



**September 30, 2008**

**Unaudited Interim Consolidated Financial Statements**

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# Eldorado Gold Corporation

## Unaudited Consolidated Balance Sheets

(Expressed in thousands of US dollars)

	September 30, 2008 \$	December 31, 2007 \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	51,567	46,014
Restricted cash (note 4)	35,000	65,710
Marketable securities	13,382	1,615
Accounts receivable and other	22,081	28,720
Inventories	75,842	57,525
Derivative contract	-	2,956
Future income taxes	-	959
	197,872	203,499
Restricted cash (note 4)	8,300	8,300
Mining interests (note 11)	625,133	377,705
Other	2,238	2,238
Assets held for sale (note 8)	10,531	-
	844,074	591,742
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	42,686	39,943
Debt - current	35,390	65,422
Current portion of asset retirement obligations	-	509
Current portion of future income taxes	1,204	-
	79,280	105,874
Debt - long-term	139	139
Contractual severance obligations	-	1,479
Asset retirement obligations	4,526	8,290
Future income taxes	64,961	26,781
Liabilities held for sale (note 8)	14,820	-
	163,726	142,563
<b>Non-controlling interest</b>	5,397	-
<b>Shareholders' Equity</b>		
Share capital (note 5(a))	920,737	753,058
Contributed surplus (note 5(b))	17,279	13,083
Accumulated other comprehensive (loss) income (note 5(c))	(8,821)	214
Deficit	(254,244)	(317,176)
	674,951	449,179
	844,074	591,742

**Approved on behalf of the Board of Directors**

*(Signed) Robert Gilmore* Director

*(Signed) Paul N. Wright* Director

See accompanying notes to consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Consolidated Statements of Operations and Deficit For the period ended September 30,

(Expressed in thousands of US dollars except per share amounts)

	Three months ended		Nine months ended	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Revenue</b>				
Gold sales	65,013	38,186	213,747	154,610
Interest and other income	2,853	1,852	9,166	5,577
	67,866	40,038	222,913	160,187
<b>Expenses</b>				
Operating costs	23,265	16,945	66,061	63,653
Depletion, depreciation and amortization	6,772	4,073	19,108	11,827
General and administrative	6,224	5,756	25,956	17,796
Exploration	7,443	2,823	12,306	8,484
Mine standby costs	-	1,954	2,432	1,954
Asset retirement obligation costs	2,609	80	2,875	240
Foreign exchange loss (gain)	2,286	(1,691)	1,453	(4,345)
Loss (gain) on disposal of assets	1,667	100	1,643	(3,564)
Interest and financing costs	756	807	2,626	2,703
Unrealized loss on derivative contract	739	-	2,217	-
	51,761	30,847	136,677	98,748
<b>Income before income taxes and other items</b>	16,105	9,191	86,236	61,439
<b>Income tax expense</b>				
Current	(8,076)	(2,025)	(22,155)	(3,089)
Future	9,701	(1,953)	4,548	(13,824)
	1,625	(3,978)	(17,607)	(16,913)
<b>Non-controlling interest</b>	(690)	-	(5,697)	-
<b>Net income for the period</b>	17,040	5,213	62,932	44,526
<b>Deficit, beginning of period</b>	(271,284)	(314,157)	(317,176)	(353,470)
<b>Deficit, end of period</b>	(254,244)	(308,944)	(254,244)	(308,944)
<b>Weighted average number of shares outstanding</b>				
Basic	363,565	343,867	351,283	342,850
Diluted	365,297	344,979	352,771	344,295
<b>Earnings per share</b>				
Basic income per share - US\$	0.05	0.02	0.18	0.13
Diluted income per share - US\$	0.05	0.02	0.18	0.13
Basic income per share - Cdn\$	0.05	0.02	0.18	0.14
Diluted income per share - Cdn\$	0.05	0.02	0.18	0.14

See accompanying notes to the consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Consolidated Statements of Cash Flows

### For the period ended September 30,

(Expressed in thousands of US dollars, unless otherwise stated)

	Three months ended		Nine months ended	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Cash flows generated from (used in):</b>				
<b>Operating activities</b>				
Net earnings for the period	17,040	5,213	62,932	44,526
Items not affecting cash				
Asset retirement obligation costs	2,609	80	2,875	240
Contractual severance expense	-	-	-	598
Depletion, depreciation and amortization	6,772	4,073	19,108	11,827
Unrealized foreign exchange loss	-	150	418	515
Future income taxes	(9,701)	1,953	(4,548)	13,824
Loss (gain) on disposal of assets	1,667	100	1,643	(3,564)
Imputed interest and financing costs	11	16	30	50
Stock-based compensation	649	1,854	8,492	6,084
Non-controlling interest	690	-	5,697	-
Unrealized loss on derivative contract	739	-	2,217	-
	20,476	13,439	98,864	74,100
Property reclamation payments	172	(1,996)	(1,225)	(4,638)
Contractual severance payments	(544)	(141)	(803)	(2,051)
Changes in non-cash working capital (note 7)	(18,401)	(6,857)	(8,759)	(9,314)
	1,703	4,445	88,077	58,097
<b>Investing activities</b>				
Mining interests				
Acquisition of Frontier net of cash received	7,479	-	7,479	-
Capital expenditures	(23,867)	(34,692)	(53,645)	(68,720)
Sales proceeds	5,689	946	6,129	2,308
Marketable securities				
Purchases	(21,220)	-	(23,663)	(380)
Disposals	-	-	263	-
Pre-production gold sales capitalized in mining interests	-	-	-	10,052
Non-producing properties under development	(16,056)	(5,361)	(26,044)	(11,778)
Value added taxes recoverable on mining interests	-	413	-	3,874
Restricted cash	25,000	3,450	30,710	(603)
	(22,975)	(35,244)	(58,771)	(65,247)
<b>Financing activities</b>				
Capital stock				
Issuance of common shares for cash	1,463	1,810	6,726	9,307
Debt				
Proceeds	-	10,000	5,000	10,000
Repayment	(25,000)	-	(35,479)	(15,229)
	(23,537)	11,810	(23,753)	4,078
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(44,809)</b>	<b>(18,989)</b>	<b>5,553</b>	<b>(3,072)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>96,376</b>	<b>75,884</b>	<b>46,014</b>	<b>59,967</b>
<b>Cash and cash equivalents - end of period</b>	<b>51,567</b>	<b>56,895</b>	<b>51,567</b>	<b>56,895</b>

**Supplementary cash flow information** (note 7)

See accompanying notes to the consolidated financial statements.

# Eldorado Gold Corporation

## Unaudited Consolidated Statements of Comprehensive Income For the period ended September 30,

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(Expressed in thousands of US dollars, unless otherwise stated)

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Net earnings for the period ended September 30,	17,040	5,213	62,932	44,526
Other comprehensive income				
Net unrealized losses on available-for-sale investments (note 5(c))	(10,444)	(32)	(8,821)	(61)
Net realized gain on sale of available-for-sale investments (note 5(c))	-	-	(61)	-
Reversal on acquisition of Frontier (note 5(c))	(153)	-	(153)	-
Comprehensive income for the period ended September 30,	<u>6,443</u>	<u>5,181</u>	<u>53,897</u>	<u>44,465</u>

See accompanying notes to the consolidated financial statements.

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 1. Nature of operations and basis of presentation

Eldorado Gold Corporation (“Eldorado”, “we” or “the Company”) is a gold exploration, development, mining and production company. We have ongoing exploration and development projects in South America, Eastern Europe and Asia. On July 1, 2006, Eldorado began production in Turkey and on February 1, 2007, Eldorado began production in China. We suspended production in August 2007 at the Kışladağ mine in Turkey, a result of a court injunction. The mine remained shut down throughout the remainder of 2007. The court injunction was removed in February 2008 and the mine restarted production on March 6, 2008. We ceased production operations at the São Bento mine in Brazil in the second quarter of 2007, and reclamation activities have been suspended pending completion of the sale of the mine to AngloGold Ashanti (note 8). On July 7, 2008, we acquired all of the outstanding shares of Frontier Pacific Mining Corporation (“Frontier”) (note 3).

With the exception of changes in accounting policies as outlined in note 2 below, these unaudited interim consolidated financial statements were prepared by Eldorado in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) consistent with those used to prepare Eldorado’s audited consolidated financial statements for the year ended December 31, 2007. As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP, they should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2007.

