Eldorado Gold Corporation

Consolidated Financial Statements
December 31, 2007 and 2006
(Expressed in thousands of U.S. dollars)

Management's Responsibility for Financial Reporting

Management of Eldorado Gold Corporation is responsible for the integrity and fair presentation of the financial information contained in this annual report. Where appropriate, the financial information, including financial statements, reflects amounts based on the best estimates and judgments of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

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. The system of controls is also supported by a professional staff of outside advisors who conduct periodic audits of many aspects of the Company's operations and report their findings to management and the Audit Committee.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework. Based on this assessment, management has concluded that as at December 31, 2007, the Company had a material weakness in internal controls over financial reporting. As a result, Management concluded that the Company's internal control over financial reporting was not effective.

A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Specifically, effective controls were not maintained to ensure the consistent application of the amortization policy for costs incurred in the pre-production phase of a multiple pit operation. This control deficiency resulted in an increase of depreciation expense of $3.3 million, and additional charge of $1.4 million to inventory resulting in an increase in accumulated depreciation of $4.7 million. Accordingly Management has determined that this control deficiency constitutes a material weakness in the Company's internal controls over financial reporting.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets periodically with management, the Company's outside advisors and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, appointed by the shareholders, has audited the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) and has expressed its opinion in the auditors' report. The effectiveness of the Company's internal control over financial reporting as at December 31, 2007 has also been audited by PricewaterhouseCoopers LLP, and their opinion is included in their report.

(Signed) Paul N. Wright

Paul N. Wright
President and Chief Executive Officer

(Signed) Earl W. Price

Earl W. Price
Chief Financial Officer

March 25, 2008
Vancouver, British Columbia, Canada

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Independent Auditors' Report

To the Shareholders of Eldorado Gold Corporation

We have completed integrated audits of the consolidated financial statements and internal control over financial reporting of **Eldorado Gold Corporation** (the "Company") as at December 31, 2007 and 2006 and an audit of its 2005 consolidated financial statements. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated balance sheets of Eldorado Gold Corporation as at December 31, 2007 and December 31, 2006, and the related consolidated statements of operations and deficit, comprehensive income and cash flows for each of the years in the three year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the Company's financial statements as at December 31, 2007 and for each of the years in the two year period then ended in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audit of the Company's financial statements for the year ended December 31, 2005 in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and December 31, 2006 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Internal control over financial reporting

We have also audited Eldorado Gold Corporation's internal control over financial reporting as at December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Responsibility for Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual financial statement will not be prevented or detected on a timely basis. It was determined that the Company did not maintain effective internal control over financial reporting as at December 31, 2007, because of a material weakness identified in the process to ensure the accuracy of amortization of costs incurred in the pre-production phase of a multi-pit operation. This material weakness is described in the accompanying Management's Responsibility for Financial Reporting.

We considered this material weakness in determining the nature, timing and extent of audit tests applied in our audit of the December 31, 2007 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as at December 31, 2007 based on criteria established in *(Internal Control — Integrated Framework)* issued by the COSO.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC
March 27, 2008

Comments by Auditors for U.S. readers on Canada — U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph)when there is a change in accounting principles that has a material effect on the comparability of the Company's financial statements, such as the change in accounting policy for financial instruments as described in note 3 to the consolidated financial statements. Our report to the shareholders dated March 27, 2008, is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting policy in the auditors' report when it is properly accounted for and adequately disclosed in the financial statements.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, BC
March 27, 2008

Eldorado Gold Corporation

Consolidated Balance Sheets

(Expressed in thousands of U.S. dollars)

	December 31, 2007 $	December 31, 2006 $
Assets		
Current assets		
Cash and cash equivalents	46,014	59,967
Restricted cash (note 4)	65,710	21,250
Accounts receivable and other (note 5)	30,335	28,306
Inventories (note 6)	57,525	35,697
Derivative contract (note 7)	2,956	-
Future income taxes (note 12)	959	10,182
	203,499	155,402
Restricted cash (note 4)	8,300	58,300
Mining interests (note 8)	377,705	311,080
Other	2,238	2,238
	591,742	527,020
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	-	15,367
Accounts payable and accrued liabilities	39,943	29,267
Debt - current (note 10)	65,422	333
Current portion of asset retirement obligations (note 11)	509	8,271
	105,874	53,238
Debt - long-term (note 10)	139	50,499
Contractual severance obligations	1,479	3,216
Asset retirement obligations (note 11)	8,290	5,420
Future income taxes (note 12)	26,781	18,742
	142,563	131,115
Shareholders' Equity		
Share capital (note 13(a))	753,058	740,061
Contributed surplus (note 13(b))	13,083	9,314
Accumulated other comprehensive income (note 13(c))	214	-
Deficit	(317,176)	(353,470)
	449,179	395,905
	591,742	527,020

Commitments (note 16)
Subsequent event (note 19)

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

Consolidated Statements of Operations and Deficit

For the years ended December 31,

(Expressed in thousands of U.S. dollars except per share amounts)

	2007 $	2006 $	2005 $
Revenue			
Gold sales	179,302	77,641	29,680
Interest and other income	9,397	7,048	4,117
	188,699	84,689	33,797
Expenses			
Operating costs	72,691	45,850	35,378
Depletion, depreciation and amortization	20,041	1,763	9,798
General and administrative	26,798	19,030	14,937
Exploration	11,634	12,719	7,386
Mine standby and restructuring costs	6,575	-	-
Accretion of asset retirement obligation	604	661	484
Foreign exchange (gain) loss	(4,658)	(2,050)	547
(Gain) on disposal of assets	(3,823)	(945)	(5,727)
Interest and financing costs	3,415	1,586	88
Unrealized gain on derivative contract	(2,083)	-	-
Writedown of assets	-	2,186	19,537
	131,194	80,800	82,428
Income (loss) before income taxes	57,505	3,889	(48,631)
Income tax (expense) recovery			
Current	(4,823)	(2,080)	(152)
Future	(17,261)	1,491	(343)
	(22,084)	(589)	(495)
Net income (loss) for the year	35,421	3,300	(49,126)
Deficit, beginning of year:			
As previously reported	(353,470)	(356,770)	(307,644)
Change in accounting policy	873	-	-
As adjusted	(352,597)	(356,770)	(307,644)
Deficit, end of year	(317,176)	(353,470)	(356,770)
Weighted average number of shares outstanding			
Basic	343,194	337,376	284,004
Diluted	344,621	339,177	284,004
Earnings per share			
Basic income (loss) per share - US$	0.10	0.01	(0.17)
Diluted income (loss) per share - US$	0.10	0.01	(0.17)
Basic income (loss) per share - Cdn$	0.11	0.01	(0.19)
Diluted income (loss) per share - Cdn$	0.11	0.01	(0.19)

See accompanying notes to the consolidated financial statements.

Eldorado Gold Corporation

Consolidated Statements of Cash Flows

For the years ended December 31,

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

	2007 $	2006 $	2005 $
Cash flows generated from (used in):			
Operating activities			
Net earnings (loss) for the year	35,421	3,300	(49,126)
Items not affecting cash			
Accretion of asset retirement obligation	604	661	484
Contractual severance expense	721	1,377	1,801
Depletion, depreciation and amortization	20,041	1,763	9,798
Unrealized foreign exchange loss (gain)	796	-	-
Future income taxes	17,261	(1,491)	343
(Gain) loss on disposal of assets	(3,601)	515	(227)
Imputed interest and financing costs	67	91	-
Stock-based compensation	7,267	3,542	2,426
Unrealized gain on derivative contracts	(2,083)	-	-
Writedown of assets	-	-	19,537
	76,494	9,758	(14,964)
Property reclamation payments	(5,496)	-	-
Contractual severance payments	(2,458)	(598)	-
Changes in non-cash working capital (note 15)	1,265	(31,668)	4,478
	69,805	(22,508)	(10,486)
Investing activities			
Mining interests			
Capital expenditures	(94,461)	(88,299)	(88,758)
Sales proceeds	1,482	1,845	227
Available-for-sale securities			
Purchases	(1,556)	-	-
Disposals	663	-	-
Pre-production gold sales capitalized in mining interests	10,052	-	-
Non-producing properties under development	(13,477)	(6,871)	(650)
Value added taxes recoverable on mining interests	-	(7,579)	(8,759)
Restricted cash	5,540	(29,550)	(50,000)
Acquisition of Afcan, net of cash received	-	-	664
	(91,757)	(130,454)	(147,276)
Financing activities			
Capital stock			
Share issuance costs	-	(7,089)	-
Issuance of common shares for cash	9,500	171,225	7,184
Long-term and bank debt			
Proceeds	24,859	15,367	50,000
Repayments	(26,360)	(400)	(986)
	7,999	179,103	56,198
Net increase (decrease) in cash and cash equivalents	(13,953)	26,141	(101,564)
Cash and cash equivalents - beginning of year	59,967	33,826	135,390
Cash and cash equivalents - end of year	46,014	59,967	33,826

Supplementary cash flow information (note 15)

See accompanying notes to the consolidated financial statements.

Eldorado Gold Corporation

Consolidated Statements of Comprehensive Income

For the year ended December 31,

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

	2007 **$**
Net earnings for the period ended December 31, 2007	35,421
Other comprehensive income (loss)	
Net unrealized gains (loss) on available-for-sale investments (note 13(c))	(61)
Comprehensive income for the period ended December 31, 2007	35,360

See accompanying notes to the consolidated financial statements.

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

1. Nature of operations

Eldorado Gold Corporation ("Eldorado" or "the Company") is a gold exploration, development, mining and production company. The Company has ongoing exploration and development projects in Brazil, China and Turkey. On July 1, 2006, the Company began production in Turkey, and on February 1, 2007, the Company began production in China. Production at the Kişladağ mine in Turkey was suspended in August 2007 as a result of a court injunction and the mine remained shut down throughout the rest of the year. The court injunction was removed in February 2008 and the mine restarted production on March 6, 2008 (see subsequent event note 19). Production operations in Brazil ceased in the second quarter of 2007 and the mine is in reclamation.

2. Significant accounting policies

(a) Basis of presentation and principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and presented in United States dollars. As disclosed in note 18, Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States ("US GAAP").

All material inter-company balances and transactions have been eliminated.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include assumptions and estimates relating to determining defined ore bodies, reserves value beyond proven and probable mine life, fair values for purposes of impairment analysis and valuation of derivative contracts, reclamation obligations, non-cash stock-based compensation and warrants, valuation allowances for future income tax assets, and future income tax liabilities. Actual results could differ from these estimates.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments having maturity dates of three months or less from the date of acquisition that are readily convertible to cash.

