulfide feasibility study ("Sulfide Feasibility Study"), Alacer Gold has completed multiple trade-off studies from first principles in order to compare the value of the various trade-off study options to determine how to maximize the value of the world-class orebody at Çöpler. While a draft of the Sulfide Feasibility Study confirmed that processing Çöpler refractory ore using whole ore pressure oxidation is technically and economically feasible, with comparable economics to those presented in the Çöpler Prefeasibility Study, a review of a number of alternative approaches has identified a development plan that should significantly improve returns and lower project risk. Combined with the substantial oxide ore exploration potential that has been identified in the Çöpler District, as discussed in more detail below, Alacer Gold believes that the best approach to achieve its key strategic objectives of maximizing free cash flow, maximizing portfolio value, minimizing project risk, and returning value to shareholders at this world-class asset is as follows:

#### Oxides:

- Construct a conventional carbon-in-leach treatment plant (the "the CIL Plant") that can be used for the treatment of both oxide and sulfide ores;
- Based on existing resources, the CIL Plant would be expected to have a mine life of approximately three years (2015 to 2017). Heap leaching of additional oxide ore is likely to continue in parallel during this time;
- Following completion of milling of the existing oxide reserves and any additional oxide ore identified by the exploration program, the CIL Plant is likely to be utilized to process sulfide ore and then reprocess approximately five additional years of heap-leach residues;
- Capital cost could likely be financed entirely from internal cash flows;
- Test work necessary to finalize design and engineering is proceeding as a top priority; and
- On completion of test work and studies, a decision to proceed and commencement of construction is expected in Q3 2013, subject to the receipt of necessary permits.

#### Sulfides:

- All facilities constructed for the CIL Plant are likely to be utilized for the processing of sulfide ore;
- The addition of a flotation circuit to the CIL Plant would provide concentrate for sale or processing through a smaller scale pressure oxidation facility or an ultra-fine grinding circuit; and
- If the sulfide concentrate is sold, then de minimis additional capital expenditure would be required following the construction of the CIL Plant.

In addition to the above, the clay sizer and materials handling circuit project and new agglomerator project are currently on-track to be operational during the second half of 2013 and should result in increased margins from Çöpler's current heap-leach operations.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

Çöpler is a long-life mine with substantial production potential that will be developed in a disciplined and prudent manner. Alacer Gold is committed to maximizing the value of this world-class orebody in a manner that maximizes free cash flow.

#### Cöpler District Exploration

Alacer Gold believes that the Çöpler Mine is likely to be the first of several significant gold deposits to be discovered and mined in the Çöpler District, an area defined as comprising approximately 225km² surrounding the Çöpler Mine, and held under license by Alacer Gold and its Turkish partner. The Çöpler District is the Corporation's highest priority area for gold exploration and discovery. An exploration investment of \$19 million (attributable to Alacer Gold) in Turkey is planned to be made during 2013. This large investment is primarily aimed at commencing drill testing of numerous near-surface oxide gold targets recently defined in the Çöpler District, as well as at defining the outer limits of the oxide gold resource at the Çöpler Mine. See further discussion regarding 2013 Çöpler District exploration activities below in "Exploration and Evaluation."

#### **Australia**

Since August 2012, a strategic and operational review has been identifying opportunities to maximize value and improve shareholder returns from Alacer Gold's assets in Australia. The key outcomes from this review are summarized below.

#### Higginsville

At Higginsville, a number of opportunities exist to increase cash margins and to optimize the assets, such as reducing the overall tonnage of ore mined and processed with a focus on the extraction of ore from higher grade zones, rather than keeping the mill full with marginal open-pit ore. The mine is in a transitional period as mine development approaches the higher grade orebodies at both Trident (Artemis/Helios) and Chalice (Grampians/Olympus). This sets Higginsville up for strong cash flow generation beginning in the latter half of 2013 from increased gold production and lower unit costs with less capital expenditure. Continuous improvement in both the operational and cost performance at Higginsville remains an ongoing priority.

Higginsville's exploration investment of \$16 million in 2013 is targeting discoveries and resource extensions that would extend its planned gold production of more than 150,000 ounces per annum beyond 2017. See further discussion regarding 2013 Higginsville exploration activities below in "Exploration and Evaluation."

## South Kalgoorlie Operations ("SKO")

Gold production at SKO in 2013 will focus on higher-margin ounces from the Pernatty open pit and Shirl—Barbara-Surprise-Pit28 ("SBS28") areas at SKO. The commencement of mining at the SBS28 area is significant in that several higher-grade mines will come into production in this historical high-grade mining complex. The combination of these new, higher-grade mines planned for 2013 and the toll treatment agreement with La Mancha will ensure that the Jubilee plant has a sufficient supply of ore to

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continue to operate efficiently. The combination of the cash generated from the new mines and the toll treatment agreement will finance the significant exploration activities Alacer Gold is conducting at SKO.

Alacer Gold believes that SKO represents one of the most prospective areas for gold exploration and discovery in Australia, as it lies on the very highly endowed Boulder-Lefroy Fault between the world-class gold deposits of Kalgoorlie's Golden Mile and the St. Ives District in the Eastern Goldfields of Western Australia.

Significant recent resource and reserve growth has been achieved at both the Golden Mile and St. Ives, due to continuous exploration over the last ten years. Exploration within the SKO District, however has been largely neglected due to the splintered ownership and operational issues prior to consolidation under Alacer Gold's ownership. Since the Merger, Alacer Gold has conducted an extensive exploration program at SKO, which to date has added 0.7 million ounces to the SKO resource. This important program will be completed over the next 12-24 months, with a 2013 budget of \$20 million. The results of this program will determine the strategic options available for SKO. The Frog's Leg toll treatment agreement provides Alacer Gold with an 18-month time window for the geological team to fully focus on identifying and proving up new ore reserves. See further discussion regarding 2013 SKO exploration activities below in "Exploration and Evaluation."

# **Proposed Transactions**

As disclosed on February 10, 2013, the Corporation announced that it had entered into a binding asset sale and purchase agreement with La Mancha for the sale of its 49% minority interest in the Frog's Leg Mine and an 18-month toll treatment agreement with a total transaction value of approximately A\$166 million. Pending completion of the sale of the Corporation's interest in the Frog's Leg Mine, 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 the Frog's Leg Mine on substantially the same terms as pursuant to the 18-month toll treatment agreement.

The completion of the Frog's Leg Mine transaction is subject to the approval by the Foreign Investment Review Board ("FIRB") in Australia. FIRB approval is expected in March or April 2013 and pursuant to the sale and purchase agreement, the parties have 40 days to close the transaction once FIRB approval is received.

This transaction is expected to result in a reduction in working capital of approximately \$6 million and a reduction in non-current assets of \$144 million. The Corporation does not believe that the transaction will have a material adverse effect on its overall financial performance or cash flows.



# **Investments in Mineral Properties and Equipment**

A summary of the cash invested in capital activities for the year ended December 31, 2012 is presented below:

	2012
Sustaining and general capital - Çöpler <sup>1</sup>	
Heap-leach pad expansion	17,342
Open-pit mine development (Marble and Main Zone pits)	6,092
Sulfidization, Acidification, Recirculation and Thickening ("SART") Plant	3,014
General plant and other	4,403
	30,851
Growth capital - Çöpler <sup>1</sup>	
Sulfide project	17,002
Drilling and analysis (capitalized exploration)	12,538
Other	2,317
	31,857
Total - Çöpler	\$62,708
Sustaining and general capital - Higginsville	
Mine development - Trident	28,703
Pit stripping	1,227
	29,930
Sustaining and general capital - SKO	
Open-pit mine development	28,638
Mine development - Frog's Leg <sup>2</sup>	8,742
	37,380
Sustaining – general plant & other	1,954
Growth capital	
Higginsville (Chalice)	44,029
South Kalgoorlie Operations expansion project ("SKOEP")	14,839
Other	1,559
	60,427
Total - Australia	\$129,691
	2 252
Corporate office	3,052
Total investing activities for mining properties and equipment	\$195,451

Çöpler data represents 100%.