In the opinion of management, Eldorado has made all adjustments necessary to present fairly the Company’s consolidated financial position as at September 30, 2008 and the consolidated results of operations, cash flows and comprehensive income for the three- and nine-month periods then ended. These interim results are not necessarily indicative of the results for a full year.

Certain comparative figures have been reclassified to conform to the current period’s presentation.

### 2. Changes in accounting policies and new accounting developments

#### *Capital Disclosures – Section 1535*

Effective January 1, 2008, the Company adopted Section 1535 “Capital Disclosures”, which requires disclosure of qualitative and quantitative information that enables the users to evaluate the Company’s objectives, policies and processes for managing capital as well as the implications of non-compliance. Disclosures required by this standard are included in note 9.

#### *Inventories – Section 3031*

Effective January 1, 2008, the Company adopted Section 3031 “Inventories”. This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any writedown to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this new accounting policy did not have any impact on the Company’s consolidated financial statements.

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 2. Changes in accounting policies and new accounting developments (continued)

#### *Financial Instruments – Disclosures – Section 3862 and Presentation – Section 3863*

Effective January 1, 2008, the Company adopted Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”. These Sections require entities to disclose quantitative and qualitative information in their financial statements that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by these standards are included in note 10.

#### *Goodwill and intangible assets – Section 3064*

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective beginning January 1, 2009. Concurrent with the adoption of this standard, EIC-27, “Revenues and Expenditures in the Pre-operating Period”, will be withdrawn. This will result in a change to the Company's accounting for the start-up of mining operations, as pre-commercial production costs will no longer be capitalized as an asset. We are currently assessing the impact of this standard on our consolidated financial statements.

#### *Income statement presentation of tax loss carryforward recognized following an unrealized gain recorded in other comprehensive income – EIC 172*

In August 2008, the CICA issued EIC-172, “Income statement presentation of tax loss carryforward recognized following an unrealized gain recorded in other comprehensive income”. This new abstract provides guidance on whether the tax benefit from the recognition of tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale financial assets, should be recognized in net income or in other comprehensive income. This abstract should be applied retrospectively, with restatement of prior periods from the date of adoption of Section 3855 “Financial Instruments”, for all interim and annual reporting periods ending on or after September 30, 2008. The adoption of this new accounting policy did not have any impact on the Company's consolidated financial statements.

#### *International Financial Reporting Standards*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, which will replace Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While we have begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 3. Acquisition of Frontier Pacific Mining Corporation

Effective July 7, 2008, the Company completed the acquisition of all of the issued and outstanding common shares of Frontier. As a result, Eldorado acquired a 100% interest in the Perama Hill gold project in Greece and other exploration projects in Peru and Colombia.

Under the terms of the offer, each Frontier common share was exchanged for 0.122 common shares of Eldorado, CA\$0.0001 in cash and one Exchange Receipt. Each Exchange Receipt entitles the holder to receive an additional 0.008 Eldorado common shares if, prior to July 1, 2009, a Joint Ministerial Resolution is issued in Greece by the Joint Ministerial Council (comprised of the ministries of the Environment, Agriculture, Development and Health), accepting the Environmental Terms of Reference drafted by the Ministry of Environment regarding the Perama Hill project.

The company issued 20,339,334 Eldorado common shares and paid \$16 in cash in connection with this transaction. No value was assigned to the Exchange Receipts as Eldorado considers it to be highly unlikely that the condition for their exchange into Eldorado shares will be met. Acquisition costs of \$3,935 were incurred by the Company.

As at the date of the transaction, Eldorado held 4,871,300 common shares of Frontier with a total cost of \$3,412.

This transaction has been accounted for as an asset acquisition because Frontier was in the development stage. These consolidated financial statements include 100% of Frontier results from July 7, 2008 to September 30, 2008.

The allocation of the purchase price of the shares of Frontier is summarized in the following table:

Purchase price:	\$
Share consideration	158,574
Cash consideration	16
Cost of shares previously acquired	3,412
Transaction costs	3,935
Total purchase price	<u>165,937</u>
Fair value of net assets acquired:	
Cash	11,947
Accounts receivables and other	1,135
Other assets	154
Mining interests	204,863
Liabilities	(2,434)
Due to Eldorado	(517)
Future income taxes payable	(49,211)
	<u>165,937</u>

At July 6, 2008, Frontier had borrowed \$517 from the Company to fund ongoing administration costs. Amounts owing are eliminated on consolidation from July 7, 2008 forward.

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 3. Acquisition of Frontier Pacific Mining Corporation (continued)

Eldorado received net cash proceeds from the Frontier transaction of \$7,479. Net cash proceeds result from the cash balance acquired of \$11,947 less cash consideration of \$16, transaction costs of \$3,935 and intercompany debt outstanding of \$517.

### 4. Restricted cash

Restricted cash represents short-term interest-bearing money market securities and funds held on deposit as collateral:

	September 30, 2008	December 31, 2007
	\$	\$
Current:		
Collateral account against the HSBC bank loan – Turkey	35,000	55,000
Collateral account against the HSBC bank loan – China	-	10,500
Electricity deposit	-	210
	<u>35,000</u>	<u>65,710</u>
Non-current:		
Environmental guarantee deposit	8,300	8,300
	<u>8,300</u>	<u>8,300</u>

The environmental guarantee deposit is held on account with a Turkish bank under environmental and pollution guarantees required by the Turkish Ministry of the Environment. The funds are invested at prevailing bank rates. Interest earned on these deposits is included in interest and other income as presented in the Consolidated Statements of Operations.

### 5. Shareholders' equity

#### (a) Authorized share capital

Eldorado's authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of non-voting common shares without par value. At September 30, 2008, there were no non-voting common shares outstanding.

Voting common shares	Number of shares	Amount \$
<b>Balance, December 31, 2007</b>	344,208,540	753,058
Shares issued in consideration for acquisition of Frontier	20,339,334	158,574
Shares issued upon exercise of share options, for cash	1,604,017	6,726
Estimated fair value of share options exercised	-	2,379
<b>Balance, September 30, 2008</b>	<u>366,151,891</u>	<u>920,737</u>

# Eldorado Gold Corporation

Notes to the Unaudited Interim Consolidated Financial Statements  
September 30, 2008

(Expressed in thousands of US dollars, unless otherwise stated)

## 5. Shareholders' equity (continued)

### (b) Contributed surplus

The continuity of contributed surplus on the Consolidated Balance Sheet is as follows:

	<u>Contributed surplus attributable to:</u>		
	<u>Stock-based compensation</u>	<u>Other</u>	<u>Total</u>
	\$	\$	\$
<b>Balance, December 31, 2007</b>	11,989	1,094	13,083
Stock-based compensation	6,575	-	6,575
Options exercised, credited to share capital	(2,379)	-	(2,379)
<b>Balance, September 30, 2008</b>	<u>16,185</u>	<u>1,094</u>	<u>17,279</u>

### (c) Accumulated other comprehensive income

Accumulated other comprehensive income is as follows:

	\$
<b>Balance, December 31, 2007</b>	214
Unrealized losses on available-for-sale investment	(8,821)
Realized gain on sale of available-for-sale investment	(61)
Reversal on acquisition of Frontier	(153)
<b>Balance, September 30, 2008</b>	<u>(8,821)</u>

## 6. Stock-based compensation

### (a) Share option plans

The continuity of share purchase options outstanding is as follows:

	Weighted average exercise price Cdn\$	Number of options	Contractual weighted average remaining life (years)
<b>Balance, December 31, 2007</b>	5.36	8,224,279	3.1
Granted	6.60	3,219,000	
Exercised	0.31	(1,604,017)	
Cancelled	6.55	(15,210)	
<b>Balance, September 30, 2008</b>	<u>5.95</u>	<u>9,824,052</u>	<u>3.5</u>

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

(Expressed in thousands of US dollars, unless otherwise stated)

### 6. Stock-based compensation (continued)

At September 30, 2008, 6,255,535 share purchase options (December 31, 2007 – 5,064,193) with a weighted average exercise price of Cdn\$5.58 (December 31, 2007 – Cdn\$4.64) had vested and were exercisable.