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

2. Significant accounting policies (continued)

(d) Inventories

i. In-process inventory consists of stockpiled ore, ore on leach pads, crushed ore, in-circuit material at properties with milling or processing operations and doré awaiting refinement, all valued at the lower of average cost or net realizable value. In-process inventory costs consist of direct production costs including mining, crushing and processing; site administration costs; and allocated indirect costs, including depreciation, depletion and amortization of mining interests.

   Inventory costs are charged to operations on the basis of ounces of gold sold. The Company regularly evaluates and refines estimates used in determining the costs charged to operations and costs absorbed into inventory carrying values based upon actual gold recoveries and operating plans.

ii. Materials and supplies inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, valued at the lower of average cost and replacement cost and, where appropriate, less a provision for obsolescence.

(e) Investments

On January 1st, 2007, the Company adopted the new accounting standard related to financial instruments. Under the new accounting policy investments classified as available for sale are reported at fair value with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments classified as held for trading are reported at fair value with unrealized gains or losses included in earnings. Prior to January 1, 2007 marketable securities were valued at the lower of original cost and quoted market value.

(f) Deposits

Deposits, such as those required by governmental authorities for possible environmental liabilities, are classified as held for trading.

(g) Fair value of financial instruments

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 gain 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

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The Company is exposed to currency risk from foreign currency fluctuations.

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

2. Significant accounting policies (continued)

The Company has foreign exchange investments and liabilities and, as a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Company is not currently using derivative instruments to manage these risks.

(h) Mining interests

Mining interests include development expenditures and property, plant and equipment recorded at cost. Cost includes expenditures made on properties under development and the estimated fair value of any related asset retirement obligation at the time the obligation is originally recorded. Revenues realized during the pre-operating period are recorded as a reduction of deferred expenditures.

Mineral properties, capitalized development costs, buildings, plant and equipment, and other assets whose estimated useful life is the same as the remaining life of the mine are depreciated, depleted and amortized over a mine's estimated life using the units of production method calculated on the basis of proven and probable reserves. Furniture and fixtures, vehicles, computers and other assets whose estimated useful lives are less than the remaining life of the mine are depreciated on a straight-line basis over the estimated useful life of the assets.

Where events or changes in circumstances suggest impairment of long-lived assets, estimated undiscounted future net cash flows are calculated using estimated future gold prices, proven and probable reserves, value beyond proven and probable reserves, and estimated net proceeds from the disposition of assets on retirement less operating and sustaining capital and reclamation costs. If projected undiscounted future cash flows are less than the carrying value, the estimated fair value is calculated using discounted future net cash flows and the asset is written down to fair value with an impairment charge to operations. Where future net cash flows cannot be estimated and other events or changes in circumstances suggest impairment, management determines whether the carrying cost is recoverable and at fair value using best estimates and comparative situations in the marketplace.

(i) Exploration and development

Exploration costs are charged against operations as incurred until a mineral resource having economic potential is identified on a property, from which time a property is considered to be a development project and such expenditures are capitalized as development costs.

(j) Foreign currency translation

Monetary assets and liabilities denominated in currencies other than the United States dollar are translated into United States dollars using rates of exchange in effect at the balance sheet date. Revenue and expense items denominated in foreign currencies are translated at average rates in effect at the time of the related transaction. Non-monetary items are translated at historical rates. Any gains and losses are reflected in earnings.

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

2. Significant accounting policies (continued)

(k) Capital lease obligations

Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for as capital leases. Assets recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

(l) Asset retirement obligations

Asset retirement obligations ("AROs") represent the estimated discounted net present value of statutory, contractual or other legal obligations relating to site reclamation and restoration costs that the Company will incur on the retirement of assets and abandonment of mine and exploration sites. AROs are added to the carrying value of property, plant, equipment and mining interests as such expenditures are incurred and amortized against income over the useful life of the related asset. AROs are determined in compliance with recognized standards for site closure and mine reclamation established by governmental regulation.

Over the life of the asset, imputed interest on the ARO liability is charged to operations as "accretion of asset retirement obligations" on the Consolidated Statements of Operations using the discount rate used to establish the ARO. The offset of accretion expense is added to the balance of the ARO.

Where information becomes available that indicates a recorded ARO is not sufficient to meet, or exceeds, anticipated obligations, the obligation is adjusted accordingly and added to, or deducted from, the ARO.

(m) Stock-based compensation

The Company has three share option plans, which are described in note 14. The Company records all stock-based compensation related to the option plans using the fair value method. Under the fair value method, stock-based compensation is measured at the estimated fair value of the consideration received or the estimated fair value of the equity instruments issued or liabilities incurred, whichever estimate is more reliable. Compensation expense is recognized on the graded method over the stock option vesting period. Adjustments to compensation expense due to not meeting employment vesting requirements or the expiry of unexercised options are accounted for in the period when the options expire or the vesting requirements are not met.

The Company also has a bonus cash awards unit plan, which is described in note 14. Bonus cash awards units are measured at the amount by which the quoted market value of the shares covered by the grant exceeds the option price.

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

2. Significant accounting policies (continued)

(n) Income taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using income tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in rates is included in operations. A future income tax asset is recorded when the probability of the realization is more likely than not.

(o) Revenue recognition

Revenue from the sale of bullion is recognized when persuasive evidence of an arrangement exists, the bullion has been shipped, title has passed to the purchaser, the price is fixed or determinable, and collection is reasonably assured.

(p) Earnings (loss) per share

Earnings or loss per share are presented for basic and diluted net income (loss). Basic earnings per share is computed by dividing net income or loss by the weighted average number of outstanding common shares for the year.

The computation of diluted earnings per share reflects the dilutive effect of the exercise of stock options and warrants outstanding as at year-end using the treasury stock method. Diluted loss per share information is not disclosed as it would be anti-dilutive.

(q) Capitalization of interest

Where the Company has secured debt financing to finance the cost of specific projects, interest is capitalized on the related construction and development project until the project begins commercial operation or the development ceases.

(r) Stripping costs

Stripping costs incurred during the production phase of a mine are considered production costs and included in the cost of inventory produced during the period in which stripping costs are incurred. To the extent that the commercial production has not commenced, pre-stripping costs are capitalized as mine development costs. Production is deemed to have commenced when saleable minerals, excluding removal of de minimus material, are extracted from an ore body.

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

2. Significant accounting policies (continued)

(s) Mine Standby and restructuring costs

Mine Standby costs and costs related to restructuring a mining operation are charged directly to expense in the period incurred. Examples of Mine Standby costs are labor, maintenance and mine support costs during anticipated temporary shutdowns of a mine due to suspension of its operating permit. Examples of restructuring costs are severance payments to employees laid off as a result of outsourcing the mining function.

(t) Recent Canadian accounting pronouncements

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The company will adopt the requirements commencing in the interim period ended March 31, 2008 and is considering the impact this will have on the company's financial statements.

b) Capital Disclosures, Section 1535

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital,
- summary quantitative data about what it manages as capital,
- whether during the period it complied with any externally imposed capital requirements to which it is subject,
- when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

c) Inventories, Section 3031

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 write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

d) Financial Instruments - Disclosures, Section 3862

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable 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.

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

2. Significant accounting policies (continued)

(u) International Financial Reporting Standards ("IFRS")

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 IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The 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 the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Changes in accounting policies

On January 1, 2007, the Company adopted three new accounting standards and accounting policy changes related to financial instruments that were issued by the Canadian Institute of Chartered Accountants in 2005 (the "new CICA standards"). These changes were adopted on a prospective basis with no restatement of prior years' financial statements. The new CICA standards and accounting policy changes are as follows:

Financial instruments – recognition and measurement

This standard requires that all financial assets, except for those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at fair value when they are recognized initially and subsequently measured at amortized cost.

Investments classified as available for sale are reported at fair value with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. 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 markets.

As required by the standard, on January 1, 2007, the company evaluated its energy supply contract (see note 7). With the closure of the São Bento mine, the energy contracted for the remaining of 2007 and 2008 exceeds the estimated consumption for such period and, accordingly, this contract was classified as a derivative financial instrument. Previously, this contract was not considered a financial instrument, as the contracted energy was in accordance with the company's purchase and usage requirements.

On January 1, 2007, the Company had an investment in a public company classified as available-for-sale. Previously, investments in public companies were carried at cost, less provision for other than temporary declines in value.

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

3. Changes in accounting policies (continued)

This change in accounting policy resulted in the recognition of a derivative financial asset and a decrease in deficit of $873 representing the fair value of the energy contract as at January 1, 2007 and a $275 increase in the carrying value of the investment as at January 1, 2007, representing the cumulative unrealized gain at that time (note 13(c)).

Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances other than with the Company's shareholders. In accordance with the new CICA standards, the Company's financial statements now include a Consolidated Statements of Comprehensive Income and a new category, "accumulated other comprehensive income," has been added to the shareholders' equity section of the Consolidated Balance Sheets. The components of this new category include the holding gains and losses from available-for-sale securities that are not included in net earnings (loss) until realized. The components of "accumulated other comprehensive income" for the year 2007 are disclosed in note 13(c).

Hedges

The new CICA standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company is not currently engaged in any hedging activity. As a result, the adoption of this new accounting policy did not have any impact on the Company's consolidated financial statements.

4. Restricted cash

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

	December 31, 2007 $	**December 31, 2006 $**
Current:		
Collateral account against the HSBC bank loan – Turkey (10(b))	55,000	-
Collateral account against the HSBC bank loan – China (note 10(a))	10,500	-
Electricity deposit	210	-
Collateral account against HSBC Bank USA	-	21,250
	65,710	21,250
Non-current:		
Collateral account against the HSBC bank loan – Turkey (10(b))	-	50,000
Environmental guarantee deposit	8,300	8,300
	8,300	58,300

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

4. Restricted cash (continued)

The environmental guarantee deposit is held on account with a Turkish bank pursuant to 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. Accounts receivable and other

	December 31, 2007 $	December 31, 2006 $
Value added and other taxes recoverable	19,829	19,907
Other receivables and advances	3,986	3,024
Prepaid expenses and deposits	4,905	5,074
Available-for-sale securities	1,615	301
	30,335	28,306

On January 1, 2007, we recognized an adjustment of $275 to opening balance of accumulated other comprehensive income pursuant to adoption of the new Financial Instruments standard. The amount represents the unrealized gain on available-for-sale marketable securities held by us at January 1, 2007.

For the year ended December 31, 2007, the Company recognized an unrealized loss of $61 on marketable securities designated as available-for-sale in other comprehensive income.