Frog's Leg data represents Alacer Gold's 49% share.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

Sustaining capital expenditures are generally defined as those that support the ongoing operation of the asset or business without any associated increase in capacity or future earnings and are considered non-discretionary. Growth capital expenditures are generally defined as those that expand existing capacity and/or increase future earnings and are considered discretionary.

In the aggregate, Alacer Gold's actual capital expenditures (including both investments in mineral properties and equipment plus exploration and evaluation) were substantially in accordance with previously disclosed guidance.

Discussions of various 2012 capital expenditures are as follows. See the "Exploration and Evaluation" section for discussions regarding those activities.

## Sustaining and general capital - Cöpler

The Çöpler Heap Leach Phase 2 expansion was completed and turned over to operations in Q4 2012. The timely completion of the project met process expectations and will provide ore handling capacity into future Phase 3 and Phase 4 expansions. The total project expenditure was in line with the budgeted \$13.7 million (combined 2011 and 2012 spending). The project is now complete.

The Çöpler Heap Leach Phase 3 expansion construction started in Q4 2012. The earth work, lining and piping have been completed on time and for \$1.6 million less than the budget of \$6.1 million. The over liner placement is planned to be completed in Q2 2013.

The SART plant is currently scheduled to be commissioned at the end of Q3 2013. Detailed design engineering has advanced to 99% completion. The primary construction contract has been awarded and a number of local community contractors are involved in mobilization and concrete works. The SART plant baseline estimated cost is \$32.2 million. To date, the Corporation has committed \$26.6 million for time sensitive equipment, engineering, and construction. Since the project's commencement, a total of \$13.5 million has been spent, including the \$3.0 million of 2012 sustaining capital, \$8.7 million of advance payments, with the remainder incurred prior to 2012.

Other capital additions include general plant equipment and betterments, as well as the clay sizer and materials handling circuit and new agglomerator. Engineering design work continued on these two projects during Q4 2012. The process flow diagram and general layout have been finalized and the major items of equipment have been ordered. Basic engineering was finalized in February 2013. The capital costs associated with the clay sizer and materials handling circuit and new agglomerator are currently estimated to be \$13 million and \$5 million, respectively. This work is expected to be completed in Q3 2013.

# Growth capital - Çöpler

The Çöpler Sulfide Feasibility Study was initiated in January 2012. Please see the discussion regarding its progress and future activities above in "Outlook – Turkey Çöpler Development."

Drilling and analysis activities are discussed below in "Exploration and Evaluation."

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

# Sustaining and general capital – Australia

#### Higginsville

In 2012, the Trident decline and associated capital underground infrastructure was developed from the 728mRL to the 612mRL. This development included the access to the bottom level (714mRL) of the Apollo north stopes and the Artemis/Helios diamond drill drive at 716mRL. Below the 714mRL for the next 100 vertical meters, all of the development was directly associated with the development of the Artemis and Helios orebodies.

In Q4 2012, the Trident decline had advanced from 639mRL to the 612mRL. Included in the 2012 capital development of \$28.7 million were the 640mRL ventilation drives and the 638mRL pump station.

#### SKO

In 2012, the mining at SKO involved the capital cut backs associated with three open pits. This work was completed primarily in the first half of the year. HBJ north stage 3, Triumph, and Pernatty all required capital stripping to get access to the ore generally located in the base of the previously mined pits. The total of \$28.6 million is amortized on a units-of-production basis, of which a portion was expensed during 2012.

#### Growth capital – Australia

#### Higginsville

The Chalice mine is located approximately 30km west-southwest of the Higginsville processing facilities. The growth capital for Chalice was \$44.0 million, of which \$34.6 million was underground access development and \$9.4 million was associated with surface and underground infrastructure. In 2012, the Chalice decline and associated capital underground infrastructure was developed from the 1,155mRL to the 1,026mRL. This work included the decline access to the Atlas orebody. The overall growth capital associated with the Chalice underground mine was completed during Q4 2012.

In Q4 2012, the Chalice decline progressed from the 1,055mRL to the 1,026mRL. The capital development during this period included the 1,033mRL ventilation drives, emergency escape way, and the 1,020mRL Grampians orebody access. The capital development achieved to the end of 2012 has effectively reached the upper-most limit of the Olympus orebody.

#### SKO

Following the Corporation's announcement in July 2012 to defer SKOEP, a decision was made to continue the fabrication of long-lead equipment items that were committed during SKOEP Stage 1. The total 2012 growth capital in design and engineering (concluded in May 2012), and equipment procurement was \$14.8 million. Approximately \$2.9 million of progress payments for the long-lead equipment items has been deferred to H1 of 2013.



The HBJ underground mine pre-feasibility study was completed in Q4 2012. Further work will be done in Q1 2013 to confirm mining costs and mining methods used in the prefeasibility study. The results of this work are expected to add a small amount of reserves to SKO.

# **Exploration and Evaluation**

Total Alacer Gold exploration and evaluation spending was \$56.7 million, of which \$41.5 million was expensed. In Turkey, total exploration spending was \$16.4 million, of which \$3.9 million related to drilling and evaluation (net of reimbursements) outside of Çöpler and was expensed, while \$12.5 million of drilling costs associated with expanding Çöpler were capitalized. In Australia, total exploration spending was \$40.3 million, of which \$37.6 million was expensed related to drilling and evaluation costs, while \$2.7 million of tenement acquisition costs at various sites were capitalized. Both segments experienced increased spending in 2012 versus comparative prior periods, which are discussed further below.

# **Cöpler Exploration Program**

Drilling in 2012 focused on in-fill and extension drilling of known zones of mineralization at Çöpler. A total of eight drill rigs were active throughout the year, which drilled a total of 65,400m in 281 holes including 159 diamond drillholes (51,450m) and 122 reverse circulation drillholes (13,950m).

An updated Çöpler resource estimate was announced on September 10, 2012 and is summarized in the table below. This has resulted in M+I Resources increasing to 182.6 million tonnes at a grade of 1.4g/t gold, containing a total of 8.0 million ounces (inclusive of reserves) as at June 30, 2012. This represents a 900,000 ounce (or 11%) increase on the contained ounces in the previous M+I Resource, prior to mining depletion of approximately 176,000 ounces between December 31, 2011 and June 30, 2012. Including Inferred Resources, the total increase is 2.2 million ounces (or 27%) in contained gold to 10.1 million ounces prior to mining depletion. Reconciliation between actual ounces mined and the resource block model up to June 2012 resulted in an 18% underestimation of ounces by the new resource model.

Mineral Resource for the Çöpler Deposit (100%) as at June 30, 2012								
Gold Cut-off Grade (g/t)	Mineralization Type	Resource Category	Tonnes (million)	Gold Grade (g/t)	Contained Gold (million ounces)	Silver Grade (g/t)	Copper Grade (%)	Sulfur Grade (%)
		Measured	94.0	1.6	4.8	5.1	0.1	3.3
Vaniahla	Takul	Indicated	88.7	1.1	3.2	2.8	0.1	2.5
Variable	Total	Measured + Indicated	182.6	1.4	8.0	3.9	0.1	2.9
		Inferred	51.5	0.9	1.6	1.9	0.1	1.7

Note: Resources are quoted after mining depletion and are inclusive of reserves. Resources are shown on a 100% basis, of which Alacer Gold owns 80%.

In addition to the potential upside in the resource estimate, significant upside exists to grow the Çöpler resource with eight drill rigs remaining on site. In Q4 2012, diamond drilling focused on northern extensions within the old Çöpler Village and continued drilling depth extensions between Main Zone

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East and the Manganese Pit and at Southern Main Zone. Reverse circulation ("RC") drilling focused on infill drilling of the central core to Main Zone in order to determine the effects of closer spaced drilling on the overall resource estimate.