Options outstanding at September 30, 2008 are as follows:

Range of exercise price Cdn\$	Total options outstanding			Exercisable options	
	Shares	Weighted average remaining contractual life (years)	Weighted average exercise price Cdn\$	Shares	Weighted average exercise price Cdn\$
\$3.00 to \$3.99	1,902,000	1.1	3.57	1,902,000	3.57
\$4.00 to \$4.99	150,000	3.8	4.82	91,666	4.82
\$5.00 to \$5.99	1,489,051	3.4	5.40	1,188,204	5.45
\$6.00 to \$6.99	3,023,000	4.5	6.43	1,099,331	6.41
\$7.00 to \$7.99	3,260,001	3.9	7.20	1,974,334	7.16
	<u>9,824,052</u>	3.5	5.95	<u>6,255,535</u>	5.58

#### (b) Stock-based compensation expense

Stock-based compensation expense incurred to September 30, 2008 has been included in the undernoted expenses in the Consolidated Statements of Operations as follows:

	Three months ended		Nine months ended	
	September 30, 2008	2007	September 30, 2008	2007
	\$	\$	\$	\$
Operating costs	189	453	837	1,286
Exploration	189	376	942	872
General and administrative	1,217	1,025	4,796	3,926
	<u>1,595</u>	<u>1,854</u>	<u>6,575</u>	<u>6,084</u>

#### (c) Bonus Cash Award Units

As of September 30, 2008, Eldorado had awarded 587,500 Bonus Cash Award Units (“BCAUs”) with a vesting date of February 8, 2008 and 587,500 BCAUs with a vesting date of February 8, 2009. A total of 162,500 BCAUs from the first vesting remained unexercised at September 30, 2008. The carrying value of BCAUs at September 30, 2008 was \$908 and is reflected in accrued liabilities on the balance sheet. The related cost in the amount of \$1,917 is reflected in “general and administrative expense” in the Consolidated Statements of Operations.

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

(Expressed in thousands of US dollars, unless otherwise stated)

### 7. Supplementary cash flow information

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Changes in non-cash working capital				
Accounts receivable and other	(670)	348	1,337	(2,627)
Inventories	(8,266)	(5,849)	(10,687)	(9,155)
Accounts payable and accrued liabilities	(9,465)	(1,356)	591	2,468
	<u>(18,401)</u>	<u>(6,857)</u>	<u>(8,759)</u>	<u>(9,314)</u>
Supplementary cash flow information				
Income taxes paid	12,701	1,094	21,379	1,094
Interest paid	1,595	1,775	1,854	3,186

### 8. Assets held for sale

On October 17, 2008, the Company entered into a binding agreement (“the Agreement”) with AngloGold Ashanti (“AngloGold”) for the sale of all the shares of São Bento Gold Limited (“SBGL”) together with its wholly owned subsidiary São Bento Mineracao S.A., which in turn holds all the assets and liabilities of the São Bento Gold Mine in Minas Gerais State, Brazil (“the Transaction”). The Agreement is subject to regulatory approvals in Brazil and the Republic of South Africa. Under the terms of the Agreement, AngloGold will acquire all the shares of SBGL for a total consideration of \$70 million, to be paid in American Depositary Shares (“ADS”) of AngloGold that will be freely tradeable on the New York Stock Exchange. Eldorado’s Vila Nova Iron Ore Project and certain pieces of underground equipment are excluded from the Transaction. The São Bento Gold Mine ceased operations in the second quarter of 2007.

The assets held for sale and related liabilities as at September 30, 2008 are as follows:

	<u>September 30,</u>
	<u>2008</u>
	\$
Assets	
Accounts receivables and other	2,662
Inventories	667
Derivative contract	739
Mineral interest	6,463
Total assets held for sale	<u>10,531</u>
Liabilities	
Accounts payable and accrued liabilities	3,903
Contractual severance obligations	676
Asset retirement obligations	5,922
Future income taxes	4,319
Total liabilities held for sale	<u>14,820</u>

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 9. Capital disclosure

Eldorado's objectives when managing capital are to:

- a) safeguard our ability to continue as a going concern,
- b) have sufficient capital to develop our mining projects and take them into production, and
- c) meet external capital requirements on our credit facilities.

The Company monitors capital based on the debt to adjusted capital ratio. Debt is total debt shown on the balance sheet. Adjusted capital includes all components of shareholders' equity, which includes accumulated comprehensive income, share capital, contributed surplus and deficit.

Eldorado's strategy is to keep the debt to adjusted capital ratio below 40%. The debt to adjusted capital ratio at September 30, 2008 and December 31, 2007 was 5.24% and 14.60% respectively.

### 10. Financial instruments

#### a) Fair value

The fair value of financial instruments at September 30, 2008 and December 31, 2007 is summarized as follows:

	<u>September 30, 2008</u>		<u>December 31, 2007</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>amount</u>	<u>Fair value</u>	<u>amount</u>	<u>Fair value</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Financial Assets</b>				
<i>Held for trading</i>				
Cash and cash equivalents	51,567	51,567	46,014	46,014
Restricted cash	43,300	43,300	74,010	74,010
Marketable securities	119	119	-	-
Accounts receivable and other (1)	24,743	24,743	28,720	28,720
Derivative contract (1)	739	739	2,956	2,956
<i>Available for sale</i>				
Marketable securities	13,263	13,263	1,615	1,615
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities (1)	46,589	46,589	39,943	39,943
Debt	35,529	35,529	65,561	65,561

(1) Amounts for September 30, 2008 include financial assets and liabilities classified as held for sale (note 8).

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 10. Financial instruments (continued)

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

Derivative financial instruments are reported at fair value, with unrealized gains or losses included in earnings. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

The derivative contract fair value was calculated based on a capital asset pricing model ("CAPM") to estimate the forward price of Brazilian electricity for 2008, adjusted by the Brazilian real and US dollar forward exchange rates and then discounted for time value.

#### *b) Financial risk management*

Eldorado's activities expose it to a variety of financial risks, including credit risk, foreign exchange risk, interest rate risk, gold price risk and liquidity risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. Eldorado deposits its cash and cash equivalents, including restricted cash, with high credit quality financial institutions as determined by ratings agencies.

#### Currency risk

The Company operates in numerous countries, including Canada, Turkey, China and Brazil, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Eldorado's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are held in several currencies (mainly Canadian dollars, Turkish liras, Chinese renminbi and Brazilian real) and are therefore subject to fluctuation against the US dollar.

We held the following balances in foreign currency as at September 30, 2008:

	<b>Canadian dollar</b>	<b>Euro</b>	<b>Turkish lira</b>	<b>Chinese renminbi</b>	<b>Brazilian real</b>	<b>Peruvian sol</b>
Cash and cash equivalents	4,764	132	1,509	124,686	8,551	677
Accounts receivable	2,602	21	13,805	39,475	-	-
Accounts payable and accrued liabilities	(5,491)	(96)	(16,962)	(145,304)	-	(84)
Net balance	1,875	57	(1,648)	18,857	8,551	593
Equivalent in US dollars	1,704	79	(1,338)	2,906	4,467	199

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 10. Financial instruments (continued)

Based on the balances as at September 30, 2008, a 1% increase (decrease) in the exchange rates on that date would have resulted in a (decrease) increase of approximately \$80 in earnings before income. There would be no effect in other comprehensive income.

Our cash flows from our operations are exposed to foreign exchange risk, as commodity sales are set in US dollars and a certain amount of our operating expenses are in the currency of the country in which our mining operations take place.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. Eldorado's debt is not exposed to interest rate cash flow risk as the interest rate has been fixed at the time of each drawdown.

#### Gold price risk and other price risk

Eldorado is subject to price risk for fluctuations in the market price of gold. Gold prices are affected by numerous factors beyond our control, including central bank sales, producer hedging activities, the relative exchange rate of the US dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices, and the price of gold is occasionally subject to rapid short-term changes due to speculative activities. We have elected not to actively manage our exposure to gold price risk at this time. From time to time, we may use commodity price contracts to manage our exposure to fluctuations in the price of gold.

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Eldorado's other price risk includes equity price risk and energy price risk, whereby the Company's investments in marketable securities and derivative contracts, respectively, are subject to market price fluctuation.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances and by appropriately using its lines of credit. Our treasury department monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at September 30, 2008, Eldorado had \$3,206 of purchase obligations with respect to its normal course of business and \$9,423 in capital commitments for the remainder of 2008.

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

(Expressed in thousands of US dollars, unless otherwise stated)

### 11. Segmented information

During the period ended September 30, 2008, Eldorado had four reporting segments. The Brazil reporting segment includes the development activities of the Vila Nova project and exploration activities in Brazil. The Turkey reporting segment includes the operations of the Kişladağ mine, development activities of the Efemçukuru project and exploration activities in Turkey. The China reporting segment includes the operations of the Tanjianshan mine and exploration activities in China. The Greece reporting segment includes development activities on the Perama Hill project. The other reporting segment includes the operations of the Company's corporate office and exploration activities in other countries.