6. Inventories

	December 31, 2007 $	December 31, 2006 $
Ore Stockpiles	8,484	4,604
In-process inventory including doré	33,573	25,298
Materials and supplies	15,468	5,695
	57,525	35,697

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

7. Derivative contract

In December 2004, São Bento Mineração SA entered into an energy supply contract with Companhia Energetica de Minas Gerais ("CEMIG"). With the closure of the São Bento mine in 2007, the energy contracted for 2007 and 2008 exceeds the estimated consumption for that period and accordingly, this contract has been accounted as a derivative financial instrument, which is measured at fair value with unrealized gains or losses reported in earnings.

In accordance with the transitional provision of the new financial instrument standard, the asset fair value of this contract of $873 as at January 1, 2007 has been recorded with a credit directly to deficit.

The fair value as at December 31, 2007 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.

This resulted in a fair value of the asset of $2,956 and the recognition of an unrealized gain for the year of $2,083.

CAPM estimates the risk-adjustment applied to spot electricity prices as a means to deriving a forward price.

Assumptions used in the calculation of the fair value of this contract as at December 31, 2007 are as follows:

Quantity of energy to purchase	78,880.20 MWh
Set price per contract	$24.50/MWh
Spot price in Brazilian reals	R$502.45/MWh
Forward price of energy (range)	$111.78/MWh – $54.75/MWh
US treasury yield (range)	2.90% – 3.31%

8. Mining interests

	December 31, 2007		
	Cost $	Accumulated depreciation, depletion and amortization $	Net book value $
Operating assets and mines under construction			
Deferred development cost	75,488	7,054	68,434
Mining and processing equipment	202,335	25,907	176,428
Assets under construction	89,168	-	89,168
	366,991	32,961	334,030
Non-producing properties under development	43,675	-	43,675
	410,666	32,961	377,705

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

8. Mining interests (continued)

	December 31, 2006		
	Cost $	**Accumulated depreciation, depletion and amortization $**	**Net book value $**
Operating assets and mines under construction			
Deferred development cost	72,726	761	71,965
Mining and processing equipment	113,526	7,269	106,257
Assets under construction	102,660	-	102,660
	288,912	8,030	280,882
Non-producing properties under development	30,198	-	30,198
	319,110	8,030	311,080

9. Bank indebtedness

During 2006, Qinghai Dachaidan Mining Limited ("QDML"), a 90% owned subsidiary of the Company and the operator of the Tanjianshan project, secured working capital loans from the China Construction Bank in the amount of 120 million Chinese Renminbi. These loans were paid in full in 2007.

10. Debt

	December 31, 2007 $	**December 31, 2006 $**
Current:		
Current portion of HSBC term revolving credit facility	55,000	-
HSBC revolving credit facility due November 30, 2008	10,062	-
Current portion of Sino Gold Limited, net of imputed interest	360	333
	65,422	333
Long-term:		
HSBC term revolving credit facility due February 28, 2010	-	50,000
Sino Gold Limited due December 31, 2009, net of imputed interest	139	499
	139	50,499

(a) HSBC term revolving credit facility

HSBC has authorized advances of up to $65,000 to Tüprag Metal Madencilik Sanayi Ve Ticaret Limited Surketi ("Tüprag"), a wholly owned subsidiary of the Company, under the terms of a term revolving credit facility due February 28, 2010 (the "Credit Facility"). As at December 31, 2007, HSBC had advanced $55,000. The Credit Facility can be drawn down in minimum tranches of $1,000 plus multiples of $250. Each drawdown bears interest fixed at the prevailing LIBOR plus 0.50% on the date each tranche is drawn down. To date, the Credit Facility has been drawn in six tranches bearing a weighted average interest rate of 5.52%. The Credit Facility is renewable at the Company's option for the term of the loan.

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

10. Debt (continued)

Under the terms of the Credit Facility, Eldorado is required to fully collateralize any HSBC advances to Tüprag with funds of an equal amount deposited on account with HSBC as represented by $55,000 included in restricted cash (note 4), held on deposit in a collateral account with HSBC.

(b) HSBC revolving credit facility

In November 2007, Qinghai Dachaidan Mining Limited ("QDML"), our 90% owned subsidiary, entered into a $15,000 revolving facility ("the Facility) with HSBC Bank (China). As at December 31, 2007, HSBC had advanced $10,062 (RMB 73.5 million). The Facility can be drawn down in minimum tranches of $100 or in integral multiples of $10. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China with a 10% markdown. To date, the Facility has been drawn in two tranches bearing a weighted average interest rate of 5.994%. The Facility has a term of one year and is subject to review and renewal annually.

The facility is collateralized by way of irrevocable letter of credit drawn on HSBC Bank USA, National Association ("HSBC"). Eldorado should maintain at all times a security coverage ratio of 105% of the amounts drawn down. The letter of credit has an expiry date of November 8, 2008 and is collateralized by Eldorado's funds held by HSBC as restricted cash.

(c) Sino Gold loan

The consideration paid for the Tanjianshan property in 2003 included a non-interest-bearing loan from Sino Gold Limited (the "Loan"). On acquisition of Afcan in September 2005, the balance of the Loan then outstanding was included in the determination of net assets acquired. Imputed interest has been calculated using a discount rate of 8%.

The Loan is repayable in equal annual instalments of $400 on December 31 of each year until 2008, with a final instalment of $150 due on December 31, 2009.

	December 31, 2007 $	**December 31, 2006 $**
Balance outstanding on the stated Loan balance	550	950
Less: imputed interest	51	118
	499	832

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

11. Asset retirement obligations

	December 31, 2007			
	Brazil $	**China** $	**Turkey** $	**Total** $
Balance at beginning of year	9,595	1,155	2,941	13,691
Accretion during the year	364	63	177	604
Revisions to estimate	-	-	-	-
ARO liability paid	(5,496)	-	-	(5,496)
Balance at end of year	4,463	1,219	3,117	8,799
Less: current portion	509	-	-	509
Long-term portion	3,954	1,219	3,117	8,290
Estimated undiscounted value	5,149	1,775	5,919	12,843

	December 31, 2006			
	Brazil $	**China** $	**Turkey** $	**Total** $
Balance at beginning of year	9,055	627	1,461	11,143
Net present value of estimated future obligations arising on revision of prior year's estimates	-	495	1,392	1,887
Accretion expense	540	33	88	661
Balance at end of year	9,595	1,155	2,941	13,691
Less: current portion	8,271	-	-	8,271
Long-term portion	1,324	1,155	2,941	5,420
Estimated undiscounted value	9,822	1,775	5,919	17,516

The ARO estimates attributable to our mines have been determined with reference to independent studies recently obtained by the Company (Brazil – 2006, Turkey and China – 2007) that assumed a closure in the first quarter of 2007 in Brazil, in 2014 in China and in 2018 in Turkey.

The net present values contemplate credit-adjusted risk-free interest rates between 5% and 7%.

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

12. Income taxes

The significant components within the Company's future tax liability are as follows:

	December 31, 2007 $	December 31, 2006 $
Future income tax assets		
Mineral properties	5,106	4,688
Capital assets	12,003	13,622
Loss carry forwards	113,807	86,843
Other	8,630	13,864
Liabilities	5,000	6,057
	144,546	125,074
Valuation allowance	(137,919)	(112,098)
	6,627	12,976
Future income tax liabilities		
Mineral properties	2,648	2,656
Capital assets	14,273	10,001
Unrealized gains on foreign exchange translation and other	15,528	8,879
	32,449	21,536
Net future income tax liabilities	25,822	8,560

This is represented on the balance sheet as:

	December 31, 2007 $	December 31, 2006 $
Current future income tax assets	(959)	(10,182)
Long-term future income tax liabilities	26,781	18,742
	25,822	8,560

Income tax expense differs from the amount that would result from applying the statutory Canadian federal and provincial tax rates to income (loss) before income taxes. These differences result from the following items:

	2007 $	2006 $	2005 $
Net income(loss) before income taxes	57,505	3,889	(48,631)
Statutory tax rate	34.12%	34.12%	34.86%
Tax expense at the statutory income tax rate	19,620	1,327	(16,953)
Tax effect of:			
Losses not recognized	6,265	1,070	14,069
Difference in foreign tax rates	(2,105)	(1,895)	(1,007)
Foreign exchange	(2,738)	4,239	3,351
Future income tax assets not previously recognized	-	(7,010)	(238)
Non-deductible expense and other items	1,042	2,858	1,273
Income tax expense	22,084	589	495

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

12. Income taxes (continued)

With the changes in the Chinese tax law the Company understands that it may not be eligible for the two-year tax holiday and reduced tax rate of 15% for six years previously given to our project. Based on discussions to date, Chinese tax authorities have indicated that our Tanjianshan mine can qualify as an "Encouraged Project," resulting in a 15% tax rate for the years 2007 to 2010 instead of the normal rate of 33% (25% for the years 2008 forward). The impact of this change in tax rates was an increase in current and future income tax expense of $7,098.

At December 31, 2007, the Company and its subsidiaries, excluding Brazil, had available losses for income tax purposes of approximately $53,066 in Canada expiring in various years from 2008 to 2027.

In addition, the Company's Brazilian subsidiaries have losses of $268,000 (December 31, 2006 – $208,000) that can be used to offset taxable income, and $243,000 (December 31, 2006 – $188,000) that can be used to offset income for social contribution tax. These losses have no expiry date and can be used to offset 30% of taxable income in any one year.

13. Shareholders' equity

(a) Authorized share capital

The Company'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.

Voting common shares	**Number of shares**	**Amount $**
Balance, January 1, 2005	276,263,776	508,373
Shares issued upon exercise of share options, for cash	1,282,666	3,070
Shares issued for acquisition of Afcan	23,045,151	56,235
Shares issued upon exercise of Afcan warrants, for cash	1,985,785	4,114
Warrants reallocated to share capital upon exercise	-	303
Estimated fair value of share options exercised	-	1,626
Balance, December 31, 2005	302,577,378	573,721
Financing, February 2006, net of issue costs	34,500,000	154,406
Shares issued upon exercise of share options, for cash	1,476,075	4,234
Shares issued upon exercise of Afcan warrants, for cash	2,594,778	5,496
Warrants reallocated to share capital upon exercise	-	902
Estimated fair value of share options exercised	-	1,302
Balance, December 31, 2006	341,148,231	740,061
Estimated fair value of share options exercised	-	3,497
Shares issued upon exercise of share options, for cash	3,060,309	9,500
Balance, December 31, 2007	344,208,540	753,058

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

13. Shareholders' equity (continued)

At December 31, 2007, there were no non-voting common shares outstanding.