# **Turkey region expansion joint ventures**

The majority of the exploration activities are in the Çöpler District within the Kartaltepe Madencilik Sanayi Ticaret Anonim Şirketi joint venture (50%/50% joint venture with Lidya Mining) at Karakartal, Fındıklıdere and Yakuplu.

Karakartal is a gold-rich porphyry copper deposit located approximately 12km southeast of Çöpler. The current Indicated Resources are 13.8Mt @ 0.46g/t Au and 0.29% Cu and Inferred Resources are 17.8Mt @ 0.32g/t Au and 0.22% Cu as announced in August 2009. A diamond drilling program commenced during Q4 2011 to determine the scale and grade of a potentially higher grade core, and the ultimate size to the Karakartal porphyry. A total of 10,683m of diamond drilling was completed in 40 diamond drillholes. A resource estimate for Karakartal has commenced and is planned to be released in Q2 2013. Mineralization remains open to the west and further drilling is planned in 2013.

In the latter half of 2012, exploration focused on regional, geological, geochemical and geophysical surveys along the 12km long north-south Karakartal to Yakuplu mineralized trend within the Çöpler District. Widespread gold-in-soil anomalism has been identified on a broad 200x200m to 100x100m sample spacing along this 12km trend with several individual soil assay results returning greater than 2.0g/t. None of these new soil anomalies have been drill tested in 2012.

A total of 5,132m of diamond drilling in 15 diamond drillholes and 2,228m of RC drilling in 21 drillholes tested several oxide gold targets defined previously along this mineralized trend at West Karakartal, Findiklidere and Yakuplu. Drill results are highly encouraging and the results received to date have confirmed the presence of oxide gold mineralization at several targets and includes:

- 9m @ 1.70g/t Au from surface in YRC006 at Yakuplu;
- 6m @ 2.10g/t Au from 101m in FDD012 at Findiklidere; and
- 5m @ 0.71g/t Au from 19.7m and 17m @ 0.64g/t Au from 42.5m in KDD060 at West Karakartal.

In 2013, a blanket soil geochemistry survey will be undertaken across the Çöpler District, as less than 20% of the District is currently covered with soil geochemistry. The significant gold-in-soil anomalism identified over only a small component of the tenement holding that has been surveyed, along with oxide gold mineralization identified in early stage drilling, provides strong encouragement for the significant oxide-gold potential of the Çöpler District. This will be the core focus for exploration in Turkey in 2013.

# <u>Australia – Higginsville</u>

Total 2012 exploration spending at Higginsville was \$14.2 million, all of which was expensed. Exploration activities in 2012 focused on the following areas: Higginsville Line of Lode, Challenge, Eundynie, Musket, Chalice and Nawock (see further discussions below). Higginsville exploration during Q4 2012 continued to focus on the Higginsville Line of Lode Framework program and on both generating

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anomalies across the large Higginsville tenement portfolio, as well as testing these anomalies in the Challenge and Eundynie areas. A resource estimate for Higginsville will be released in connection with the Corporation's annual reserve and resource update in Q1 2013.

Higginsville had up to five drills operating throughout 2012, drilling a total of 196,999m including the following drilling activities:

- 35,611m diamond;
- 36,676m reverse circulation;
- 55,574m aircore;
- 36,266m lake aircore; and
- 32,872m rotary air blast.

#### Higginsville Line of Lode Framework

A "framework drilling" program of deeper diamond drillholes at Higginsville commenced in late 2011 and was completed at the end of 2012. The framework drilling has been carried out on lines 800m apart and comprises fences of holes with the objectives of:

- systematically building up knowledge of the stratigraphy and structure to a depth of approximately 800m along the 6km-long Higginsville Line of Lode; and
- mapping the prospective stratigraphic units in three dimensions to better target future drilling at depth.

This systematic approach reflects the assessment that another major orebody similar to Trident is likely to be found along the Higginsville Line of Lode beneath one of the gold deposits that were historically mined via small open pits. Significant gold mineralization was discovered during the Higginsville Framework drilling program, including the discovery of the high-grade Corona Vein and several laminated quartz veins in the Vine area. A total of 12 diamond drillholes totaling 12,099m were completed in 2012.

In Q4 2012, the initial three-dimensional modeling of the rock units and structure was completed, and has generated multiple targets with the potential to host large gold orebodies. These targets will be systematically drill tested in the first half of 2013.

#### Challenge

The Challenge region lies approximately 10km southeast of the Higginsville processing plant, where over 260,000 ounces of gold has been historically mined from a shallow 5km-long paleochannel. The bedrock source of gold to this paleochannel has not as yet been identified, but is interpreted to exist within close proximity to the channel. Drilling in 2012 has focused on defining supergene and bedrock anomalies in the Challenge area beneath and surrounding the paleochannel that are worthy of follow-up drill testing for primary bedrock mineralization.

Significant supergene gold anomalism has been identified on multiple targets in 2012. Initial drill testing of many of these anomalies commenced in Q4 2012. Results from the Jupiter Prospect at the north-

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western margin of Challenge has confirmed the presence of a large (>1km) mineralized north-south structure.

Exploration in 2013 will continue to delineate the extent of this newly defined mineralization and in addition test other identified parallel mineralized structures to the east and west.

#### Eundynie

Eundynie is a historical mining center with several mine workings dating from the early 1900's to 1950's, located 15km east of the Higginsville processing plant. Drill testing of these workings commenced in the latter half of 2012 and is confirming potential for shallow high-grade mineralization. Initial drill testing of the Hidden Secret historical workings at Eundynie has proved encouraging, identifying near surface high-grade mineralization.

Exploration in 2013 will determine the open-pit potential of these high-grade vein complexes at Eundynie.

#### Australia – SKO

Total 2012 exploration spending at SKO (including Alacer Gold's share of Frog's Leg) was \$11.3 million, all of which was expensed. Exploration activities in 2012 focused on the following key areas: SBS28 complex, the Boulder Lefroy Fault Corridor up to 5km north and south of the HBJ Pit, and Mt Martin. A resource estimate for SKO will be released in connection with the Corporation's annual reserve and resource update in Q1 2013.

SKO had up to five drills operating throughout 2012, drilling a total of 126,802m including the following drilling activities:

- 25,167m diamond;
- 83,946m reverse circulation; and
- 17,689m regional aircore.

SKO exploration during Q4 2012 continued to focus on testing the SBS28 complex and targets north and south of HBJ on the Boulder Lefroy Fault Corridor (Location 50 and Location 48).

## SBS28 Exploration

Located near Coolgardie and 35km west of the Jubilee processing plant, the SBS28 complex is a 3km-long mineralized zone that has been sporadically mined under fragmented ownership over the past 70 years. Mining has included the historical Barbara mine, which produced at a head grade of greater than 20g/t gold.

Exploration work continued in Q4 2012 on infill and extension drilling of known zones of mineralization prior to final open-pit optimization and mining studies. In addition to the ongoing open-pit mining studies, initial drilling commenced to test the underground potential of the SBS28 complex. Drilling has



confirmed continuity of higher grade mineralization immediately below the historical underground workings at both Barbara and Surprise.

Exploration in 2013 will complete the assessment of the final open pit mining complex and evaluate the potential for a significant underground mining complex at SBS28.

Location 50 - North HBJ

Drilling during Q4 2012 continued at Peaceful Gift/Chief's Lode and the Pernatty/TNT areas to the north of the HBJ Pit prior to final open-pit mining studies to be completed in Q1 2013. In addition to this resource definition drilling program, encouraging mineralization was intersected from drill testing of several new target areas within this corridor, with further drilling planned in 2013.