	September 30, 2008					
	Turkey \$	China \$	Brazil \$	Greece \$	Other \$	Total \$
Net mining interests						
Producing	192,602	155,381	299	107	1,202	349,591
Non-producing	45,949	-	24,075	195,538	9,980	275,542
	<u>238,551</u>	<u>155,381</u>	<u>24,374</u>	<u>195,645</u>	<u>11,182</u>	<u>625,133</u>

	December 31, 2007				
	Turkey \$	China \$	Brazil \$	Other \$	Total \$
Net mining interests					
Producing	175,888	149,267	7,919	956	334,030
Non-producing	38,358	-	5,317	-	43,675
	<u>214,246</u>	<u>149,267</u>	<u>13,236</u>	<u>956</u>	<u>377,705</u>

### Operations

	For the three months ended September 30, 2008					
	Turkey \$	China \$	Brazil \$	Greece \$	Other \$	Total \$
Revenue						
Gold sales	41,048	23,965	-	-	-	65,013
Interest and other income	280	82	2,298	-	193	2,853
	<u>41,328</u>	<u>24,047</u>	<u>2,298</u>	<u>-</u>	<u>193</u>	<u>67,866</u>
Expenses except the undernoted	13,782	12,861	7,187	(334)	4,050	37,546
Depletion, depreciation and amortization	2,234	4,384	63	-	91	6,772
Exploration	5,847	47	852	-	697	7,443
	<u>19,465</u>	<u>6,755</u>	<u>(5,804)</u>	<u>334</u>	<u>(4,645)</u>	<u>16,105</u>
Income (loss) before tax and other items	19,465	6,755	(5,804)	334	(4,645)	16,105
Income tax expense (recovery)	(2,696)	(1,366)	5,708	-	(21)	1,625
Non-controlling interest	-	(690)	-	-	-	(690)
	<u>16,769</u>	<u>4,699</u>	<u>(96)</u>	<u>334</u>	<u>(4,666)</u>	<u>17,040</u>
Net income (loss)	16,769	4,699	(96)	334	(4,666)	17,040

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

(Expressed in thousands of US dollars, unless otherwise stated)

### 11. Segmented information (continued)

	For the nine months ended September 30, 2008					
	Turkey \$	China \$	Brazil \$	Greece \$	Other \$	Total \$
Revenue						
Gold sales	114,292	99,455	-	-	-	213,747
Interest and other income	648	308	6,605	-	1,605	9,166
	114,940	99,763	6,605	-	1,605	222,913
Expenses except the undernoted	39,257	39,222	8,759	(334)	18,359	105,263
Depletion, depreciation and amortization	5,333	13,452	63	-	260	19,108
Exploration	9,016	234	1,646	-	1,410	12,306
Income (loss) before tax and other items	61,334	46,855	(3,863)	334	(18,424)	86,236
Income tax expense (recovery)	(11,167)	(8,928)	2,557	-	(69)	(17,607)
Non-controlling interest	-	(5,697)	-	-	-	(5,697)
Net income (loss)	50,167	32,230	(1,306)	334	(18,493)	62,932

	For the three months ended September 30, 2007				
	Turkey \$	China \$	Brazil \$	Other \$	Total \$
Revenue					
Gold sales	17,809	20,377	-	-	38,186
Interest and other income	503	23	136	1,190	1,852
	18,312	20,400	136	1,190	40,038
Expenses except the undernoted	8,985	12,601	(1,093)	3,358	23,851
Depletion, depreciation and amortization	857	3,141	-	75	4,073
Exploration	1,414	38	969	402	2,823
Loss (gain) on disposal of assets	-	-	-	100	100
Income (loss) before tax	7,056	4,620	260	(2,745)	9,191
Income tax expense (recovery)	(2,793)	(16)	(1,199)	30	(3,978)
Net income (loss)	4,263	4,604	(939)	(2,715)	5,213

# Eldorado Gold Corporation

## Notes to the Unaudited Interim Consolidated Financial Statements September 30, 2008

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(Expressed in thousands of US dollars, unless otherwise stated)

### 11. Segmented information (continued)

	<b>For the nine months ended September 30, 2007</b>				
	<b>Turkey</b>	<b>China</b>	<b>Brazil</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue					
Gold sales	94,219	53,484	6,907	-	154,610
Interest and other income	1,588	94	314	3,581	5,577
	<u>95,807</u>	<u>53,578</u>	<u>7,221</u>	<u>3,581</u>	<u>160,187</u>
Expenses except the undernoted	33,934	33,998	3,119	10,950	82,001
Depletion, depreciation and amortization	4,092	7,526	-	209	11,827
Exploration	4,525	78	2,863	1,018	8,484
Gain on disposal of assets	-	-	(3,341)	(223)	(3,564)
	<u>53,256</u>	<u>11,976</u>	<u>4,580</u>	<u>(8,373)</u>	<u>61,439</u>
Income (loss) before tax	53,256	11,976	4,580	(8,373)	61,439
Income tax expense	(13,284)	(182)	(3,432)	(15)	(16,913)
	<u>39,972</u>	<u>11,794</u>	<u>1,148</u>	<u>(8,388)</u>	<u>44,526</u>
Net income (loss)	<u>39,972</u>	<u>11,794</u>	<u>1,148</u>	<u>(8,388)</u>	<u>44,526</u>



eldorado gold

**MANAGEMENT'S DISCUSSION and ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## 1. 2008 – Periods in Review

Eldorado Gold Corporation (“Eldorado”, “we” or “the Company”) is a gold producer based in Vancouver, Canada that owns and operates the Kişladağ gold mine (“Kişladağ”) in Turkey and the Tanjianshan gold mine (“TJS”) in China. We also explore for, and may acquire, mineral properties for exploration and possible development into mines.

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2007 and the unaudited interim consolidated financial statements for the period ended September 30, 2008. All dollar amounts in this MD&A are in United States dollars unless stated otherwise. This MD&A is prepared as of October 30, 2008.

## 2. Highlights of the Quarter Ended September 30, 2008 and Updates

During the quarter ended September 30, 2008 (“Q3 2008”), we:

- Completed our acquisition of Frontier Pacific Mining Corporation (“Frontier”),
- Finalized an agreement with Brazauro Resources Corporation to earn an interest in the 43,000 hectare Tocantinzinho project,
- Announced the sale of our São Bento gold mine (“São Bento”) to AngloGold Ashanti for \$70.0 million in AngloGold Ashanti shares,
- Sold 74,740 ounces of gold from TJS and Kişladağ at a realized average price of \$870 per ounce (during the quarter ended September 30, 2007 (“Q3 2007”) – 57,230 ounces at \$667 per ounce),
- Produced 72,343 ounces of gold at a cash cost of \$283 per ounce (Q3 2007 – 61,385 ounces at \$228 per ounce),
- Reported earnings of \$0.05 per share (Q3 2007 – \$0.02 per share),
- Continued construction of our Vila Nova iron ore mine in Brazil (“Vila Nova”) and our Efemçukuru gold mine in Turkey (“Efemçukuru”), and
- Repatriated \$2.7 million from China related to a dividend declared by the Board of Directors of our 90% owned joint venture company, Qinghai Dachaidan Mining Limited (“QDML”) which owns TJS.

### ***Frontier Acquisition***

Effective July 7, 2008, Eldorado completed the acquisition of all issued and outstanding common shares of Frontier. As a result, we acquired a 100% interest in the Perama Hill gold project in Greece (“Perama Hill”) and other exploration projects in Peru and Colombia.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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Under the terms of the offer, each Frontier common share was exchanged for 0.122 common shares of Eldorado, CA\$0.0001 in cash and one Exchange Receipt. Each Exchange Receipt entitles the holder to receive an additional 0.008 Eldorado common shares if, prior to July 1, 2009, a Joint Ministerial Resolution is issued in Greece by the Joint Ministerial Council (comprised of the ministries of the Environment, Agriculture, Development and Health) accepting the Environmental Terms of Reference drafted by the Ministry of Environment regarding Frontier's Perama Hill.