(b) Contributed surplus

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

	Contributed surplus attributable to:		
	Stock-based compensation $	**Other $**	**Total $**
Balance, January 1, 2005	5,138	1,094	6,232
Attributed to the market value of Afcan warrants outstanding on acquisition	-	1,204	1,204
Credited to share capital on Afcan warrants exercised after acquisition	-	(302)	(302)
Value attributed to Afcan options on Afcan acquisition	41	-	41
Non-cash stock-based compensation	2,426	-	2,426
Options exercised, credited to share capital	(1,625)	-	(1,625)
Balance, December 31, 2005	5,980	1,996	7,976
Credited to share capital on Afcan warrants exercised after acquisition	-	(902)	(902)
Non-cash stock-based compensation	3,542	-	3,542
Options exercised, credited to share capital	(1,302)	-	(1,302)
Balance, December 31, 2006	8,220	1,094	9,314
Non-cash stock-based compensation	7,267	-	7,267
Options exercised, credited to share capital	(3,498)	-	(3,498)
Balance, December 31, 2007	11,989	1,094	13,083

(c) Accumulated other comprehensive income

Accumulated other comprehensive income is comprised as follows:

	2007 $
Balance, beginning of period	-
Unrealized gain recognized on change in accounting policy	275
As adjusted	275
Unrealized gains (losses) on available-for-sale investment	209
Realized (gains) losses on sale of available-for-sale investment transferred to net income	(270)
Balance, end of period	214

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

14. Stock-based compensation

(a) Share option plans

The Company has three share option plans ("Plans") approved by the shareholders under which share purchase options ("Options") can be granted to directors, officers, employees and consultants.

The Company's Employee Plan, as amended from time to time, was established in 1994. Subject to a 10-year maximum, Employee Plan Options generally have a five-year term. Employee Plan Options vest at the discretion of the Board of Directors at the time an Option is granted, typically in three separate tranches over two years. As at December 31, 2007, a total of 1,618,511 Options (December 31, 2006 – 1,873,380) were available to grant to employees, consultants or advisors under the Employee Plan.

The Company's Directors and Officers Plan ("D&O Plan") was established in 2003 and amended in 2005. Subject to a 10-year maximum, D&O Plan Options generally have a five-year term. D&O Options vest at the discretion of the Board of Directors at the time an Option is granted, typically in three separate tranches over two years. As at December 31, 2007, a total of 2,999,850 Options (December 31, 2006 – 3,783,350) were available to grant to directors and officers under the D&O Plan.

On acquisition, Afcan had an incentive stock option plan (the "Afcan Plan") under which three Afcan employees who continued to be employed by Eldorado had been granted options ("Old Afcan Options") that were fully vested. Under the terms of the Afcan transaction, the Old Afcan Options were converted into New Afcan Options on the basis of one New Afcan Option for every 6.5 Old Afcan Options. Under this arrangement, the Toronto Stock Exchange approved 91,538 New Afcan Options to continue to be held under the Afcan Plan until exercised or expired. No further New Afcan Options are permitted to be granted under the Afcan Plan. As at December 31, 2007, 46,154 New Afcan Options (December 31, 2006 – 68,462) remain unexercised.

The continuity of share purchase options outstanding, including the New Afcan Options, is as follows:

	Weighted average exercise price Cdn$	Number of options	Contractual weighted average remaining life (years)
Balance, December 31, 2005	3.35	7,176,872	3.4
Granted	5.43	1,589,000	
Exercised	3.30	(1,476,075)	
Cancelled	3.37	(13,334)	
Balance, December 31, 2006	3.82	7,276,463	2.8
Granted	6.67	4,108,125	
Exercised	3.10	(3,060,309)	
Cancelled	5.25	(100,000)	
Balance, December 31, 2007	5.36	8,224,279	3.1

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

14. Stock-based compensation (continued)

At December 31, 2007, 5,064,193 share purchase options (December 31, 2006 – 5,327,129) with a weighted average exercise price of Cdn$4.64 (December 31, 2006 – Cdn$3.59) had vested and were exercisable.

Options outstanding at December 31, 2007 are as follows:

	December 31, 2007				
	Total options outstanding			Exercisable options	
Range of exercise price Cdn$	Shares	Weighted average remaining contractual life (years)	Weighted average exercise price Cdn$	Shares	Weighted average exercise price Cdn$
$1.00 to $1.99	146,154	0.4	1.75	146,154	1.75
$2.00 to $2.99	-	-	-	-	-
$3.00 to $3.99	2,692,000	1.6	3.52	2,692,000	3.52
$4.00 to $4.99	325,000	2.0	4.61	233,333	4.52
$5.00 to $5.99	1,758,625	3.8	5.40	858,540	5.47
$6.00 to $6.99	175,000	3.8	6.21	91,666	6.16
$7.00 to $7.12	3,127,500	4.2	7.12	1,042,500	7.12
	8,224,279	3.1	5.36	5,064,193	4.64

(b) *Stock-based compensation expense*

The exercise prices of all Options granted during the period were at or above the market price at the grant date. Stock-based compensation expense is calculated using a Black-Scholes option pricing model to determine the estimated fair values of all Options granted. The value determined on the date an Option is granted is recorded over the vesting period of each respective option. This expense has been included in the undernoted expenses in the Consolidated Statements of Operations as follows:

	2007 $	2006 $	2005 $
Operating costs	1,504	359	171
Exploration	1,009	170	294
Administrative	4,754	3,013	1,961
Total compensation cost recognized in operations, credited to contributed surplus	7,267	3,542	2,426

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

14. Stock-based compensation (continued)

The assumptions used to estimate the fair value of Options granted during the years ended December 31, 2007, 2006 and 2005 were:

	2007	2006	2005
Risk-free interest rate (range)	3.53% – 4.25%	4.0% – 4.5%	3.5% – 4.0%
Expected volatility (range)	42% – 53%	42% – 50%	50%
Expected life (range)	4 years	4-5 years	4 years
Expected dividends	Nil	Nil	Nil

(c) Bonus Cash Award Units plan

In August 2007, the directors adopted a Bonus Cash Award Units ("BCAU") plan with an effective date of August 2, 2007. The plan provides for the Board of Directors (the "Directors") to grant BCAUs to officers, employees and consultants subject to vesting and other conditions as determined by the Directors; however, the vesting period may not exceed five years from the grant date, but may be accelerated at the discretion of the Directors. The settlement of BCAUs must be made in cash and is calculated at the average closing price of the Company's common shares on the Toronto Stock Exchange for the five trading days preceding the date of settlement.

As of December 31, 2007, the Company had awarded 587,500 BCAUs with a vesting date of February 8, 2008 and 587,500 BCAUs with a vesting date of February 8, 2009. The carrying value of BCAUs at December 31, 2007 was $487, and is reflected in accrued liabilities on the balance sheet. The related cost in the amount of $487 is reflected in "general and administrative expense" in the Consolidated Statements of Operations.

15. Supplementary cash flow information

	2007 $	2006 $	2005 $
Changes in non-cash working capital			
Accounts receivable and prepaids	1,754	(3,589)	(1,892)
Inventories	(16,900)	(26,222)	(2,867)
Accounts payable and accrued liabilities	16,411	(1,857)	9,237
	1,265	(31,668)	4,478
Supplementary cash flow information			
Income taxes paid	2,887	434	262
Interest paid	4,078	2,566	16
Non-cash transactions			
Shares issued on acquisition of Afcan	-	-	56,235
Warrants issued in exchange for those of Afcan	-	-	1,204
Options issued in exchange for those of Afcan	-	-	41

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

16. Commitments

The Company's contractual obligations, not disclosed on the balance sheet, at December 31, 2007, include:

	2008 $	2009 $	2010 $	2011 $	2012 and later $
Operating leases and property expenditures	2,410	1,660	1,660	1,660	3,887
Purchase obligations	48,383	16,952	15,498	15,498	15,447
Totals	50,793	18,612	17,158	17,158	19,334

Purchase obligations from 2009 forward relate solely to Kişladağ operations, including the estimated commitments under the current external mining contractor agreement and unhedged diesel fuel purchase commitments for 2008 through 2012.

17. Segmented information

During the year ended December 31, 2007, the Company had four reporting segments. The Brazil reporting segment includes the operations of the São Bento mine and exploration activity in Brazil. The Turkey reporting segment includes the operations of the Kişladağ mine and exploration and development activities in Turkey. The China reporting segment includes the operations of the Tanjianshan mine and exploration activities in China. The Tanjianshan mine in China began commercial production on February 1, 2007. The corporate reporting segment includes the operations of the Company's corporate office.

	December 31, 2007				
	Turkey $	China $	Brazil $	Corporate $	Total $
Net mining interests					
Producing or under construction	175,888	149,267	7,919	956	334,030
Non-producing	38,358	-	5,317	-	43,675
	214,246	149,267	13,236	956	377,705

	December 31, 2006				
	Turkey $	China $	Brazil $	Corporate $	Total $
Net mining interests					
Producing or under construction	130,145	140,749	9,020	968	280,882
Non-producing	28,570	-	1,628	-	30,198
	158,715	140,749	10,648	968	311,080

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

17. Segmented information (continued)

Operations

	2007				
	Turkey $	**China $**	**Brazil $**	**Corporate $**	**Total $**
Revenue					
Gold sales	94,219	78,176	6,907	-	179,302
Interest and other income	1,869	137	2,639	4,752	9,397
	96,088	78,313	9,546	4,752	188,699
Expenses except the undernoted	39,630	45,399	(1,286)	15,776	99,519
Depletion, depreciation and amortization	4,248	15,502	-	291	20,041
Exploration	6,500	102	3,588	1,444	11,634
Income (loss) before tax	45,710	17,310	7,244	(12,759)	57,505
Income tax recovery (expense)	(9,325)	(7,941)	(4,786)	(32)	(22,084)
Net income (loss)	36,385	9,369	2,458	(12,792)	35,421

	2006				
	Turkey $	**China $**	**Brazil $**	**Corporate $**	**Total $**
Revenue					
Gold sales	39,232	-	38,409	-	77,641
Interest and other income	310	82	1,154	5,502	7,048
	39,542	82	39,563	5,502	84,689
Expenses except the undernoted	19,248	465	36,514	10,091	66,318
Depletion, depreciation and amortization	1,489	39	-	235	1,763
Exploration	4,845	172	7,702	-	12,719
Income (loss) before tax	13,960	(594)	(4,653)	(4,824)	3,889
Income tax recovery (expense)	2,113	-	(2,636)	(66)	(589)
Net income (loss)	16,073	(594)	(7,289)	(4,890)	3,300

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

17. Segmented information (continued)

	2005				
	Turkey $	China $	Brazil $	Corporate $	Total $
Revenue					
Gold sales	-	-	29,680	-	29,680
Interest and other income	876	31	776	2,434	4,117
	876	31	30,456	2,434	33,797
Expenses except the undernoted	(448)	214	37,079	8,862	45,707
Depletion, depreciation and amortization	171	-	9,463	164	9,798
Impairment write-down	-	662	18,875	-	19,537
Exploration	1,032	-	6,354	-	7,386
Income (loss) before tax	121	(845)	(41,315)	(6,592)	(48,631)
Income tax recovery (expense)	-	-	(585)	90	(495)
Net income (loss)	121	(845)	(41,900)	(6,502)	(49,126)

18. Differences between Canadian and United States GAAP

These consolidated financial statements have been prepared in accordance with Canadian GAAP.