# **Financial Highlights**

A summary of the Corporation's financial results for the years ended December 31, 2012, 2011, and 2010 are presented below:

Consolidated Financial Summary	2012	2011 <sup>1</sup>	2010
Gold sales	\$718,890	\$557,379	\$-
Production costs	(329,086)	(237,821)	-
Depreciation, depletion and amortization	(156,429)	(91,756)	-
Mining gross profit	233,375	227,802	-
Attributable to owners of the corporation:			
Net profit (loss)	(\$385,962)	\$75,249	(\$37,813)
Net profit (loss) per share	(\$1.35)	\$0.29	(\$0.27)
Net profit (loss) per share - diluted	(\$1.35)	\$0.29	(\$0.27)
Adjusted Net Profit (Loss) <sup>2</sup>	\$72,391	\$130,053	(\$17,703)
Adjusted Net Profit (Loss) per share <sup>2</sup>	\$0.25	\$0.50	(\$0.13)
Cash Flows			
Operating cash flows	\$238,941	\$258,187	(\$27,483)
Investing cash flows	(194,481)	(36,776)	(71,580)
Financing cash flows	(18,390)	11,288	38,891
Effect of exchange rate changes on cash	1,623	(1,859)	594
Change in cash	\$27,693	\$230,840	(\$59,578)
Ending cash and cash equivalents	\$277,258	\$249,565	\$18,725

<sup>&</sup>lt;sup>1</sup> YTD 2011 results exclude \$36,722 of revenues, \$13,792 of production costs, which were recorded to Development Property during Q1 2011 as required by IFRS for pre-commercial production. In addition, YTD 2011 results only include revenues and related expenses for the Australian operations subsequent to the Merger and includes \$70,374 of Merger-related expenditures.

Adjusted Net Profit (Loss) and Adjusted Net Profit (Loss) per share are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, see the "Non-IFRS Measures" section of this MD&A.



	4	As of December 3	31,
	2012	2011	2010
Financial Position			
Working capital	\$203,919	\$44,198	\$36,921
Total assets	1,460,381	1,802,912	282,098
Non-current liabilities	64,845	109,007	139,572
Total equity	1,167,037	1,392,765	120,190

Gold sales for 2012 increased 29% as compared to revenues for 2011. Total cost of sales for 2012 (production costs and DD&A) increased 47% as compared to cost of sales during 2011. Mining gross profit for 2012 exceeded 2011 by 2%. Factors influencing increases for all of these financial items primarily relate to 2012 including full operations at all mines whereas 2011 was limited to post-Merger Australian operations and excluded Çöpler's pre-commercial operating results. See further discussions in "Results of Operations" above and "Gold Sales" below.

Net profit (loss) for 2012 decreased 507% as compared to 2011 due to the \$490.0 million impairment of Australian operating and exploration assets, as discussed below in "Fourth Quarter Results." Other factors affecting the change from 2011 include an increase in exploration and evaluation expenditures of \$21.4 million as previously discussed above under "Exploration and Evaluation;" a \$19.6 million increase in other gain (loss), and an increase in general and administrative costs of \$6.5 million. These increased costs were partially offset by the impacts of one-time Merger-related expenditures totaling \$70.4 million incurred during 2011, year-over-year changes to Debenture mark-to-market adjustments totaling \$44.4 million and an increase in income tax expense of \$18.7 million. Further information regarding these variances are discussed below under "Other Costs."

Adjusted Net Profit for 2012 decreased 44% from 2011, and principally reflects a \$65.4 million reduction in mining gross profit at the Australian operations, as adjusted for non-recurring items, as well as increased exploration expenditures. Offsetting the Australian operation reductions was a benefit for taxes, which is normalized to reflect statutory rates by jurisdiction. Despite the improved Çöpler mining gross profit, the increase in non-controlling interest (from 5% to 20%) held by Lidya Mining reduced the Corporation's share of those profits to Adjusted Net Profit. Adjusted Net Profit is a non-IFRS financial measure used by Management to evaluate the recurring nature of the Corporation's operations. Reconciliation from net profit (loss) attributable to owners of the Corporation to Adjusted Net Profit is provided below under "Non-IFRS Measures."

The Corporation ended 2012 with cash of \$277.3 million and reported an overall net increase in cash of \$27.7 million for the period, as compared to net cash increase of \$230.8 million for 2011. Operating cash flows decreased 7% in 2012 as compared to 2011, primarily due to increases in inventories and exploration activities. Investing outflows during 2012 exceeded those of 2011 by approximately four times and was primarily associated with the projects described above in "Investments in Mineral Properties and Equipment." Net investing cash flows for 2011 of \$36.8 million resulted from cash outflows for mineral property development totaling \$144.9 million, partially offset by \$84.4 million cash inflow representing net cash acquired at the Merger date, plus the impacts of Q1 2011 Çöpler precommercial operations booked against mineral properties totaling \$22.9 million. Significant 2011 capital expenditures included continued underground development at Trident, Chalice and Frog's Leg; prestripping the HBJ east-wall cutback; completion of construction at Çöpler; continued expenditures



related to the Çöpler sulfide expansion project; and capitalized costs associated with resource delineation. Financing outflows during 2012 totaled \$18.4 million, as compared to financing cash inflows of \$11.3 million during 2011. Financing outflows during 2012 primarily reflect the cash paid in connection with the Debenture maturities discussed below under "Liquidity and Capital Resources" and payment of dividends to the non-controlling interest partner in Çöpler, Lidya Mining. These financing outflows were offset by an inflow totaling \$37.8 million related to Lidya Mining's acquisition of an additional 15% interest in Anagold Madencilik Sanayi Ve Ticaret Anonim Sirketi ("Anagold"), the operator of the Çöpler mine. 2011 financing inflows primarily reflect the cash received upon stock option exercises.

Working capital increased by \$159.7 million at December 31, 2012 as compared to December 31, 2011, primarily due to increased cash and inventory balances generated from mining operations, as well as cash inflows related to the non-controlling interest sale to Lidya Mining and the impact of the conversion of C\$53.6 million of the Debentures to common shares. See "Working Capital" below for additional analysis.

Total assets decreased by \$342.5 million, primarily due to the impairment (as discussed below in "Fourth Quarter Results"), offset by increases in cash and inventory noted above. Non-current liabilities decreased by \$44.2 million, reflecting that as of December 31, 2012 both the Turkish and Australian borrowings are current, as well as a net deferred tax asset position rather than a deferred tax liability. Total equity decreased \$225.7 million, primarily due to the impairment offset by the additional non-controlling interest by Lidya Mining, and the value of the common shares issued associated with the conversion of the Debentures discussed above.

#### **Gold Sales**

Details of gold sales for the years ended December 31, 2012 and 2011 are presented below:

	2012	2011
Gold ounces sold <sup>1 &amp; 2</sup>	431,383	404,287
Gold sales <sup>3</sup>	\$718,890	\$557,379
Add pre-commercial production revenues <sup>3</sup>	-	36,722
Operating gold sales	\$718,890	\$594,101
Alacer Gold average realized price	\$1,666	\$1,619
Average London PM Fix	\$1,669	\$1,572

Consolidated gold ounces include the Corporation's 49% share of Frog's Leg and 100% of Çöpler.

During 2012, Alacer Gold's average realized gold price was \$1,666 per ounce, consistent with the average 2012 London PM Fix of \$1,669, reflecting the timing of individual sales transactions during the

YTD 2011 gold ounces sold results reflect statistics for the full Q1 2011 period related to the Merger. YTD 2011 also includes activity for Çöpler prior to the commencement of commercial operations on April 1, 2011.

YTD 2011 results excluded revenues recorded to Development Property during Q1 2011 as required by IFRS for precommercial production. In addition, YTD 2011 results only include revenues for the Australian operations subsequent to the Merger.



period. The Corporation currently is not using forward sale contracts or other derivative products to protect the price of its future gold sales.