Eldorado issued 20,339,334 common shares and paid \$16,000 in cash in connection with this transaction. No value was assigned to the Exchange Receipts as we believe it is highly unlikely that the condition for their exchange into Eldorado shares will be met. Eldorado incurred acquisition costs of \$3.94 million.

This transaction was accounted for as an asset acquisition because Frontier was in the development stage. Eldorado's consolidated financial statements include 100% of Frontier results from July 7, 2008 to September 30, 2008.

This acquisition affected our balance sheet as explained in Note 3 of the consolidated financial statements. We recorded a future tax liability of \$49.2 million, which results from an imputed income tax liability we incurred due to the difference between the allocated fair values and tax values of the property, plant and equipment assets we acquired.

## ***Brazauro Agreement***

On July 24, 2008, we purchased 8,800,000 units of Brazauro Resources Corporation ("BZO") at a price of CDN\$0.95 per unit for a total price of CDN\$8.36 million. Each unit includes one common share of BZO and one-half of a whole warrant of BZO. Each warrant entitles Eldorado to acquire one common share of BZO at an exercise price of CDN\$1.30 for a period of 18 months following the date of completion of the acquisition of the units. The 8,800,000 common shares represented approximately 10.32% of BZO's issued and outstanding common shares as of July 24, 2008. The shares are accounted for as marketable securities on our balance sheet.

The securities were acquired following a private placement under the terms of an Option Agreement dated July 8, 2008 between BZO and two affiliates of BZO. The acquisition of the units was a condition required for the earn-in option that BZO had granted to Eldorado under the Option Agreement to acquire up to a 75% interest in certain of BZO's properties, including the Tocantinzinho project in Para State, Brazil, through the exercise of three separate options.

## ***São Bento Divestiture Update***

On October 17, 2008, we entered into a binding agreement with AngloGold Ashanti to sell all of the issued and outstanding shares of São Bento Gold Limited, together with its wholly owned subsidiary São Bento Mineracao S.A (which in turn holds all the assets and liabilities of São Bento in Minas Gerais State, Brazil), for \$70.0 million in AngloGold Ashanti shares. The sale is expected to close in the quarter ending December 31, 2008 ("Q4 2008") pending approval of the South African and Brazilian government authorities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## 3. Operations

### *TJS*

TJS milled 226,126 tonnes of ore at a head grade of 4.16 grams of gold per tonne ("g/t Au") during Q3 2008 (Q3 2007 – 202,641 tonnes at a head grade of 6.87 g/t Au). The total for the first nine months ended September 30, 2008 was 642,556 tonnes milled at a head grade of 5.65 g/t Au (February 2007 to September 2007 – 583,409 at a head grade of 5.94 g/t Au).

During Q3 2008, we produced 25,480 ounces of gold at a cash cost of \$306 per ounce (Q3 2007 – 37,775 ounces at a cash cost of \$251 per ounce). The mine sold 27,431 ounces of gold for Q3 2008 revenue of \$24.0 million (Q3 2007 – 30,484 ounces, \$20.4 million revenue). In the nine months ended September 30, 2008, TJS poured 97,376 ounces of gold (2007 – 93,670 ounces) and sold 110,401 ounces of gold (2007 – 80,744 ounces) to generate \$99.5 million in revenue (2007 – \$53.5 million). Cash operating costs at the mine for the nine months ended September 30, 2008 were \$242 per ounce (2007 – \$312 per ounce).

Capital expenditures for the quarter of \$12.2 million related to capitalized overburden stripping at the Jinlonggou ("JLG") pit (\$2.5 million) and the sulphide ore processing construction project (\$9.7 million), which we expect to complete during the fourth quarter of 2008. At the end of the third quarter, we had completed approximately 85% of the project construction.

In addition to stripping waste rock at the JLG pit, we began limited mining of sulphide transition ore during Q3 2008, while the mill continued to run stockpiled oxide ore from the Qinlongtan ("QLT") pit.

### *Kışladağ*

During Q3 2008, we placed 2,562,343 tonnes of ore on the leach pad at a grade of 1.05 g/t Au (Q3 2007 – 825,839 tonnes at 1.52 g/t Au). Production in 2007 was affected by the mine shutdown in August 2007. Since the mine reopened in March 2008, we have placed a total of 5,184,780 tonnes on the pad at an average grade of 1.24 g/t Au (2007 – 4,547,860 tonnes at a grade of 1.33 g/t Au).

During Q3 2008, we produced 46,863 ounces of gold at a cash cost of \$270 per ounce (Q3 2007 – 23,610 ounces at a cash cost of \$191 per ounce) and sold 47,309 ounces of gold for revenue of \$41.0 million (Q3 2007 – 26,746 ounces, \$17.8 million revenue). In the nine months ended September 30, 2008, Kışladağ poured 129,581 ounces of gold (2007 – 135,306 ounces) and sold 126,552 ounces of gold (2007 – 142,725 ounces) to generate \$114.2 million in revenue (2007 – \$94.2 million). Cash operating costs at the mine for the nine months ended September 30, 2008 were \$242 per ounce (2007 – \$189 per ounce).

Gold production at Kışladağ during Q3 2008 was affected by lower grade ore mined and transported to the leach pad as a result of unpredicted oxide ore encountered on the Phase 2 pushback area. As the ore was above the cut-off grade and had a higher estimated recovery rate than sulphide ore it was trucked to the pad as run of mine material rather than to the waste dump. Seasonally dry conditions also reduced the flow of solution to the leach pad. By the end of the quarter, the mine was receiving precipitation and barren flow rates from the leach pad were steadily increasing.

The transition to owner-operated mining continued, and by the end of Q3 2008, the contractor had been phased out of mine production work.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## *São Bento*

All mining and production operations ceased at São Bento during the quarter ended June 30, 2007, and we are now involved in decommissioning activities and monitoring and treating effluents. During Q3 2008, we spent \$0.4 million on contractual severance payments. Reclamation activities were on hold as a result of the planned sale of São Bento Gold Limited to AngloGold Ashanti.

## **4. Development**

### *Efemçukuru*

During Q3 2008, we spent \$3.3 million on Efemçukuru (\$7.6 million year-to-date).

We have now completed the site clearing of all major facility areas. The widening of the access road progressed well during the quarter, along with preparations for drilling and blasting the plant site and general work on site drainage structures.

We have acquired approximately 80% of the private land required for the mine. Expropriation of the remaining private land by the Turkish Treasury for use by the mine has been temporarily suspended following an injunction in cases brought by certain third parties. This suspension does not affect our continued negotiations with the title owners for the direct purchase of the land pending resolution of the court case.

### *Vila Nova*

During Q3 2008, we spent \$8.0 million on Vila Nova (\$13.7 million year-to-date). Work at Vila Nova continues in anticipation of a start-up late in Q4 2008.

During Q3 2008, work was focused on the plant site earthworks and concrete foundations for the crushing and screening equipment, as well as earthworks for the tailings dam. We finalized layouts for the train and ship-loading facilities and we continued to hire staff for the project.

## **5. Exploration Review**

Exploration expense for Q3 2008 was \$7.4 million (Q3 2007 – \$2.8 million). We incurred exploration expenditures totalling \$5.7 million in Turkey, \$0.8 million in Brazil and \$0.9 million in other locations.

### *Turkey*

Reconnaissance work during Q3 2008 focused on Sayacik (a volcanic center adjacent to Kışladağ) and properties in the Pontides. At Sayacik, we completed the soil sampling and mapping programs and identified three anomalous gold zones, where we will follow up with magnetic and induced polarization geophysical surveys and diamond drilling.

At Efemçukuru, we continued with mapping and rock chip sampling of anomalous zones defined earlier in the year by soil sampling, and in September, 2008 we started a 10-hole, 1,900 meter drilling program designed to expand resources in the North Ore Shoot.

Drilling at Kışladağ during Q3 2008 totalled 11,000 meters in 20 holes; this drilling program will be completed early in Q4 2008. Drilling has successfully defined new areas of oxide mineralization and confirmed lateral extensions to existing sulphide mineralization.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

## **Brazil**

Exploration in Brazil consisted of support for the iron ore project, project evaluations in Para State and drilling at the Tocantinzinho project, where Eldorado has embarked on a 16,000 meter drilling program as part of its earn-in agreement. The goal of this drilling is to bring the inferred resource into the indicated category and to explore for extensions of the ore body.