The material differences between Canadian GAAP and US GAAP affecting the Company are summarized below:

	2007 $	2006 $	2005 $
Statement of operations			
Net income (loss) reported under Canadian GAAP	35,421	3,300	(49,126)
Add (deduct) items subject to US GAAP			
Exploration costs (a)	(7,585)	(4,662)	(650)
Capitalized interest expense (g)	2,009	1,586	-
Depreciation on capitalized interest (g)	(198)	-	-
Bonus cash awards units (h)	(385)		
Deferred start-up costs and revenues (b)	771	-	-
Unrealized gain (loss) on derivative contracts (c)	873	-	-
Future income taxes (d)	654	607	-
Net income (loss)	31,560	831	(49,776)
Other comprehensive income (loss) for the year	(61)	228	284
Comprehensive income (loss) under US GAAP	31,499	1,059	(49,492)
Net basic and diluted gain (loss) per share - US GAAP	0.09	0.00	(0.18)

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

18. Differences between Canadian and United States GAAP (continued)

	2007 $	2006 $	2005 $
Accumulated other comprehensive income (loss) under US GAAP			
Beginning of year	275	47	(237)
Net unrealized gain (loss) on investments (f)	(61)	228	284
End of year	214	275	47

	2007 $	2006 $	2005 $
Assets			
Total assets reported under Canadian GAAP	591,742	527,020	320,735
Exploration costs (a)	(28,771)	(21,186)	(16,524)
Future income taxes (d)	1,261	607	-
Deferred start-up costs and revenues (b)	771	-	-
Unrealized gain (loss) on investments (f)	-	275	47
Capitalized interest expense – net (g)	3,397	1,586	-
Total assets under US GAAP	568,400	508,302	304,258

	2007 $	2006 $	2005 $
Liabilities			
Total liabilities reported under Canadian GAAP	142,563	131,115	95,808
Bonus cash awards units (h)	385	-	-
Total liabilities under US GAAP	142,948	131,115	95,808

	2007 $	2006 $	2005 $
Shareholders' equity			
Shareholders' equity reported under Canadian GAAP	449,179	395,905	224,927
Cumulative adjustments to shareholders' equity			
Exploration costs (a)	(28,771)	(21,186)	(16,524)
Future income taxes (d)	1,261	607	-
Deferred start-up costs and revenues (b)	771	-	-
Bonus cash awards units (h)	(385)	-	-
Unrealized gain (loss) on investments (f)	-	275	47
Interest expense capitalized – net (g)	3,397	1,586	-
Shareholders' equity under US GAAP	425,452	377,187	208,450

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

18. Differences between Canadian and United States GAAP (continued)

Cash flows (used in) generated from:	**2007** **$**	**2006** **$**	**2005** **$**
Operating activities under Canadian GAAP	69,805	(22,508)	(10,486)
Exploration costs (a)	(7,585)	(4,662)	(650)
Deferred start-up costs and revenues (b)	5,159	-	-
Capitalized interest expense (g)	2,009	1,586	-
Operating activities under US GAAP	69,388	(25,584)	(11,136)
Investing activities under Canadian GAAP	(91,757)	(130,454)	(147,276)
Exploration costs (a)	7,585	4,662	650
Deferred start-up costs and revenues (b)	(5,159)	-	-
Capitalized interest expense (g)	(2,009)	(1,586)	-
Investing activities under US GAAP	(91,340)	(127,378)	(146,626)
Financing activities under Canadian and US GAAP	7,999	179,103	56,198
Net increase (decrease) in cash and cash equivalents for Canadian and US purposes	(13,953)	26,141	(101,564)
Cash and cash equivalents – beginning of period	59,967	33,826	135,390
Cash and cash equivalents – end of period	46,014	59,967	33,826

A description of US GAAP that results in material differences from Canadian GAAP is as follows:

(a) Exploration costs

Exploration costs are accounted for in accordance with Canadian GAAP as disclosed in note 2(i). For US GAAP purposes, exploration costs relating to unproven mineral properties are expensed as incurred until completion of a feasibility study, after which exploration and development costs are capitalized.

(b) Deferred Start-up costs and revenues

US GAAP requires that operating profits and losses from newly commissioned operations be recorded at the time the first product is shipped. Canadian GAAP records gains and losses from the date commercial production commences. Under Canadian GAAP deferred start-up costs and revenues are amortized over the life of the project.

(c) Derivative contracts

Under US GAAP, SFAS 133 requires that all derivatives be recorded on the balance sheet as either assets or liabilities at their fair value. Changes in the fair value of derivatives are recognized in income of the current period unless specific accounting criteria are met. Commencing January 1, 2007, under Canadian GAAP, the Company adopted the new Financial Instrument Standard as disclosed in note 3.

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

18. Differences between Canadian and United States GAAP (continued)

(d) Future income taxes

Under US GAAP, the Company would recognize an additional $654 (2006 – $607) in future income tax assets related to the reconciliation items described under items (a), (b) and (g) of this note.

(e) FASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (Accounting for Income Taxes) (FIN 48)

In June 2006, the Financial Accounting Standard Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109 "Accounting for Income Taxes" (SFAS No. 109), by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effect(s) of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit.

With the adoption of FIN 48, companies are required to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. The Company adopted FIN 48 as of January 1, 2007. As a result of this adoption, the Company did not recognized any further increases or decreases in the liability for unrecognized tax benefits other than positions arising in the year ended December 31, 2007. A reconciliation of the beginning and ending amount of the unrecognized tax benefits is as follows:

Balance at January 1, 2007	$8,537
Additions based on tax positions related to the current year	1,343
Additions for tax positions of prior years	154
Reductions for tax positions of prior years	-
Settlements	-
Balance at December 31, 2007	$10,034

As at December 31, 2007, the Company has $10,034 unrecognized tax benefits. If recognized, none of the unrecognized tax benefit would affect the effective tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income taxes. During the years ended December 31, 2007, 2006 and 2005, the Company recognized approximately $236, $562 and $110 in interest and penalties. The Company had approximately $908 and $672 for the payment of interest and penalties accrued at December 31, 2007 and 2006 respectively.

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

18. Differences between Canadian and United States GAAP (continued)

The Company is subject to taxes in Canada, Brazil, China and Turkey. The tax years that remain subject to examination as of December 31, 2007 for these jurisdictions are:

Canada	2001 to the present
Brazil	2003 to the present
China	2007 to the present
Turkey	2003 to the present

(f) Investments

Under US GAAP, marketable securities are classified as “held to maturity”, “held for trading”, or “available-for-sale” in accordance with FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (“FAS 115”). Certain securities held by the Company would be classified as “available for sale” under FAS 115 and would be recorded at market value, with any unrealized gain or loss recorded in other comprehensive income.

Under Canadian GAAP prior to January 1, 2007, the company carried its investments in public companies at cost, less provision for other than temporary declines in value. Effective January 1, 2007, with the adoption of the new financial instrument standard (note 3) the company carries these investments at fair value with unrealized gains or losses recorded in other comprehensive income.

(g) Interest expense

Under Canadian GAAP, where the Company has secured debt financing to finance the cost of specific projects, interest is capitalized on the related construction and development project until the project begins commercial operation or development ceases, at which time the interest is charged to operations. Under US GAAP, interest is capitalized on an interest avoidance basis. Under this method, regardless of the application of the loan proceeds, any interest incurred is capitalized to the cost of any development or construction project to the extent of the lesser of the interest cost incurred or the amount that can be attributed to the cost of any capital development or construction costs and any uncapitalized interest is charged to operations.

(h) Bonus cash awards units

Under Canadian GAAP, bonus cash awards units are measured at the amount by which the quoted market value of the shares covered by the grant exceeds the option price. Under US GAAP, Statement 123 (R) requires that awards classified as liabilities be measured at fair value at each reporting date. The fair value is estimated using an option pricing model.

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

18. Differences between Canadian and United States GAAP (continued)

(i) Recent United States accounting pronouncements

(i) Fair value measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157) which provides a consistent definition of fair value which focuses on exit price and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. SFAS No. 157 requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 will be applied prospectively. The Company is currently evaluating the effects, if any, that SFAS No. 157 may have on its financial condition and results of operations.

(ii) Fair value option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities — including an Amendment of SFAS No. 115" (SFAS No. 159), which permits an entity to measure certain financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. The Statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. The Company does not expect the adoption of this standard to have a material impact on its financial condition and results of operations.

(iii) Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which retained the underlying concepts of SFAS No. 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but SFAS No. 141(R) changed the method of applying the acquisition method in a number of significant aspects.

SFAS No. 141(R) will require that: (1) for all business combinations, the acquirer records all assets and liabilities of the acquired business, including goodwill, generally at their fair values; (2) certain contingent assets and liabilities acquired be recognized at their fair values on the acquisition date; (3) contingent consideration be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled; (4) acquisition-related transaction and restructuring costs be expensed rather than treated as part of the cost of the acquisition and included in the amount recorded for assets acquired; (5) in step acquisitions, previous equity interests in an acquiree held prior to obtaining control be re-measured to their acquisition-date fair values, with any gain or loss recognized in earnings; and (6) when making adjustments to finalize initial accounting, companies revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they had been recorded on the acquisition date.

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

18. Differences between Canadian and United States GAAP (continued)

SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS No. 141(R) amends SFAS No. 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of this statement should also apply the provisions of SFAS No. 141(R). This standard will be applied to all future business combinations.

(iv) Non-controlling interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB 51" (SFAS No. 160) which amends ARB 51 to establish new standards that will govern the accounting for and reporting of no controlling interests in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Also, SFAS No. 160 requires that: (1) no controlling interest, previously referred to as minority interest, be reported as part of equity in the consolidated financial statements; (2) losses be allocated to the no controlling interest even when such allocation might result in a deficit balance, reducing the losses attributed to the controlling interest; (3) changes in ownership interests be treated as equity transactions if control is maintained; and, (4) upon a loss of control, any gain or loss on the interest sold be recognized in earnings. SFAS No. 160 is effective on a prospective basis for all fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which will be applied retrospectively. The Company is currently evaluating the effects, if any, that SFAS No. 160 may have on its financial condition and results of operations.