#### **Other Costs**

Details of other costs for the years ended December 31, 2012 and 2011 are presented below:

	2012	2011
General and administrative	\$40,343	\$33,853
Impairment loss	489,952	-
Merger-related expenditures	-	70,374
Share-based employee compensation costs	7,069	8,597
Foreign exchange gain, net	(1,465)	(279)
Finance (income) expense, net	(26,450)	24,562
Other (gain) loss, net	16,018	(3,572)
Total corporate and other costs	\$525,467	\$133,535
Income tax expense (benefit)	8,753	(9,981)
Total other costs	\$534,220	\$123,554

Other costs reflect ongoing oversight and management costs, as well as general expenditures and income taxes, which are not related to individual mining operations. Significant variations from the prior period results are discussed below:

General and administrative costs for 2012 increased 19% over 2011 reflecting a full period of Australian Business Unit expenses and additional expenditures related to corporate staff, professional service fees and travel.

Impairment loss was recorded in Q4 2012 and is discussed further below in "Fourth Quarter Results."

*Merger-related expenditures* were incurred exclusively in 2011 associated with the Merger, which closed February 2011.

Share-based employee compensation costs are non-cash charges relating to amortization of costs associated with stock options and restricted stock units ("RSU") over their respective vesting periods. Additionally, share-based compensation includes any mark-to-market adjustments required under the Corporation's deferred share units plan. The decrease in 2012 is due to historical RSU issuances that are now fully vested and amortized.

Foreign exchange (gain) loss, net results primarily from: volatility in the USD to Turkish Lira ("TRY") as applied to Turkish operations; volatility in the USD to Australian dollar ("AUD") as applied to a USD-denominated intercompany borrowing arrangement ("Intercompany Loan") and for which the loan obligation is eliminated in consolidation; and volatility in the USD to Canadian Dollar ("CAD") exchange rate as applied to the Debentures, which was a CAD-denominated liability until their maturity on April 30, 2012. For 2012, the foreign exchange net gain was primarily attributed to decline of the USD versus the AUD measured for the Intercompany Loan. For 2011, the net gain related mostly to recovery of the USD versus the CAD measured for the Debentures. With the exception of the Intercompany Loan, USD-



AUD translations related to the Australian operations are reported as changes to equity as the AUD is the functional currency of the Australian operating segment.

Finance (income) expense, net represent interest expense, gains and losses on financial instruments, unwinding of rehabilitation provision discount and interest income. The 2012 finance costs decreased as compared to 2011 primarily due to the maturity of the Debentures. The change in debenture option valuation was a gain of (\$32,907) in 2012 compared with loss of \$11,527 in 2011.

Other (gain) loss, net represents various non-operating (gains) losses, including those associated with the sale of assets. As previously announced in July 2012, the Australian Business Unit deferred the SKOEP project, pending additional geological and mine engineering work. Demobilization and standing down of a portion of the mining fleet resulted in a one-time charge of \$4.5 million in the three months ended June 30, 2012. In addition, 2012 expenses include approximately \$10.1 million related to the write-off of Australian exploration tenements that were released based on an evaluation of expected future benefits.

*Income tax expense (benefit)* for 2012 increased as compared to 2011 due to the one-time \$24,008 deferred tax benefit related to the recognition of future incentive investment credits during 2011.

# **Summary of Quarterly Results**

The following table summarizes the Corporation's total revenues, profit (loss) and profit (loss) per share for each of the preceding eight quarterly periods ended December 31, 2012.

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Total revenues	\$181,904	\$179,497	\$175,603	\$181,886	\$184,187	\$184,124	\$146,332	\$42,736
Amounts attributal	ole to owners of	the Corpora	tion:					
Profit (loss) Per share profit (loss):	(\$490,646)	\$23,365	\$27,396	\$53,923	\$69,500	\$37,977	\$59,813	(\$92,042)
- basic	(\$1.70)	\$0.08	\$0.10	\$0.19	\$0.25	\$0.14	\$0.22	(\$0.46)
- diluted	(\$1.70)	\$0.08	\$0.10	\$0.19	\$0.25	\$0.13	\$0.21	(\$0.46)

Additionally, as noted above under "Financial Highlights," prior to the acquisition of Australian operations through the Merger and achievement of Çöpler commercial production on April 1, 2011, there were no revenues for the Corporation. IFRS-based revenues from Q1 2011 through Q4 2011 reflect the Corporation's sale of 344,239 gold ounces. The Corporation initially incurred Merger-related expenditures during Q3 2010 and such costs continued through Q4 2011. The amounts from Q1 2011 through Q4 2011 included in the above results were \$71.6 million, \$0.3 million, (\$0.1) million and (\$1.4) million for these four quarters, respectively. The Corporation's net profit of \$84.2 million or \$0.29 per share, for 2011 reflects the impact of one-time Merger-related expenditures totaling \$70.4 million. Generally, the Corporation does not experience the effects of seasonality with regard to revenues or expenses.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

# **Fourth Quarter Results**

During Q4 2012, Alacer Gold achieved its strongest quarterly production results of the year with attributable gold production of 103,426 ounces. Cash Operating Costs/ounce and Total Cash Costs/ounce improved from Q3 2012. During Q4 2012, cash balances declined by \$2.8 million primarily reflecting the timing of operating and investing transactions. Overall, investing outflows continued to be associated with the projects described above in the "Investments in Mineral Properties and Equipment."

During Q4 2012, the Corporation recorded impairment charges of \$490.0 million for non-current assets within the Australian segment. Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount exceed 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 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 Q4 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.

The impairment was driven by the proposed sale of the Corporation's interest in the Frog's Leg mine, 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 non-current 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 our 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.

# **Liquidity and Capital Resources**

The Corporation manages its liquidity and capital resources to provide sufficient cash and cash equivalents to meet short and long-term operating and development plans, credit facility obligations, and other contractual obligations when due. The primary sources of liquidity for the Corporation are provided from cash flows generated by the business and existing working capital. Other capital resources may be utilized to provide additional liquidity.



On February 10, 2013, the Corporation announced its intention to adopt a dividend policy to return a minimum of 20% of free cash flow to the Corporation's shareholders annually beginning in 2014. On March 6, 2013, the Corporation adopted the dividend policy with the following terms:

- Subject to receipt by the Board of Directors ("BOD") of a solvency certificate in advance of each annual dividend declaration, the Corporation shall, at the discretion of the BOD, declare an annual dividend beginning in 2014 on all of the issued and outstanding common shares in the aggregate amount equal to twenty percent (20%) of the Corporation's free cash flow (as determined by the BOD in its sole discretion) payable on such dates as the BOD may determine appropriate).
- The actual timing, payment and amount of any dividends paid by the Corporation will be determined by the BOD from time to time based upon, among other factors, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations, and such other business considerations as the BOD considers relevant.

#### **Cash Flows**

The following table summarizes the Corporation's cash flow activity for the years ended December 31, 2012 and 2011:

	2012	2011
Operating cash flows	\$238,941	\$258,187
Investing cash flows	(194,481)	(36,776)
Financing cash flows	(18,390)	11,288
Effect of exchange rate changes on cash	1,623	(1,859)
Change in cash	\$27,693	\$230,840
Ending cash and cash equivalents	\$277,258	\$249,565

For 2012, the change in cash of \$27.7 million represents a \$203.1 million decline when compared to 2011 cash inflows. This decline in cash inflows is due to the inclusion of a full year of investing activities at the Australian operations (versus approximately nine months of additions in 2011 following completion of the Merger), as well as the timing of 2012 capital expenditure projects as described above in "Investments in Mineral Properties and Equipment." In addition, 2011 investing inflows were positively impacted by \$84.4 million of cash acquired in connection with the Merger, and \$22.9 million of gross profit on pre-commercial production activities at Çöpler. Overall financing outflows for 2012 related to settlement of the Debentures offset by inflows from Lydia Mining's exercise of its additional option at Çöpler, as discussed above. There were no similar financing activities during 2011.