## **China**

At TJS, we drilled 9,750 meters in 34 holes during Q3 2008, with the majority of the holes drilled at the Xijingou area, immediately south of the JLG pit. Results returned so far have defined three distinct mineralized zones. Other areas drilled were QLT South and QLT Deep, along with a new anomaly between the JLG and QLT pits, called Dushugou. Drilling at TJS will be completed early in Q4 2008.

## **6. Production**

	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
<b>TOTAL GOLD PRODUCTION</b>					
Total ounces produced	72,343	87,380	67,234	32,000	61,385
Cash operating cost (\$/oz) <sup>1,4</sup>	283	229	213	216	228
Total cash cost (\$/oz) <sup>2,4</sup>	313	259	268	262	264
Total production cost (\$/oz) <sup>3,4</sup>	386	293	393	522	335
Realized price (\$/oz sold)	870	904	933	774	667
<b>KISLADAG GOLD MINE<sup>5</sup></b>					
Total ounces produced	46,863	55,490	27,228	-	23,610
Tonnes to pad	2,562,343	2,092,957	529,480	-	825,839
Grade (grams/tonne)	1.05	1.47	1.18	-	1.52
Cash operating cost (\$/oz) <sup>4</sup>	270	230	217	-	191
Total cash cost (\$/oz) <sup>2,4</sup>	273	232	218	-	194
Total production cost (\$/oz) <sup>3,4</sup>	310	273	246	-	234
<b>TJS GOLD MINE</b>					
Total ounces produced	25,480	31,890	40,006	32,000	37,775
Tonnes milled	226,126	193,035	223,395	173,945	202,641
Grade (grams/tonne)	4.16	6.04	6.83	7.20	6.87
Cash operating cost (\$/oz) <sup>4</sup>	306	229	211	216	251
Total cash cost (\$/oz) <sup>2,4</sup>	387	305	302	261	307
Total production cost (\$/oz) <sup>3,4</sup>	525	327	493	526	397

### Notes

<sup>1</sup> Cost figures calculated in accordance with the Gold Institute Standard.

<sup>2</sup> Cash operating costs, plus royalties and off-site administration costs.

<sup>3</sup> Total cash costs, plus foreign exchange gain or loss, depreciation, amortization and reclamation expenses.

<sup>4</sup> Cash operating, total cash and total production costs are non-GAAP measures. See the section "Non-GAAP Measures" of this MD&A.

<sup>5</sup> Kışladağ temporarily ceased operations on August 18, 2007 and reopened in March 2008.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## 7. Legal

### *Kışladağ*

There has been no change in the status of continuing litigation by certain third parties concerning the operation at Kışladağ from what we reported in the second quarter 2008.

### *Efemçukuru*

There has been no change in the status of litigation by certain third parties seeking to cancel the Environmental Positive Certificate for Efemçukuru issued by the Turkish Ministry of Environment and Forestry from what we reported in the second quarter 2008.

### *Perama Hill*

In 2000 Petitions for Annulment of the Pre-Approval Act (the "Act"), responsible for establishing the environmental impact study framework, were filed against the Ministry of the Environment for Perama Hill. On August 18, 2008 the 5th Session of the Conseil d'Etat (the "CDE") held the challenged Act as illegal, accepted the petition for annulment and invalidated the Act, thereby invalidating the submission of the Perama Hill environmental impact study. The decisions of the CDE are definitive and final. The Company plans to submit a new submission for application of the Perama Hill Environmental Terms of Reference under the amended Pre-Approval Act.

## 8. Results of Operations

### *Net Income*

Our consolidated net income for Q3 2008 was \$17.0 million or \$0.05 per share (Q3 2007 – \$5.2 million or \$0.02 per share). Net income for the nine-month period ended September 30, 2008 was \$62.9 million or \$0.18 per share (2007 – \$44.5 million or \$0.13 per share).

### *Gold Revenues*

Our gold revenues consist of gold bullion sales at spot. We sell the refined bullion either to large financial institutions or on the Istanbul and Shanghai gold exchanges.

Gold revenues for Q3 2008 increased 70% compared to Q3 2007 due to higher selling prices and ounces sold. Selling prices during Q3 2008 increased 30% and ounces sold increased 17,510 ounces, or 31%, compared to Q3 2007.

Gold revenues for the nine-month period ended September 30, 2008 increased 38% over the comparable 2007 period due to increases in selling prices. Selling prices during 2008 were 37% higher than in the comparable 2007 period, while ounces sold in 2008 were 1% higher than 2007 due to the absence of production from Kışladağ during the first two months of 2008. Production during the quarter ended June 30, 2007 benefited from ounces produced during the plant decommissioning at São Bento as well as a one-time production increase of 12,575 ounces at Kışladağ related to the cleaning of electro-winning cathodes.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

<b>Gold ounces sold</b>	<b>Three-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Kişladağ	47,309	26,746
TJS	27,431	30,484
Total gold ounces sold	74,740	57,230
Average selling price per ounce	\$ 869.86	\$ 667.24
Gold revenues (000s)	\$ 65,013	\$ 38,186

<b>Gold ounces sold</b>	<b>Nine-month period ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Kişladağ	126,552	142,725
TJS	110,401	80,744
São Bento	-	10,641
Total gold ounces sold	236,953	234,110
Average selling price per ounce	\$ 902.06	\$ 660.42
Gold revenues (000s)	\$ 213,747	\$ 154,610

## ***Interest and Other Income***

Interest income earned on cash, short-term money market investments and restricted cash balances held during Q3 2008 was \$0.7 million (Q3 2007 – \$1.7 million). Other income of \$2.1 million in the quarter (Q3 2007 – \$0.1 million) was mainly related to recovery of written down tax credits at São Bento related to the restructuring of the company. For the nine-month period ended September 30, 2008, interest income was \$2.6 million compared to \$5.1 million in 2007, and other income was \$6.6 million compared to \$0.5 million in 2007. Interest income in Q3 2008 was down from Q3 2007 due to lower restricted cash balances.

## ***Operating Costs***

Operating costs for Q3 2008 were \$23.3 million, an increase of 37% over Q3 2007 due to a 31% increase in ounces sold, as well as a 5% increase in unit costs. Unit costs of sales increased as a result of higher unit costs at Kişladağ, where costs per ounce increased over 2007 due to lower production resulting from unpredicted low grade oxide ore as well as reduced barren solution flow to the leach pad due to dry conditions in the region.

Operating costs for the nine-month period ending September 30, 2008 were 4% higher than in 2007, reflecting the two-month shutdown of Kişladağ at the beginning of the year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

	Three-month period ended September 30			
	2008		2007	
Total operating costs	(\$000s)	\$/oz <sup>1</sup>	(\$000s)	\$/oz <sup>1</sup>
Kışladağ	12,870	272	5,861	219
TJS	10,395	379	11,653	382
São Bento	-	-	(569)	-
Total operating costs	23,265	311	16,945	296

	Nine-month period ended September 30			
	2008		2007	
Total operating costs	(\$000s)	\$/oz <sup>1</sup>	(\$000s)	\$/oz <sup>1</sup>
Kışladağ	31,268	247	27,928	196
TJS	34,793	315	32,158	398
São Bento	-	-	3,567	335
Total operating costs	66,061	278	63,653	272

Notes

<sup>1</sup> Total operating costs per ounce are based on ounces sold. Refer to the section "Non-GAAP Measures" of this MD&A for reconciliation with cash operating cost per ounce calculated in accordance with the Gold Institute Standard.

### ***Depletion, Depreciation and Amortization***

Depletion, depreciation and amortization ("DD&A") expense of \$6.8 million Q3 2008 was lower than Q3 2007 due to higher ounces sold during the quarter. For the nine-month period ending September 30, 2008, DD&A expense was significantly higher than the comparable period in 2007 due to higher DD&A costs at TJS as a result of significantly higher ounces sold. TJS started commercial production in February 2007.

### ***General and Administrative***

General and administrative costs are primarily incurred in Vancouver, Canada, where we have our head office. We have continued to add to our administrative staff to support our international operations. General and administrative expense of \$6.2 million for Q3 2008 increased by \$0.5 million or 8% over Q3 2007, primarily due to higher stock-based compensation expense.

General and administrative costs for the nine-month period ending September 30, 2008 were 46% higher than in the comparable period in 2007 due to higher stock-based compensation expense, higher corporate expenses including travel, a one-time Kışladağ restart bonus, São Bento administration costs related to the sale of the mine and project development costs related to China.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## ***Exploration Expense***

Exploration expense of \$7.4 million for Q3 2008 was 164% higher than the 2007 expense of \$2.8 million. Exploration activities were discussed in the section "Exploration Review" of this MD&A.