19. Subsequent events – reopening of the Kişladağ mine

On February 6, 2008 a decision was rendered by the 6th Department of the High Administrative Court in Ankara on the appeal of a Lower Administrative Court judgement in favour of the Ministry of Environment's awarding of the environment impact certificate for the Kişladağ mine. The High Administrative Court concluded that the existing expert reports prepared for the Lower Administrative Court were insufficient to make either a positive or negative decision on the merits of the case. The case has been returned to the Lower Administrative Court. The temporary injunction automatically expired with the decision on the case. Subsequent to the High Court ruling, the Company obtained the necessary operating permits and on March 6, 2008 the Kişladağ mine reopened and resumed production activities.

MANAGEMENT'S DISCUSSION and ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
and Audited Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 2007

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Management's Discussion & Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis (MD&A) reviews the business of Eldorado Gold Corporation ("Eldorado", "we" or "the Company") and compares the Company's financial results for 2007 with those of 2006 and 2005. For a comprehensive understanding of Eldorado's financial condition and results of operations, you should read this MD&A together with the consolidated financial statements and accompanying notes. Unless otherwise noted, all monetary amounts are in United States dollars. This MD&A is prepared as of March 25, 2008.

1. 2007 – Year in Review

Eldorado is a gold exploration, development, mining and production company based in Vancouver, Canada. We own and operate gold mines in Turkey, China and Brazil. During the year ended December 31, 2007, we:

- Reported record earnings of $0.10 per share (2006 – $0.01; 2005 – ($0.17) loss),
- Produced 281,135 ounces of gold at a cash cost of $236 per ounce (2006 – 135,653 ounces at $324 per ounce; 2005 – 64,298 ounces at $407 per ounce),
- Sold 266,012 ounces of gold at a realized average price of $674 per ounce (2006 – 127,552 ounces, $609 per ounce; 2005 – 66,804 ounces, $444 per ounce),
- Began commercial production at our Tanjianshan gold mine ("Tanjianshan mine" or "Tanjianshan") in China on February 1, 2007 and produced 138,162 ounces during the year at a cash cost of $288 per ounce,
- Completed the Phase 2 expansion of our Kişladağ gold mine ("Kişladağ mine" or "Kişladağ") in Turkey, effectively doubling its production capacity to 10 million tonnes of ore per year,
- Conducted exploration drilling that increased our estimated gold resource ounces by 33%,
- Completed a positive feasibility study on our Efemçukuru project ("Efemçukuru") and made progress in acquiring the land required for the project,
- Announced our decision to develop the Vila Nova Iron Ore Deposit ("Vila Nova") in Brazil,
- Temporarily suspended operations at our Kişladağ gold mine pending a decision by the Turkish high court on our environmental impact certificate. The operations were recommenced on March 6, 2008 (see Item 6 below) and
- Began reclamation and mine closure activities at our São Bento gold mine in Brazil.

Net Income for the Year

In 2007, Eldorado's profits increased substantially over the previous year. Our consolidated net income for 2007 was $35.4 million or $0.10 per share (2006 net income – $3.3 million or $0.01 per share; 2005 (net loss) – ($49.1 million) or ($0.17) per share).

The largest factors in our 2007 operating results were higher gold prices, increased gold production from our new mines and lower average production costs. Sales from Kişladağ totalled 142,725 ounces of gold (2006 – 63,352 ounces) at an average price of $660 per ounce (2006 – $619), while production cash costs averaged $189 per ounce (2006 – $206). Sales from Tanjianshan totalled 112,646 ounces of gold at an average price of $694 per ounce while production cash costs averaged $288 per ounce. Sales from São Bento totalled 10,641 ounces of gold (2006 – 64,200 ounces; 2005 – 66,804 ounces) at an average price of $649 per ounce (2006 – $598; 2005 – $444) while production cash costs averaged $208 per ounce (2006 – $454; 2005 – $407).

Financial Position

At December 31, 2007, we held $46.0 million in cash and short-term deposits (2006 – $60.0 million) and $74.0 million in restricted accounts. From this amount, $65.5 million was held against debt, (2006 – $79.6 million restricted cash, $50.0 million long-term debt), letters of credit of $nil (2006 – $21.3 million) and environmental reclamation obligations and electricity deposit of $8.5 million (2006 – $8.3 million). We remain hedge free.

2. Production

OPERATING DATA [1]	2007	2006	2005
TOTAL GOLD PRODUCTION			
Total ounces produced	281,135	135,653	64,298
Commercial production	268,643	135,653	64,298
Cash operating costs ($/oz) [4]	$ 236	$ 324	$ 407
Total cash cost ($/oz) [2, 4]	$ 263	$ 330	$ 416
Total production cost ($/oz) [3, 4]	$ 338	$ 343	$ 564
KISLADAG MINE, TURKEY [5]			
Commercial production	135,306	70,895	n/a
Cash operating costs ($/oz) [4]	$ 189	$ 206	n/a
Total cash cost ($/oz) [2, 4]	$ 192	$ 208	n/a
Total production cost ($/oz) [3, 4]	$ 224	$ 229	n/a
TANJIANSHAN MINE, CHINA [6]			
Total ounces produced	138,162	n/a	n/a
Commercial production	125,670	n/a	n/a
Cash operating costs ($/oz) [4]	$ 288	n/a	n/a
Total cash cost ($/oz) [2, 4]	$ 342	n/a	n/a
Total production cost ($/oz) [3, 4]	$ 472	n/a	n/a
SAO BENTO MINE, BRAZIL [7]			
Commercial production	7,667	64,758	64,298
Cash operating costs ($/oz) [4]	$ 208	$ 454	$ 407
Total cash cost ($/oz) [2, 4]	$ 224	$ 464	$ 416
Total production cost ($/oz) [3, 4]	$ 152	$ 467	$ 564

Notes
1 Cost figures calculated in accordance with the Gold Institute Standard.
2 Cash operating costs, plus royalties and off-site administration costs.
3 Total cash costs, plus foreign exchange gain or loss, depreciation, amortization and reclamation expenses.
4 Cash operating, total cash and total production costs are non-GAAP measures. See the section "Non-GAAP Measures" of this MD&A.
5 The Kişladağ gold mine temporarily ceased operations on August 18, 2007.
6 The Tanjianshan gold mine began commercial production on February 1, 2007.
7 Q2 was the last quarter of production at the São Bento mine.

In 2007, we produced 281,135 ounces of gold, a 107% increase over 2006 and 337% increase over 2005. This higher production was directly attributable to increased production at Kişladağ and the start of production at Tanjianshan, offset by the end of production activities at São Bento. Total combined cash operating costs in 2007 were $236 per ounce, 27% lower than 2006 and 42% lower than in 2005.

For 2008, we are forecasting production of 290,000 to 300,000 ounces at combined cash operating costs of $246 per ounce.

3. Operations

Tanjianshan Mine

The Tanjianshan mine began commercial production on February 1, 2007. Approximately 0.8 million tonnes of ore were milled in the eleven months ended December 2007 at an average grade of 6.23 g/t, resulting in 125,670 ounces of gold produced at an average cash operating cost of $288 per ounce.

Capital expenditures for the year were $43.2 million. The major components of the capital spending were for pre-stripping on the Jinlonggou ("JLG") pit and completing Phase I construction. In addition, we began work on the planned Phase II construction program, which will include a roaster facility to treat sulphide ore from the newly opened JLG pit as well as tailings dam expansion work. We expect the roaster to be completed by the fourth quarter of 2008.

We have negotiated a long-term mining contract to lower overall unit mining costs. The mining contractor has agreed to purchase our Company-owned mining fleet for its remaining book value. This will result in substantial cost savings over the life of the mine, as it became apparent in 2007 that our Company-owned-and-operated mining equipment was not cost competitive compared to similar equipment operated by the mining contractor.

Kişladağ Mine

During 2007, approximately 4.5 million tonnes of ore were placed on the leach pad at an average grade of 1.33 g/t and 135,306 ounces of gold were produced at an average cash operating cost of $189 per ounce. Mining operations were halted on August 18, 2007 due to a court injunction and remained suspended through the rest of 2007 (see item 6 - Legal).

Capital expenditures for the year were $50.9 million, which included purchasing a mining fleet, completing the Phase 2 expansion project and expanding the leach pad and ponds. Mining costs are projected to be lower with Company-owned-and-operated mining equipment than with equipment provided by the mining contractor, as the new fleet of large-capacity loaders and haul trucks will replace the lower capacity standard earth-moving equipment and loaders used by the mining contractor. We will be phasing out the mining contractor over the remainder of 2008.

São Bento Mine

All mining and production operations stopped at São Bento in the second quarter of 2007. Leading up to the closure, São Bento produced 7,667 ounces of gold at a cash operating cost of $208 per ounce in 2007, and gold sales totalled 10,641 ounces ($6.9 million).

The reclamation and closure of São Bento has been underway since the shutdown of mining operations in January 2007. In 2007, we spent $5.5 million against the projected reclamation liability of $10.0 million. We are assessing the possible uses of the mine's assets pending determination of our future operations in Brazil and elsewhere. All equipment from the underground mine has been substantially moved to surface.

4. Development

Efemçukuru

Infill and exploration drilling at Efemçukuru continued throughout most of 2007. The focus of the program was to reduce the drill spacing in the middle and south ore shoots, explore the down dip extension of these shoots and extend our current knowledge of the north ore shoot. In 2007, we drilled 143 holes for a total of 23,865 meters.

Wardrop Engineering of Vancouver completed a Feasibility Study on the Efemçukuru project in August 2007. The study is based on a conventional underground mine operating plan using cut and fill and longhole mining methods and supported by a flotation/gravity recovery circuit located on site. Concentrate produced from the circuit will be treated at a dedicated cyanide leach plant located at our Kişladağ operation in Usak province. The results of the feasibility study indicate a proven and probable reserve of 1,221,000 gold ounces, mined over a 9.4 year period. Life of mine cash costs are $227 per ounce, and the probability of increasing the reserve base is considered high.

To date approximately 60% (43.1 hectares out of a total of 74.2 hectares) of the land required for the mining operation has been purchased. The Company continues to work with villagers and government to acquire the balance of the land. We expect to have resolution by the second quarter of 2008.

Vila Nova Iron Ore

In 2006 a scoping study was completed outlining a 5.0 million tonne ore body in an open pit. This study was updated in 2007 to reflect increased ore prices. A 9.0 million tonne run-of-mine ("ROM") pit was designed.

The pit reserve is 9.3 million tonnes ROM ore at 61% Fe. The finished products average 63-64% Fe in the 9 year life-of-mine ("LOM") plan.