## **Working Capital**

The following table summarizes the Corporation's working capital as at December 31:

	2012	2011	2010
Cash and cash equivalents	\$277,258	\$249,565	\$18,725
Inventories	132,319	74,313	17,388
Other current assets	22,841	21,460	23,144
Trade and other payables and current income tax liabilities	(159,619)	(156,197)	(21,234)
Debentures and other current debt	(68,880)	(144,943)	(1,102)
Working capital	\$203,919	\$44,198	\$36,921

Working capital increased \$159.7 million at December 31, 2012 as compared to December 31, 2011 primarily due to the conversion of the Debenture options to common shares (see further discussion below), as well as increased cash and inventories associated with mining operations. Inventory increases during 2012 primarily reflecting a 48% increase in ounces placed on the heap leach at Çöpler, as well as increases in costs per ounce under leach.

Current assets are available at varying times within 12 months following the balance sheet date. Cash and cash equivalents are readily available to meet expenditures. The ability to distribute cash to the parent entity may be subject to debt or joint venture provisions. Management believes these provisions will not adversely affect the Corporation's ability to meet its commitments when due.

Current liabilities decreased and continue to include approximately \$60 million of accrued Merger-related expenses. Debt amounts classified as current include debt amounts that are contractually due within 12 months following the balance sheet date. Effective April 30, 2012, Debentures with face value totaling C\$53.6 million were converted to 6,695,750 common shares. The Corporation settled the remaining Debentures totaling C\$46.4 million upon maturity by making cash payments totaling C\$47.5 million, including net interest due of C\$1.1 million. The Debentures were delisted from trading on April 30, 2012.

# **Credit Facilities and Term Notes**

The Corporation has one outstanding revolving credit facility as of December 31, 2012 held by Avoca Resources Limited ("ARL") with a balance outstanding of A\$50 million, which equals the facility limit. The term of this facility is through December 2013. ARL also maintains a A\$15 million contingent bond 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. These bonds are contingent liabilities which represent ARL's obligations with respect to environmental rehabilitation commitments on tenements that are actively being developed. These bonds are at call and are therefore contingent and represent a potential current liability.

Anagold has a \$25 million term note outstanding as of December 31, 2012 with a balance of \$12.0 million. The note matures in December 2013.



## **Contractual Obligations**

The Corporation's contractual obligations as of December 31, 2012 were:

	0-1 year	2 -5 years	thereafter
	\$	\$	\$
Bank borrowings	63,463	-	-
Lease liabilities	5,417	482	-
Operating leases	2,174	7,451	
	\$71,054	\$7,933	\$-

#### **Outlook – Liquidity and Capital Resources**

Liquidity sources include ongoing cash flows under current conditions and current working capital. Management believes these capital resources are sufficient to fund operations, forecasted exploration and capital expenditures, debt repayments and reclamation and remediation obligations in 2013. Prior to any capital investments, consideration is given to the cost and availability of various sources of capital.

With respect to longer-term funding requirements, the Corporation believes additional future cash flows and other sources of liquidity will be available. Under present conditions, the Corporation believes it has sufficient access to capital and debt markets. Financing alternatives to provide additional liquidity may include common shares, bonds, equity-linked notes, revolving credit facilities, project debt, and equipment leasing. Another possible source of capital would be proceeds from the sale of non-core assets. Despite present conditions, changes in the Corporation's business, unforeseen opportunities or events, and other external factors may adversely affect liquidity and the availability of additional capital resources. Insufficient liquidity or excessive costs of obtaining additional capital resources may limit the Corporation's ability to fully execute its plan. However, the Corporation may elect to reduce its planned exploration and capital expenditures concurrent with the conditions present. We believe that this financial flexibility to adjust our spending levels will provide us with sufficient liquidity to meet our future operational goals and financial obligations.

## **Business Conditions and Trends**

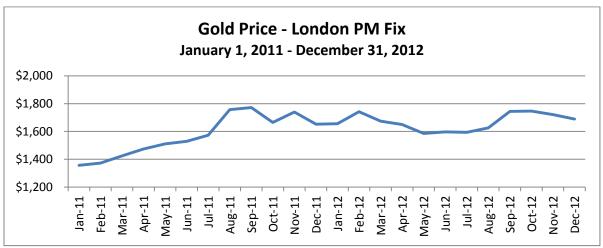
The Corporation's results of operations and cash flows are affected by various business conditions and trends. The variability of metals prices, fluctuating currency rates and changing prices are the primary economic factors that impacted financial results during 2012.

#### **Gold Price**

The price of gold is the most significant external factor affecting profitability and cash flow from operations. Historically, the price of gold has been subject to volatile price movements over short periods of time and is affected by numerous macroeconomic and industry factors that are beyond the Corporation's control. Major influences on the gold price include currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic

factors such as the interest rate levels and inflation expectations. The price of gold reached a new alltime high during 2011 of \$1,921 per ounce. During 2012, the gold price experienced continued volatility, with the price ranging from \$1,540 to \$1,792 per ounce. The price of gold closed at \$1,658 per ounce, while the average 2012 market price of \$1,669 represents a \$97 per ounce increase from the \$1,572 per ounce average market price for 2011.

The following depicts the monthly average historical London PM Fix market price per ounce for 2011 through 2012.

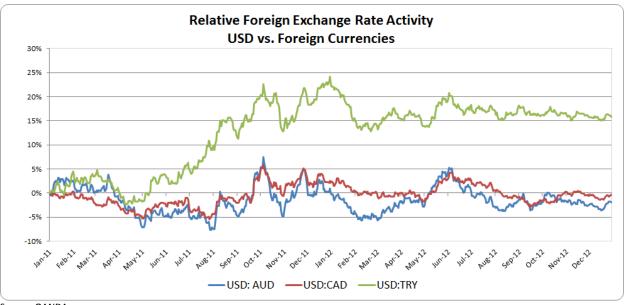


Source: London Bullion Marketing Association London PM Fix, Bloomberg



#### **Currency Rates**

Fluctuations in currency rates, particularly the relative strength of the USD, affect the Corporation's results of operations and cash flows. The USD is the Corporation's functional currency, except for Australian operations where AUD is the functional currency.



Source: OANDA

As of December 31, 2012, the USD remained relatively constant against the AUD and CAD as compared to December 31, 2011. However, quarterly results and cash flows expressed in USD were affected by volatility during 2012. USD-reported results and cash flows for Australian operations were adversely affected in Q1 and Q3 2012, with partially offsetting benefits in Q2 and Q4 2012. The USD-reported foreign currency impact on the CAD-denominated Debentures was minimal until their maturity on April 30, 2012. The USD weakened approximately 6% against the TRY during 2012. As such, USD-reported results and cash flows for Turkish operations were unfavorably impacted.

The Corporation maintains its cash and cash equivalents and short-term investments in USD, AUD, TRY, and CAD in amounts estimated to be sufficient to fund short-term obligations denominated in those currencies. The Corporation currently is not using foreign currency derivative products to protect against movements in currency rates.

## **Changing Prices**

Overall inflation rates remained in line with prior year trends during 2012. In Australia, legislation regarding carbon tax credits came into effect July 1, 2012. Currently, the Corporation has not experienced and does not expect any future material direct liability resulting from changing commodity prices influencing its operations. However, additional indirect costs are expected to flow through from affected suppliers. The collective impact of changing prices may result in operating and capital cost variances beyond Management's control. The impact of inflation and other cost escalations may be



more significant to the mining sector than other sectors. The Corporation currently is not using derivative products to protect against movements in the cost of commodities, materials or services.

# **Off-Balance Sheet Arrangements**

As referred to above in "Credit Facilities and Term Notes," in Australia, the Corporation has 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. The facility expires in December 2013.