## ***Mine Standby Costs***

There were no Mine Standby Costs incurred during Q3 2008 as Kışladağ restarted production in the first quarter of 2008.

## ***Asset retirement obligation costs***

Asset retirement obligation costs of \$2.6 million for Q3 2008 increased \$2.5 million over Q3 2007 due to an increase in estimated mine closure costs at our São Bento mine.

## ***Foreign Exchange Loss (Gain)***

Our monetary assets held in other foreign currencies experienced \$2.3 million in foreign exchange losses in relation to the US dollar during Q3 2008 (Q3 2007 – \$1.7 million gain), reflecting the strengthening of the US dollar relative to the other currencies. For the nine-month period ended September 30, 2008, the loss was \$1.5 million compared to a gain of \$4.3 million in 2007.

## ***Loss (Gain) on Disposal of Assets***

Loss on disposal of assets for Q3 2008 was \$1.7 million (Q3 2007 – \$0.1 million), relating to the sale of the mining fleet at TJS to the mining contractor. The loss for the nine-month period ending September 30, 2008 was \$1.6 million compared to a gain of \$3.6 million in 2007. The gain in 2007 included the sale of our Aurizona joint venture interest in Brazil.

## ***Interest and Financing Costs***

Interest expense for Q3 2008 was \$0.8 million, compared to \$0.8 million in Q3 2007.

## ***Income Taxes***

Current income tax expense for Q3 2008 was \$8.1 million (Q3 2007 – \$2.0 million), with \$0.7 million related to our Chinese operations, \$3.4 million related to our Turkish operations, \$3.9 million related to legal restructuring activities in Brazil pursuant to the planned sale of our São Bento mine to AngloGold Ashanti and \$0.1 million related to other. Income taxes resulting from the spinoff of our Vila Nova development project from São Bento Mineracao S.A. were fully offset by tax credits, resulting in no cash payment for taxes due.

Future tax recovery for Q3 2008 in the amount of \$9.7 million (Q3 2007 – \$2.0 million future tax expense) resulted from the tax effects of the spinoff of our Vila Nova development project as well as a decrease in estimated future taxes from unrealized foreign exchange gains on our Brazilian intercompany debt due to the weakening Brazilian currency.

## ***Non-Controlling Interest***

TJS reported a charge of \$0.7 million during Q3 2008 related to our joint venture partners' 10% interest in the mine (Q3 2007 – nil).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

## 9. Liquidity

Operating activities after working capital requirements for Q3 2008 generated \$1.7 million (Q3 2007 – \$4.4 million).

In Q3 2008, we invested \$23.9 million in mineral property, plant and equipment and \$16.1 million in deferred development expenditures. At Kişladağ, capital expenditures relating mostly to the completion of the leach pad and acquisition of equipment totalled \$11.3 million. Capital expenditures at TJS relating to sulphide ore processing construction totalled \$12.2 million. Capital expenditures in other projects were \$0.4 million.

During Q3 2008 we purchased \$21.2 million in marketable securities, including \$10.0 million in shares of Brazauro.

We received net proceeds of \$1.5 million in consideration for issuing 342,691 common shares during Q3 2008 relating to the exercise of stock options.

At September 30, 2008, we held \$51.6 million in cash and short-term deposits (December 2007 – \$46.0 million) and a further \$43.3 million in restricted collateral accounts (December 2007 – \$74.0 million), which securitize debt of \$35.0 million (December 2007 – \$65.0 million) and an \$8.3 million environmental deposit with the Turkish authorities (December 2007 – \$8.5 million, including energy deposit of \$0.2 million).

The Company continues to generate sufficient funds to support our operating and capital needs at current gold prices. We have no exposure to asset backed securities or any other derivative investments. The Company's investment policy requires us to hold our cash in government securities and other similar low risk instruments.

### *Contractual Obligations*

The Company's contractual obligations at September 30, 2008 include:

	(000s)					
	2008	2009	2010	2011	2012 and later	Total
	\$	\$	\$	\$	\$	\$
Debt	400	150	35,000	-	-	35,550
Capital leases	26	63	36	6	-	131
Operating leases	1,152	1,896	1,703	1,606	3,667	10,024
Purchase obligations	12,629	56,068	16,182	16,125	16,091	117,095
Totals	14,207	58,177	52,921	17,737	19,758	162,800

Purchase obligations from 2010 forward relate solely to Kişladağ operations, including the estimated commitments under the unhedged diesel fuel purchase commitments for 2010 through 2012. The \$35.0 million debt due in 2010 is currently scheduled to be repaid early within the next twelve months. Interest is not included in the debt commitments, other than imputed interest relating to the Sino Gold loan.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

## 10. Capital Resources

### *Cash and Working Capital*

At September 30, 2008, we had cash and short-term investments of \$51.6 million and working capital of \$118.6 million, compared with \$46.0 million of cash and short-term investments and working capital of \$97.6 million at the beginning of the year. The increase in cash and short-term investments was primarily attributable to the strong performance by our two mines, offset by significant self-financed capital expenditures and securities investments.

The status of our financing arrangements and obligations is as follows:

### *Revolving Credit Facilities*

In April 2005, our wholly owned subsidiary, Tüprag Metal Madencilik Sanayi ve Ticaret A.S. ("Tüprag") entered into a \$65.0 million term revolving credit facility (the "Revolving Credit Facility") with HSBC due February 28, 2010. The Revolving Credit Facility is secured by Eldorado cash deposits in restricted accounts equivalent to the HSBC advances to Tüprag. The Revolving Credit Facility bears interest fixed at the prevailing LIBOR on the date of the draw plus 1.25%. The Revolving Credit Facility can be drawn down in minimum tranches of \$1.0 million plus multiples of \$0.25 million. As at September 30, 2008, the Company has drawn \$35.0 million in five tranches at a weighted average interest rate of 5.27%. Each tranche has a maturity of approximately 13 months. The current credit crisis has had no impact on our revolving credit facility.

At September 30, 2008, \$30.0 million remained available under the Revolving Credit Facility.

In November 2007, our 90% owned subsidiary QDML entered into a \$15.0 million revolving facility ("the Facility") with HSBC Bank (China). The Facility has a term of one year and is subject to annual review and renewal.

### *Sino Gold Loan*

Payment of the third \$0.4 million annual instalment on the Sino Gold loan was made on December 7, 2007, resulting in an outstanding balance at September 30, 2008 of \$0.5 million.

### *Equity*

At September 30, 2008, Eldorado had 366.2 million (December 2007 – 344.2 million) common shares issued and outstanding. Subsequent to September 30, no options have been exercised.

## 11. Summary of Quarterly Results

(US\$000s)	Three months ended (unaudited)							
	September 30		June 30		March 31		December 31	
	2008	2007	2008	2007	2008	2007	2007	2006
Total revenue	\$ 67,866	\$ 40,038	\$ 82,528	\$ 76,662	\$ 72,519	\$ 43,488	\$ 28,512	\$ 31,273
Net income (loss)	\$ 17,040	\$ 5,213	\$ 25,155	\$ 26,731	\$ 20,737	\$ 12,582	\$ (9,105)	\$ 5,342
Earnings per share								
Basic	\$ 0.05	\$ 0.02	\$ 0.07	\$ 0.08	\$ 0.06	\$ 0.04	\$ (0.03)	\$ 0.01
Diluted	\$ 0.05	\$ 0.02	\$ 0.07	\$ 0.08	\$ 0.06	\$ 0.04	\$ (0.00)	\$ 0.01

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## 12. Off-Balance Sheet Arrangements

None.

## 13. Critical Accounting Estimates

We use the following critical accounting estimates:

### *Reserves and Resources*

Mineral reserves and resources are calculated in accordance with National Instrument 43-101, as required by Canadian Securities regulatory authorities. For United States reporting purposes, Industry Guide 7 (under the *Securities Exchange Act* of 1934, as interpreted by the staff of the Securities and Exchange Commission ("SEC")) applies different standards to classify mineralization as a reserve.

We advise our investors that while the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this report concerning descriptions of mineralization and resources required under Canadian standards may not be comparable to similar information made public by US companies in SEC filings. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.

### *Recoverable Values*

Where information is available and conditions suggest impairment of long-lived assets, estimated future net cash flows from each property are calculated using estimated future gold prices; proven and probable reserves; value beyond proven and probable reserves; operating, capital and reclamation costs; and estimated proceeds from the disposition of assets on an undiscounted basis.