During the year, the ownership between DSI and Eldorado changed from 50/50% to 25/75%, the 75% now owned by Eldorado. The construction schedule targets Q4, 2008 for completion. First shipments of ore are anticipated for Q1, 2009.

5. Exploration Review

In 2007, our exploration expenditures, including $3.0 million in capitalized drilling costs at our Tanjianshan mine rose to $14.6 million (2006 – $12.7 million; 2005 – $7.4 million) as we expanded exploration activity in Brazil, Turkey and China. Exploration costs in Brazil, mostly related to the Vila Nova Gold property, totalled $3.6 million. We incurred exploration expenditures totalling $6.5 million in Turkey, $3.1 million in China, and $1.4 million in other locations. Exploration expenditures by country were as follows:

	2007 ($000s)	2006 ($000s)	2005 ($000s)
Brazil	3,588	6,027	4,688
Turkey	6,500	4,319	859
China	3,102	147	1,232
Other	1,444	2,226	607
Total Exploration	14,634	12,719	7,386

In 2008, we will use our exploration budget of $6.9 million to continue to explore in Turkey, Brazil and China. Our exploration strategy is to develop a pipeline of properties that take advantage of our strategic positions in the countries where we operate.

Turkey

Exploration this past year focused on our properties in the Biga Peninsula area and Pontides region.

The key Biga properties that we worked on were Kirazli, Kuscayiri and Dogancilar. Despite positive results at both Kirazli and Kuscayari, further work was suspended due to the proximity to a water catchment area used by numerous towns and villages. At Dogancilar, we tested a vein system with eight drill holes but results were negative. However, soil sampling produced numerous anomalies that will be followed up by trenching in 2008.

In the Pontides region, we worked on the Kapikaya, Aydogon Tepe and Bahcecik properties. Kapikaya and Aydogon Tepe results were negative and no further work will be done on these properties.

Reconnaissance work at Bahcecik defined a three kilometre east-west trending altered and mineralized corridor containing pyrite mineralized vuggy silica outcrops. Rock chip sampling yielded numerous plus gram per tonne results. More detailed mapping and sampling are planned for 2008.

Brazil

At the beginning of 2007 we received final assay results for the Vila Nova gold property. With no intervals of significant grade and/or mineralized widths, we declined the option to continue our participation in the joint venture.

We focused our exploration work on our 152,000 hectares of 100% owned license adjacent to and around the former joint venture license block in Amapa State. Our work focused on mapping and geochemical sampling in license areas covering regional geophysical-based targets. No geochemical anomalies or geologic encouragement were observed during the field work and subsequent data reviews, and we discontinued our gold exploration efforts in this region.

We also completed our evaluation of our second Amapa State property, Tartarugalzinho. Auger drill testing of numerous gold-in-soil anomalies failed to match the geochemical anomalies. The anomalies appear to be the result of intense laterite development. No further work will be done on this property.

By year-end, we began working to identify new targets in the Carajas and Tapajos regions in Para State. We are in the process of planning work programs for 2008 on newly acquired claims in and around areas of known gold mineralization.

China

Exploration at our Tanjianshan ("TJS") property consisted of near-deposit and regional targets. Our near-deposit targets included Jinlonggou ("JLG") North and Xijingou ("XJG") at the JLG deposit, and QLT South and QLT Deep around the Qinlongtan ("QLT") deposit. TJS regional targets consisted of QLT Far South, WDG and HLG–LBG. We augmented our mapping and trenching programs on these targets with diamond drilling, completing 19,800 meters in 146 holes in 2007. We also drilled 10 reverse circulation holes totalling 925 meters.

The program at JLG North, located immediately north of our JLG deposit, successfully defined numerous high grade gold zones in a structurally complex setting. Drilling southeast of JLG tested mineralized structures in diorite and phyllite units in the XJG area. Results returned numerous gold mineralized zones, confirming and extending earlier first quarter results. We are planning additional drilling in 2008 for XJG.
Around our QLT deposit, we tested for the continuation of the existing mineralization below the planned pit bottom. Drilling access was limited due to mining operations but further drilling will be conducted in 2008.

Work on the regional targets will continue in 2008.

6. Legal

In the continuing litigation by certain third parties concerning the operation of our Kişladağ mine against the Turkish Ministry of Environment ("MOE") and the Company, the plaintiff has sought to cancel the Environmental Positive Certificate for Kişladağ on the basis of alleged threats to the environment and deficiencies in the Environmental Impact Assessment study ("EIA"). A judgment on the litigation at a Lower Administrative Court was in our favour. The plaintiff appealed that decision. As a result of the appeal on July 19, 2007 the 6th Department of Council of State ordered the shutdown of the Kişladağ mine pending a decision on the case.

On August 18, 2007, we shut down mining operations except those activities approved by the Turkish authorities related to sound environmental practices. The mine remained shut down during the rest of 2007.

On February 6, 2008 a decision was rendered by the 6th Department of the High Administrative Court in Ankara concluding that the existing expert reports prepared for the Lower Administrative Court were insufficient to make either a positive or negative decision on the merits of the case. The case is likely to return to the Lower Administrative Court where it is most probable that a new expert committee will be assigned to review the case. The temporary injunction automatically expired with the decision on the case. The Company obtained the necessary permits from the Turkish governmental authorities and on March 6, 2008 the Kişladağ mine reopened and resumed production activities.

During the third quarter of 2007, litigation by certain third parties was also filed against the MOE and the Company seeking to cancel the Environmental Positive Certificate for Efemçukuru on the basis of alleged threats to the environment. This litigation has not affected the development of Efemçukuru. We are confident in both the methodology and legality of the Efemçukuru EIA. On this basis, we believe our defence of this action will be successful. If we are unsuccessful in defending this litigation, or if an injunction is sought and issued, then our ability to conduct mining operations at Efemçukuru may be adversely affected.

7. Review of Financial Results

Net Income (Loss)

Our consolidated net income for 2007 was $35.4 million or $0.10 per share (2006 net income – $3.3 million or $0.01 per share; 2005 net loss – ($49.1 million) or ($0.17) per share). Higher gold prices, increased gold production from our new mines, and lower average production costs were the largest factors contributing to the improved 2007 financial results.

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 in 2007 increased 131% over 2006 (504% over 2005) due to increases in both selling prices and ounces sold. Selling prices in 2007 increased 11% over 2006 (52% over 2005). Ounces sold in 2007 increased 109% over 2006 (298% over 2005), reflecting the increased production from the Kişladağ and Tanjianshan mines.

	2007	2006	2005
Gold ounces sold			
Kişladağ	142,725	63,352	-
Tanjianshan	112,646	-	-
São Bento	10,641	64,200	66,804
Total gold ounces sold	266,012	127,552	66,804
Average selling price per ounce	$ 674.04	$ 608.70	$ 444.28
Gold revenues (000s)	$ 179,302	$ 77,641	$ 29,680

Interest and Other Income

Interest income earned on cash, short-term money market investments and restricted cash balances held during 2007 was $7.5 million (2006 – $6.2 million; 2005 – $3.5 million). Other income of $1.9 million in 2007 (2006 – $0.8 million; 2005 – $0.6 million) was related to Brazilian consumption tax credits and Kişladağ mine employment incentive subsidies.

Operating Costs

Operating costs in 2007 increased 59% over 2006 (105% over 2005) due to increased ounces sold offset by lower unit costs of production. Unit costs of production fell due to lower cost production from Kişladağ and Tanjianshan replacing higher cost production from São Bento.

	2007		2006		2005	
	($000s)	$/oz [1]	($000s)	$/oz [1]	($000s)	$/oz [1]
Kişladağ	28,107	197	13,468	213	-	-
Tanjianshan	41,017	364	-	-	-	-
São Bento	3,567	335	32,382	504	35,378	530
Total operating costs	72,691	273	45,850	359	35,378	530

Notes
[1] 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 $20.0 million was significantly higher than the expense of $1.8 million in 2006 (2005 – $9.8 million), reflecting eight months of operations at the Kişladağ mine (2007 – $4.2 million; 2006 – $1.5 million), and eleven months of operations at the Tanjianshan mine (2007 – $15.5 million, the first year of operation). DD&A expense not related to operations was $0.3 million (2006 – $0.3; 2005 – $ 0.3). Following the 2005 São Bento asset impairment write-down to estimated salvage value, no DD&A was charged to the São Bento operations in 2006 and 2007 (2005 – $9.5 million).

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 $26.8 million increased $7.8 million over 2006 and $11.9 million over 2005, primarily due to the addition of administrative staff. Other reasons for the increase in 2007 were increased spending on corporate development activities, internal control evaluation requirements, environmental and legal consultants and stock-based compensation costs allocated to general administrative expense and the impact of the strengthening Canadian dollar versus the US dollar.

Exploration Expense

Exploration activities are discussed in the section "Exploration Review" of this MD&A.

Mine Standby and Restructuring Costs

Mine standby and restructuring costs reflect the costs of maintaining our Kişladağ gold mine on standby as well as severance costs related to our Tanjianshan gold mine. Kişladağ costs in the amount of $5.9 million during the shutdown have been charged directly to expense. These costs include labour ($3.0 million), equipment repairs ($1.0 million) and mine support ($1.9 million). Severance costs in the amount of $0.7 million relate to our decision to outsource mining activities to a contractor at our Tanjianshan gold mine.

Foreign Exchange (Gain) Loss

Our monetary assets (cash and accounts receivable) held in several currencies (Canadian dollars, Turkish liras, Chinese renminbi and Brazilian reals) increased in value as measured in US dollars, resulting in a $2.6 million increase in foreign exchange gains over 2006. The Turkish lira, in particular, strengthened from 1.41 lira to the US dollar at the end of 2006 to 1.16 lira to the US dollar at the end of 2007, resulting in a foreign exchange gain of $2.8 million mainly related to value added taxes receivable. Foreign exchange losses on our loans denominated in Chinese renminbi partially offset the foreign exchange gains in other currencies.

Gain on Disposal of Assets

We incurred gains on the disposal of assets totalling \$3.8 million (2006 – \$0.9 million). The 2007 disposals included a \$3.6 million gain on the sale of our Aurizona Joint Venture interest in the Brazilian Piaba Project and a \$0.2 million gain on the sale of investments. As the sale agreement on the Piaba project provides for certain downstream performance-related option payments, the recognized gain on sale during the year ended 2007 has been recorded at the estimated fair value of the contracted total sales price. As the Piaba project was never classified as a development project, it had no recorded value on our balance sheet.