## **Transactions with Related Parties**

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 Corporation incurred \$0.8 million for 2012 (2011 - \$1.2 million) for legal services provided by this law firm. The relationship between the Corporation and the firm continues, therefore the above 2012 amount represents all legal services paid to the firm during 2012.

# **Critical Accounting Policies, Estimates and Accounting Changes**

Preparing financial statements in conformity with IFRS requires the Corporation to select from possible alternative accounting principles. Estimates also affect classification and reported amounts for various assets, liabilities, equity balances, revenues and expenses within all reportable segments. Prior estimates are revised as new information is obtained and are subject to change in future periods. Management believes the accounting policies and estimates used in preparing the consolidated financial statements are considered appropriate in the circumstances, but are these subject to numerous judgments and uncertainties inherent in the financial reporting process.

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.

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

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

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.

Depreciation, Depletion and Amortization – Plants and other facilities used directly in mining activities are depreciated using the Units-of-Production ("UOP") method over a period not to exceed the estimated life of the orebody based on recoverable ounces to be mined 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.

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 Corporation could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Corporation's profits and working capital.

Mine restoration provision — The 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.

*Income taxes* – The Corporation 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 Corporation recognizes tax-related assets and liabilities based on the Corporation's current understanding of tax laws as applied to the Corporation'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.

Recoverability of long-lived assets — The Corporation 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 generally largely independent of the cash flows of other assets. An impairment 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. Expected future cash flows used to determine the fair value less costs to sell and value in use used in the impairment testing of non-current 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.

# **Changes in Accounting Policies including Initial Policy Adoption**

Accounting standards, interpretations and amendments to existing standards that were adopted in the current year:

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 Corporation. The adoption of the following new standards, interpretations and amendments resulted to changes in the Corporation's accounting policies, but did not have any impact on the financial position or performance on the Corporation 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.
- *ii)* IAS 1, Presentation of Financial Statements was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss.



# Accounting standards, interpretations and amendments to existing standards that are not yet effective:

The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning January 1, 2012 and have not been early adopted. Pronouncements that are not applicable to the Corporation have been excluded from those described below. The Corporation is currently evaluating the potential impacts of the following standards.

# Accounting standards effective on or after January 1, 2013:

- i) IFRS 7, Financial Instruments: Disclosures was amended to provide additional information about the effect or potential effect of offsetting of financial assets and financial liabilities.
- ii) 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.
- iii) 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.
- iv) 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).
- v) IFRS 13, Fair Value Measurement sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements.
- vi) 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.
- vii) 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 associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.



viii) 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.

#### Accounting standard effective on or after January 1, 2014:

i) 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.

## Accounting standard effective on or after January 1, 2015:

i) 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 ("IAS 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 income, 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.

#### **Financial Instruments and Other Instruments**

The Corporation's financial instruments as of December 31, 2012 consist of cash and cash equivalents, receivables, investments in publicly-traded securities, trade and other payables and borrowings. The Corporation's financial instruments were denominated primarily in USD, AUD and TRY. As of December 31, 2012, the Corporation's financial instruments are presented at fair value. With the exception of the impacts of market valuation on the Debenture conversion options, there are no material income, expense, gains/losses associated with the instruments in 2012.

Credit Risk is associated primarily with short-term investments and the portion of cash and cash equivalents held by banks. Such credit risk is managed by diversifying holdings among various financial institutions and by purchasing short-term investment grade securities, which may include such instruments as bankers' acceptances, guaranteed investment contracts, corporate commercial paper, U.S., Australian and Canadian treasury bills, and U.S., Australian and Canadian agencies investments in accordance with the Corporation'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 Corporation's receivable balances consist of Turkish value-added tax recoverable claims and Australian

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

GST refundable amounts. The Corporation is exposed to credit risk to the extent the timing of payments is delayed. As of December 31, 2012, receivables from the Turkish and Australian governments totaled \$9.3 million and \$3.1 million, respectively. Management monitors its exposure to credit risk on a continual basis.

Liquidity risk is associated with the Corporation's sufficiency of capital resources to meet liabilities when due. The Corporation maintains sufficient cash and cash equivalents in order to meet short-term business requirements. The Corporation's ability to settle the borrowings and other long-term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations. Refer to "Liquidity and Capital Resources" for discussion of Management's strategy to manage liquidity requirements.

Interest rate risk is generally associated with variable rate financial instruments and available market interest rates at the time financial instruments are acquired. The Corporation's main interest rate risk arises from bank borrowings with interest charges based on an interest margin over the USD one-month London Interbank Offering Rate ("LIBOR") and AUD one-month LIBOR. The Corporation also holds a portion of cash and cash equivalents in bank accounts that earn variable interest rates. Short-term investments are purchased at market interest rates and result in fixed yields to maturity. 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 Corporation manages interest rate risk by maintaining an investment policy for short-term investments and cash held in banks. This policy focuses primarily on preservation of capital and liquidity. The Corporation currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Foreign currency risk is generally associated with financial instruments and transactions denominated in non-USD currencies. The Corporation is exposed to financial gain or loss as a result of foreign exchange movements against the USD. The Corporation does not presently engage in hedging or speculative activities. The Corporation holds USD, TRY, AUD and CAD in sufficient amounts to meet its estimated expenditure requirements for these currencies. The Corporation held approximately \$7.2 million denominated in TRY, \$92.3 million denominated in AUD, and \$0.6 million denominated in CAD as of December 31, 2012. Therefore, the Corporation remains exposed to future currency fluctuations.

#### **Non-IFRS Measures**

The Corporation has identified certain measures that it believes will assist understanding the performance of the business. As the measures are not defined under IFRS, they may not be directly comparable with other companies' adjusted measures. The non-IFRS measures are not intended to be a substitute for, or superior to, any IFRS measures of performance, but Management has included them as these are considered to be important comparables and key measures used within the business for assessing performance. These measures are explained further below:

**Cash Operating Costs and Total Cash Costs** are non-IFRS measures. Cash Operating Costs and Total Cash Costs are calculated using guidance issued by the Gold Institute. The Gold Institute was a non-profit industry association comprising leading gold producers, refiners, bullion suppliers and manufacturers.



This institute has now been incorporated into the National Mining Association. The guidance was first issued in 1996 and revised in November 1999.

**Cash Operating Costs**, as defined in the Gold Institute's guidance, includes mining, processing, transport and refinery costs, mine site administrative costs, movement in production inventories, by-product credits, and transfers to and from deferred stripping, where relevant.

**Total Cash Costs,** as defined in the Gold Institute's guidance, includes all of the total Cash Operating Costs noted above, plus royalties and severance taxes.

Cash Operating Costs/ounce and Total Cash Costs/ounce are calculated by dividing the relevant Cash Operating Costs and Total Cash Costs, as determined using the Gold Institute guidance, by gold ounces sold for the periods presented. The data does not have a meaning prescribed by IFRS and therefore amounts presented may not be comparable to data presented by gold producers who do not follow the guidance provided by the Gold Institute. In particular, depreciation, amortization and share-based payments would be included in a measure of total costs of producing gold under IFRS, but are not included in Cash Operating Costs/ounce and Total Cash Costs/ounce under the guidance provided by the Gold Institute. Furthermore, while the Gold Institute has provided definitions for the calculation of Cash Operating Costs, Total Cash Costs, Cash Operating Costs/ounce and Total Cash Costs/ounce, the calculation of these numbers may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Alacer Gold believes that Cash Operating Costs/ounce and Total Cash Costs/ounce are useful indicators of performance as they provide an indication of a company's profitability and efficiency, the trends in cash costs as the Corporation's operations mature, and a benchmark of performance to allow comparison to other companies.

The following table reconciles these non-IFRS financial measures to the consolidated statements of profit (loss) for the years ended December 31, 2012 and 2011.