### *Operating Costs*

We report our operating costs in accordance with the Gold Institute Standard. Future operating costs include estimates of foreign currency exchange and inflation trends.

### *Stock-Based Compensation*

We use the Black-Scholes Model to determine the fair value for awards of stock options to employees, officers and directors. Key assumptions used in this model are share price, volatility and expected life of options.

### *Asset Retirement Obligation*

When assessing the carrying value of the asset retirement obligation, we estimate, among other things, future cash flows, the mine closure date and the credit-adjusted risk-free rate.

### *Income Taxes*

Income taxes are recorded using income tax rates expected to apply in the years in which the temporary differences are estimated to be recovered or settled. In circumstances where the applicable tax laws and regulations are either unclear or subject to varying interpretations, it is reasonably possible that changes in these estimates could occur that would materially affect the amount of income tax liabilities recorded at the balance sheet date.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## ***Financial Instruments***

Investments classified as held for trading and derivative financial instruments are reported at fair value with unrealized gains or losses included in earnings. Fair values are determined directly by reference to published price quotations in an active market when available, or by using a valuation technique that uses inputs observed from the market.

## **14. Future Canadian Accounting Pronouncements**

The CICA has issued a new standard that may affect Eldorado's financial disclosures and results of operations for the interim and annual periods beginning January 1, 2009. We will adopt this standard beginning in the interim period ended March 31, 2009 and are considering the impact this will have on our financial statements.

### ***Goodwill and Intangible Assets, Section 3064***

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective beginning January 1, 2009. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period", will be withdrawn. This will result in a change to our accounting for the start-up of mining operations, as pre-commercial production costs will no longer be capitalized as an asset. We are currently assessing the impact on our consolidated financial statements.

### ***International Financial Reporting Standards (IFRS) Changeover Plan***

We have established a changeover plan to adopt IFRS by 2011 and have created an implementation team. The implementation team has started the process of assessing accounting policy choices and elections that are allowed under IFRS. We are also assessing the impact of the conversion on our business activities, including the effect on information technology and data systems, internal controls over financial reporting and disclosure controls. We will continually review and adjust our changeover plan to ensure our implementation process properly addresses the key elements of the plan.

## **15. Risks and Uncertainties**

### ***Gold Price***

Eldorado's profitability is linked to the price of gold because our revenues are derived primarily from gold mining. We estimate the future price of gold based on historical trends and published forecasted estimates. Gold prices are affected by numerous factors beyond our control, including central bank sales, producer hedging activities, the relative exchange rate of the US dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices, and the price of gold is occasionally subject to rapid short-term changes due to speculative activities.

### ***Exploration and Development***

The costs and results of our exploration and development programs affect Eldorado's profitability and value. Since mines have finite lives based on proven reserves, we actively seek to replace and expand our reserves, primarily through acquisitions, exploration and development of our existing operations, and reconnaissance exploration.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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Exploration for minerals involves many risks and may not result in any new economically viable mining operations or yield new reserves to replace and expand current reserves. Determining reserves is a process of estimation and, as such, reserve calculations are subject to the assumptions and limitations of the estimation process.

Acquiring title to mineral properties is a detailed and time-consuming process. We take steps, in accordance with industry standards, to verify and secure legal title to mineral properties in which we have or are seeking an interest.

Although we take every precaution to ensure that legal title to our properties is properly recorded in the name of Eldorado, there can be no assurance that such title will ultimately be secured on every property. The legal title to our properties depends on the appropriate and consistent application of the laws in the countries in which we operate.

## ***Capital and Operations***

The business of gold mining involves many operational risks and hazards. Through high operational standards, an emphasis on hiring and training appropriately skilled personnel, and operational improvements, we work to reduce the risks associated with our projects. We also maintain adequate insurance to cover normal business risk.

In addition, we rely on a number of key employees. Our success depends on attracting and retaining qualified personnel in a competitive labour environment.

Further exploration and development of mineral resource properties or acquisitions beyond our current operations may require additional capital. Accordingly, the continuing development of our projects will depend on our ability to generate cash flow from our operations and/or obtain financing through joint venture projects, debt financing, equity financing or other means. There is no assurance that we will be successful in obtaining the required financing.

## ***Environment***

Our activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. We must obtain governmental permits and provide associated financial assurance to carry on certain activities. We are also subject to various reclamation-related conditions imposed under federal, state or provincial air, water quality and mine reclamation rules and permits.

While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws and permits, any future changes to these laws could adversely affect Eldorado's financial condition, liquidity or results of operations.

## ***Laws and Regulations***

Eldorado's mining operations and exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. These laws and regulations are subject to change, which may restrict our ability to operate. We draw on the expertise and commitment of our management team, advisors, employees and contractors to ensure compliance with current laws, and we foster a climate of open communication and co-operation with regulatory bodies.

## ***Litigation***

All industries, including the mining industry, are subject to legal claims, with and without merit. In addition to the litigation in Turkey described in the section "Legal" of this MD&A and under the heading "Regional Review –

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

Turkey" in our Annual Information Form and the litigation risks discussed therein, we are also involved in various other legal proceedings. Defence and settlement costs can be substantial, even for claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on our future cash flow, results of operations or financial condition.

## *Currency Fluctuations*

We operate in numerous countries – including Canada, Turkey, China, Greece and Brazil – and we are therefore affected by currency fluctuations in these jurisdictions.

## *Political Risk*

Eldorado conducts operations in a number of countries outside of North America, namely Turkey, China, Greece and Brazil. These operations are potentially subject to a number of political, economic and other risks that may affect our future operations and financial position.

## **16. Non-GAAP Measures**

Throughout this document, we have provided measures prepared according to Canadian GAAP, as well as some non-GAAP performance measures. Because the non-GAAP performance measures do not have any standardized meaning prescribed by GAAP, they may not be comparable to similar measures presented by other companies. We provide these non-GAAP measures as they are used by some investors to evaluate Eldorado's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. We have defined the non-GAAP measures below and reconciled them to reported GAAP measures.

## *Unit Costs*

A reconciliation of cash operating costs calculated in accordance with the Gold Institute Standard to the operating costs is included below:

### **Cash operating cost**

	<b>2008 Q3</b>	<b>2008 Q2</b>	<b>2008 Q1</b>	<b>2008 Y-T-D</b>
Gold ounces sold	74,740	88,610	73,603	236,953
Operating costs	\$23,265	\$22,977	\$19,819	\$66,061
Royalty expense and production taxes	(2,200)	(2,573)	(3,665)	(8,438)
Effects of inventory adjustments	333	123	(19)	437
Fair value of stock option grants	(188)	(214)	(434)	(836)
Cash operating cost	21,210	20,313	15,701	57,224
Cash operating cost per ounce	\$ 283	\$ 229	\$ 213	\$ 242

Cash operating costs are calculated in accordance with the Gold Institute Standard. Cash costs are derived from amounts included in the Consolidated Statements of Operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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## 17. Other MD&A Requirements

Additional information relating to Eldorado, including our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 18. Disclosure of Outstanding Share Data

The following table describes Eldorado's share capital structure as at October 30, 2008, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentations in future consolidated financial statements.

Equity Type	Weighted average exercise price per share Cdn\$	Total number of common shares
Common shares		366,151,891
Share purchase options	5.95	9,824,052

## 19. Management's Report on Internal Control over Financial Reporting

Eldorado's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in Eldorado's internal control over financial reporting during Q3 2008 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## 20. Cautionary Statement on Forward-Looking Information

Certain statements and information in this MD&A, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable US and Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to financial disclosure, the future price of gold, estimation of mineral reserves and exploration and development capital requirements, and our goals and strategies. Often, these statements include words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and the information included in this MD&A, we have made numerous assumptions, including, among other things, assumptions about the price of gold, anticipated costs and expenditures and our ability to achieve our goals, even though our management believes that the assumptions made and the expectations represented by such statements or information will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties

# MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008

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and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things, the following: gold price volatility; discrepancies between actual and estimated production and mineral reserves and resources; the speculative nature of gold exploration; mining operational and development risk; and regulatory risks.

See our Annual Information Form and our quarterly and annual MD&A for additional information on risks, uncertainties and other factors relating to forward-looking statements and information. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking statements and information made in this document are qualified by this cautionary statement.

Eldorado's consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are filed with appropriate regulatory authorities in Canada and the United States.