Interest and Financing Costs

Interest expense in 2007 was \$3.4 million, compared to \$1.6 million and \$0.1 million in 2006 and 2005 respectively. Interest expense in the first half of 2006 was nominal as interest on the Term Revolving Credit Facility (see "Capital Resources") was capitalized until commercial production began at Kişladağ in July 2006. Similarly, interest expense of \$0.5 million on construction loans for the Tanjianshan mine has only been charged to operations since February 1, 2007, when the Tanjianshan mine went into commercial production.

During 2007, we repaid \$10.0 million on the revolving long-term credit facility related to our Turkish activities and \$15.4 million for the term bank indebtedness advanced as a construction loan at Tanjianshan. During the second half of 2007, we drew down \$15.0 million on the revolving credit facility for our Turkish activities and \$10.1 million in a new revolving long-term credit facility related to our Chinese activities. As a result, we expect interest expense to continue at its current levels.

Income Taxes

Current income tax expense for 2007 was \$4.8 million (2006 – \$2.1 million; 2005 – \$0.2 million). With the changes in the Chinese tax law we understand that the Company may not be eligible for the two-year tax holiday and reduced tax rate of 15% for six years previously given to our project. Based on discussions to date, Chinese tax authorities have indicated that our Tanjianshan mine can qualify as an "Encouraged Project," resulting in a 15% tax rate for the years 2007 to 2010 instead of the normal rate of 33% (25% for the years 2011 forward). In Turkey, prior years' tax loss carry forward credits and investment incentive allowance tax credits fully offset income taxes, resulting in no current income tax expense for 2007. These tax credits were depleted at the end of 2007 and we expect to pay income taxes in Turkey in 2008 based on a 20% tax rate.

Future tax expense in the amount of \$17.3 million (2006 – (recovery) \$1.5 million; 2005 – expense \$0.3 million) resulted from expenses that were deductible for tax purposes but not for accounting purposes. Future tax expense included \$9.5 million related to our Turkish subsidiary, \$4.6 million related to our Brazilian subsidiary and \$3.2 million related to our Chinese subsidiary.

Unrealized Gain on Derivative Contract

With the closure of the São Bento mine, the energy contracted for the remainder of 2007 and 2008 exceeds the estimated consumption for such period and, as required by an accounting standard related to financial instruments issued by the Canadian Institute of Chartered Accountants in 2005, this contract was classified as a derivative financial instrument, which is measured at fair value with unrealized gains or losses reported in earnings. This resulted in a fair value of the asset of \$3.0 million and the recognition of an unrealized gain for the year of \$2.1 million.

8. Liquidity

Operating activities after working capital requirements generated $69.8 million in 2007 (2006 – operating activities used $22.5 million). The improvement in cash generation was attributable to increased sales revenues and operating margins from our two gold mines.

In 2007, we invested $94.5 million in mineral property, plant and equipment and $13.5 million in deferred development expenditures. At Kişladağ, capital expenditures relating mostly to the Phase 2 expansion program totalled $50.9 million. Capital expenditures at Tanjianshan relating to construction and equipment purchases totalled $43.2 million. At São Bento, we had no capital expenditures as the operation was shut down in the first quarter of 2007. Other capital expenditure not related to operations totalled $0.4 million.

We received net proceeds of $9.5 million in consideration for issuing 3,060,309 common shares during 2007 related to the exercise of stock options.

At December 31, 2007, we held $46.0 million in cash and short-term deposits (December 2006 – $60.0 million) and a further $74.0 million in restricted collateral accounts (December 2006 – $79.6 million), which securitize: debt with $65.5 million (December 2006 – $50.0 million); letters of credit amounting to $nil (December 2006 – $21.3 million); and $8.5 million environmental and electricity deposits with the Turkish authorities (December 2006 – $8.3 million).

Following the acquisition of Afcan Mining Corporation in September 2005, we assumed certain non-interest-bearing loans. The undiscounted face value of the loan as at December 31, 2007 was $0.5 million (December 2006 – $0.8 million). The loan is repayable in equal annual instalments of $0.4 million on December 31 each year with a final instalment of $0.1 million due December 31, 2009.

Contractual Obligations
The Company's contractual obligations at December 31, 2007, comprise:

	(000s)					
	2008 $	2009 $	2010 $	2011 $	2012 and later $	Total $
Debt	10,462	150	55,000	-	-	65,612
Capital leases	72	63	36	6	-	177
Operating leases	2,410	1,660	1,660	1,660	3,887	11,277
Purchase obligations	48,383	16,952	15,498	15,498	15,447	111,778
Totals	61,327	18,825	72,194	17,164	19,334	188,844

Purchase obligations from 2009 forward relate solely to Kişladağ operations, including the estimated commitments under the current external mining contractor agreement and unhedged diesel fuel purchase commitments for 2008 through 2012. Interest is not included in the debt commitments other than imputed interest in the Sino Gold loan.

9. Capital Resources

Cash and Working Capital
At December 31, 2007, we had cash and short-term investments of $46.0 million and working capital of $97.6 million, compared with $60.0 million of cash and short-term investments and working capital of $102.2 million at the beginning of the year. The decrease in cash and short-term investments was primarily attributable to self-financing our capital expenditures programs.

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

Revolving Credit Facilities
In April 2005, our wholly owned subsidiary, Tüprag Metal Madencilik Sanayi Ve Ticaret Limited Surketi ("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 December 31, 2007, the Company has drawn $55.0 million in six tranches at a weighted average interest rate of 5.52%. Each tranche typically has a maturity of approximately 13 months.

At December 31, 2007, $10.0 million remained available under the Revolving Credit Facility.

In November 2007, our 90% owned subsidiary, Qinghai Dachaidan Mining Limited ("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 review and renewal annually. The Facility is secured by way of an irrevocable letter of credit drawn on HSBC Bank USA, National Association ("HSBC"). Eldorado should maintain at all times a security coverage ratio of 105% of the amounts drawn down. The letter of credit has an expiry date of November 8, 2008 and is secured by Eldorado's funds held by HSBC as restricted cash. The Facility can be drawn down in minimum tranches of $0.1 million. Each drawdown bears interest fixed at the prevailing lending rate stipulated by the People's Bank of China with a 10% markdown. As at December 31, 2007, the Company has drawn down $10.1 million (RMB 73.5 million) at a weighted average interest rate of 5.994%. Each tranche has a maturity of six months.

At December 31, 2007, $4.9 million remained available under the Facility.

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 December 31, 2007 of $0.5 million.

Equity
At December 31, 2007, the Company had 344.2 million (2006 – 341.1 million; 2005 – 302.6 million) common shares issued and outstanding. There have been no material changes to the number of shares outstanding since December 31, 2007.

10. Summary of Quarterly Results and Fourth Quarter Review

	($000 except per share amounts)			
	Year ended December 31, 2007			
	4th Quarter $	3rd Quarter $	2nd Quarter $	1st Quarter $
Revenue	28,512	40,038	76,662	43,487
Net income (loss)	(9,105)	5,213	26,731	12,582
Earnings (loss) per share - US$:				
Basic	(0.03)	0.02	0.08	0.04
Diluted	(0.04)	0.02	0.08	0.04

	Year ended December 31, 2006			
	4th Quarter $	3rd Quarter $	2nd Quarter $	1st Quarter $
Revenue	31,273	30,723	13,265	9,428
Net income (loss)	5,342	5,199	215	(7,456)
Earnings (loss) per share - US$:				
Basic	0.01	0.02	0.00	(0.02)
Diluted	0.01	0.02	0.00	-

The fourth quarter of 2007 was impacted by the shutdown of our Kişladağ mine as gross margin from our Tanjianshan mine of $15.7 million was insufficient to offset other expenses (depreciation, general and administrative costs, exploration costs and mine standby costs).

11. Off-Balance Sheet Arrangements

None.

12. 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.

Asset Retirement Obligation
When assessing the carrying value of the asset retirement obligation, we estimate, among other things, 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.

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.

13. Future Canadian Accounting Pronouncements

Recent Canadian accounting pronouncements
The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The company will adopt the requirements commencing in the interim period ended March 31, 2008 and is considering the impact this will have on the company's financial statements.

Capital Disclosures, Section 1535
This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital,
- summary quantitative data about what it manages as capital,
- whether during the period it complied with any externally imposed capital requirements to which it is subject,
- when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Inventories, Section 3031
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 write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Financial Instruments - Disclosures, Section 3862
This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable 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.

International Financial Reporting Standards ("IFRS")
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 IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The 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 the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

14. 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 recognizance exploration. 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. Determination of 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.

We also 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 obtain financing through joint venture projects, debt financing and 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 as described under Item 6 – Legal of this MD&A and under the heading "Development Projects – Turkey Projects" in the Company's Annual Information Form and the litigation risks discussed therein, we are also involved in various legal proceedings. Defence and settlement costs can be substantial, even with respect to 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 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 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.

15. 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 cost of sales is included below:

Cash operating cost	**($000s except cash operating cost per ounce)**		
	2007	**2006**	**2005**
Gold ounces sold	266,012	127,552	66,804
	$	**$**	**$**
Operating costs	72,691	45,850	35,378
Royalty expense and production taxes	(7,343)	(824)	(564)
Effects of inventory adjustments	(979)	(771)	(400)
Fair value of stock option grants	(1,504)	(359)	(171)
Expense of contractual severance costs	-	(1,377)	(1,801)
Expense of certain development costs	(113)	(1,129)	(5,260)
Cash operating cost	62,752	41,390	27,182
Cash operating cost per ounce	$ 236	$ 324	$ 407

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.

16. Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

17. Disclosure of Outstanding Share Data

The following table describes the share capital structure as at March 25, 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		344,599,694
Share purchase options	5.72	10,578,125

18. Control and Procedures

Disclosure Controls and Procedures
Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in the rules of the U.S. Securities and Exchange Commission and Canadian Securities Administration, as at December 31, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective, due to the material weakness in our amortization of costs incurred in the pre-production phase, as described in Management's Report on Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting
The Company'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.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of the Company's internal control over financial reporting.

A material weakness is a control deficiency, or combination of control deficiencies, that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Specifically, effective controls were not maintained to ensure the consistent application of the amortization policy for costs incurred in the pre-production phase of a multiple pit operation. This control deficiency resulted in an increase of depreciation expense of $3.3 million, and additional charge of $1.4 million to inventory resulting in an increase in accumulated depreciation of $4.7 million. Accordingly Management has determined that this control deficiency constitutes a material weakness in the Company's internal controls over financial reporting.

The effectiveness of internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, who have expressed their opinion in their report included with the Company's annual consolidated financial statements.

Plans for remediation

This is the first year that the Company has operated a multiple pit mining operation and accounting policies and procedures for the amortization of development costs for those operations were not adequately addressed. Management will be implementing a clearly defined accounting policy and procedure which adequately addresses the amortization of development costs related to multiple pit mining operations.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

19. 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 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 the 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.