	2012	2011
Production costs – IFRS	\$329,086	\$237,821
Pre-Merger production costs <sup>1</sup>	-	36,426
Merger-related purchase step-up adjustments		
impacting production costs	-	(13,778)
Total Cash Costs	\$329,086	\$260,469
Divided by: gold ounces sold <sup>2</sup>	431,383	404,287
Total Cash Costs per ounce	\$763	\$644
Total Cash Costs	\$329,086	\$260,469
Less: Royalties and severance taxes	40,949	39,923
Cash Operating Costs	\$288,137	\$220,546
Divided by: gold ounces sold <sup>2</sup>	431,383	404,287
Cash Operating Costs per ounce	\$668	\$546

Represents estimated production costs for the pre-Merger period of January 1, 2011 through February 17, 2011, based on management reports. This adjustment is made to reflect Total Cash Costs associated with the full-year gold ounces sold and to provide comparability with future results.

<sup>&</sup>lt;sup>2</sup> YTD 2011 gold ounces sold include ounces sold for the pre-Merger period of January 1, 2011 through February 17, 2011.



The following table reconciles these non-IFRS financial measures on an attributable production basis for the years ended December 31, 2012 and 2011.

	2012	2011
Total Cash Costs, per above	\$329,086	\$260,469
Less: Non-controlling interest	15,229	3,078
Total Cash Costs – attributable	\$313,857	\$257,391
Divided by: attributable gold ounces sold <sup>1</sup>	390,813	395,948
Total Cash Costs per ounce – Attributable	\$803	\$650
Total Cash Costs – attributable	\$313,857	\$257,391
Less: Royalties and severance taxes <sup>2</sup>	39,305	39,527
Cash Operating Costs – attributable	\$274,552	\$217,864
Divided by: attributable gold ounces sold <sup>1</sup>	390,813	395,948
Cash Operating Costs per ounce –		
Attributable	\$703	\$550

<sup>&</sup>lt;sup>1</sup> YTD 2011 gold ounces sold include ounces sold for the pre-Merger period of January 1, 2011 through February 17, 2011.

Adjusted Net Profit and Adjusted Net Profit per share attributable to owners of the Corporation are non-IFRS measures and reflect net profit (loss) attributable to owners of the Corporation as adjusted for non-recurring items, mark-to-market adjustments for the convertible Debentures, and normalization of tax expense to reflect statutory rates by jurisdiction. This information is provided to supplement information presented in the consolidated financial statements and this MD&A. Management believes that in addition to profit (loss) and related per share disclosures prepared in accordance with IFRS, these adjusted measures provide a basis for further evaluation of the Corporation's performance. Presentation of these adjusted measures is not a substitute for reported amounts presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The terms "Adjusted Net Profit attributable to owners of the Corporation" and "Adjusted Net Profit per share attributable to owners of the Corporation" do not have standardized meanings prescribed by IFRS. Therefore, the Corporation's definitions are unlikely to be comparable to similar measures presented by other companies or as used by various readers of these adjusted measures.

Net of non-controlling interest



Calculation of these adjusted measures is presented below for the years ended December 31, 2012 and 2011.

	Note	2012	2011
Profit (loss) attributable to owners of the			
Corporation		(\$385,962)	\$75,249
Add back tax expense (benefit)		8,753	(9,981)
Pre-tax profit (loss) attributable to owners			
of the Corporation		(\$377,209)	\$65,268
Adjustments (pre-tax basis):			
Merger-related expenditures	1	-	70,374
Çöpler pre-commercial production	2	-	22,930
Unrealized (gain)/loss on non-hedge			
financial instruments	3	(34,436)	11,527
Impairment loss and other write-			
downs	4	504,546	-
Estimated profit on gold inventory			
marked-to-market at Merger date	5	-	5,603
Non-controlling interest portion of			
adjustments	6		(1,147)
Adjusted pre-tax profit attributable to			
owners of the Corporation		\$92,901	\$174,555
Tax expense on adjusted pre-tax profit	7	(20,510)	(44,502)
Adjusted Net Profit		\$72,391	\$130,053
Divided by: Weighted average common			
shares outstanding		285,508,410	259,121,410
Adjusted Net Profit per share		\$0.25	\$0.50

- Note 1 Merger-related expenditures were directly related to the Merger and are non-recurring in nature. These amounts were expensed as prescribed by IFRS.
- Note 2 Prior to achieving commercial production at Çöpler, revenues and production costs were recorded to Mineral Properties rather than through earnings. The adjustment above represents the mining gross profit for Çöpler during Q1 2011. Commercial production was achieved effective April 1, 2011, after which, mining gross profit was reflected through earnings. This amount is non-recurring in nature.
- Note 3 The unrealized (gain)/loss on non-hedge financial instruments reflects the period (gain) or loss resulting from the mark-to-market adjustment made in connection with the Debentures. These amounts are non-cash in nature and reflect periodic changes in the fair value of the option component of the Debentures.
- Note 4 The Australian Business Unit recorded impairment losses of \$490 million, write-offs of \$10 million related to exploration tenements released, and a \$5 million loss related to the deferral of the exploration program for SKO for the demobilization and standing down of a portion of the mining fleet.
- Note 5 Estimated profit on gold inventory marked-to-market at Merger date reflects a purchase price adjustment associated with the Merger. This adjustment resulted in a gold inventory valuation step-up, which flowed through to production costs during 2011. This amount is non-recurring in nature.
- Note 6 This adjustment reflects the non-controlling interest portion of other adjustments related to Çöpler (see Note 2).
- Note 7 This adjustment applies income taxes to reflect adjusted pre-tax profit attributable to owners of the Corporation at applicable statutory rates for each jurisdiction, as noted in the tables below.



The table below sets forth statutory yearly income tax calculations for the years ended December 31, 2012 and 2011.

			Corporate	
	Australia	Turkey	and Other	Total
<b>2012:</b> Adjusted pre-tax profit (loss) attributable to owners of the				
Corporation	(\$55,657)	\$186,033	(\$37,475)	\$92,901
Statutory tax rate applied	30%	20%	0%	
Tax (expense) benefit on adjusted pre-tax profit (loss)	\$16,697	(\$37,207)	\$-	(\$20,510)
<b>2011:</b> Adjusted pre-tax profit (loss) attributable to owners of the Corporation	\$30,772	\$176,351	(\$32,568)	\$174,555
Statutory tax rate applied	30%	20%	0%	
Tax expense on adjusted pre-tax profit	(\$9,232)	(\$35,270)	\$-	(\$44,502)

#### Other

#### Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to the Corporation's certifying officers. The Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the design and effectiveness of the Corporation's DC&P and ICFR as of December 31, 2012 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation. The Corporation's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission framework to evaluate the design and effectiveness of the Corporation's ICFR as of December 31, 2012 and have concluded that these controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management of the Corporation was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. During the year ended December 31, 2012 there were no changes in the Corporation's DC&P or ICFR that had a material adverse effect, or are reasonably likely to have a material adverse effect, on the Corporation's internal control over financial reporting.

(All amounts expressed in thousands of U.S. Dollars, unless otherwise stated)

# **Outstanding Share Data**

The following common shares and convertible securities were outstanding as at March 13, 2013.

		Weighted Average	Common Shares
Security	Expiry Date	Exercise Price	on Exercise
Common Shares*			288,337,473
Restricted Stock Units	Various	N/A	2,725,859
Options	Various	CAD\$3.22	889,218
			291,952,550

<sup>\*</sup> Common shares outstanding include 104,476,843 shares represented by CDI, being a unit of beneficial ownership in an Alacer Gold share and traded on the ASX.

The Corporation has 54,824 Deferred Share Units outstanding as at March 13, 2013.

#### **Additional Information and Risk Factors**

Additional information relating to the Corporation, including risk factors that may adversely affect or prevent Alacer Gold from carrying out all or portions of its business strategy are discussed in the Corporation's Annual Information Form and other filings available on SEDAR at <a href="https://www.sedar.com">www.sedar.com</a>.