



eldorado gold

**March 31, 2005**

**Report to Shareholders**

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April 27, 2005

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Eldorado Gold Corporation**  
**Consolidated Balance Sheets**  
**(Expressed in thousands of U.S. dollars)**

March 31,  
2005

December 31,  
2004

(Unaudited)

**ASSETS**

Current Assets

Cash and cash equivalents	\$	120,703	\$	135,390
Accounts and other receivables		7,925		8,705
Inventories		5,875		5,927
		<u>134,503</u>		<u>150,022</u>

Property, plant and equipment		62,718		52,337
Mineral properties and deferred development		22,818		22,676
Investments and advances		562		1,224
	\$	<u>220,601</u>	\$	<u>226,259</u>

**LIABILITIES**

Current Liabilities

Accounts payable and accrued liabilities	\$	7,467	\$	6,005
		<u>7,467</u>		<u>6,005</u>

Asset retirement obligation		8,180		8,059
Contractual severance obligation		742		636
Future income taxes		4,499		4,598
		<u>20,888</u>		<u>19,298</u>

**SHAREHOLDERS' EQUITY**

Share capital (Note 3)		509,405		508,373
Contributed surplus		1,094		1,094
Stock based compensation		5,815		5,138
Deficit		(316,601)		(307,644)
		<u>199,713</u>		<u>206,961</u>
	\$	<u>220,601</u>	\$	<u>226,259</u>

Commitments and Contingencies (Note 4)  
Subsequent Events (Note 7)

Approved by the Board

**"Paul N. Wright"**

Director

Approved by the Board

**"Robert Gilmore"**

Director

# Eldorado Gold Corporation

## Consolidated Statements of Operations and Deficit

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

	Three months ended	
	March 31, 2005	March 31, 2004
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Gold sales	\$ 7,234	\$ 8,973
Interest and other income	648	967
	<u>7,882</u>	<u>9,940</u>
<b>Expenses</b>		
Operating costs	7,982	6,265
Depletion, depreciation and amortization	2,515	1,059
General and administrative	2,457	1,245
Exploration expense	1,154	927
Stock based compensation expense	1,364	3,316
Accretion of asset retirement obligation	121	107
Gain on disposal of investments and advances	-	(37)
Writedown of investments and advances	662	-
Foreign exchange loss	608	236
	<u>16,863</u>	<u>13,118</u>
<b>Loss before income taxes</b>	<u>(8,981)</u>	<u>(3,178)</u>
Tax recovery (expense)		
Current	(72)	1,845
Future	96	670
<b>Net loss for the period</b>	<u>(8,957)</u>	<u>(663)</u>
Deficit at the beginning of the period:	(307,644)	(293,702)
Deficit at the end of the period	<u>(316,601)</u>	<u>(294,365)</u>
<b>Weighted average number of shares outstanding</b>	<u>276,336,250</u>	<u>254,236,824</u>
<b>Basic and Diluted loss per share - U.S.\$</b>	<u>(0.03)</u>	<u>-</u>
<b>Basic and Diluted loss per share - CDN.\$</b>	<u>(0.04)</u>	<u>-</u>

**Eldorado Gold Corporation**  
**Consolidated Statements of Cash Flows**  
**(Expressed in thousands of U.S. dollars)**

Three months ended  
March 31,                      March 31,  
2005                              2004

	(Unaudited)	(Unaudited)
<b>Cash flows from (used in) operating activities</b>		
Net loss for the period	\$ (8,957)	\$ (663)
Items not affecting cash		
Depletion, depreciation and amortization	2,515	1,059
Future income taxes	(96)	(670)
Interest and financing costs	-	-
Writedown of investments and advances	662	-
Amortization of hedging loss	-	329
Stock based compensation expense	1,364	3,316
Contractual severance expense	106	80
Accretion of asset retirement obligation	121	107
Foreign exchange loss	795	516
	<u>(3,490)</u>	<u>4,074</u>
(Increase) decrease in accounts receivable	780	(769)
(Increase) decrease in inventories	52	427
(Decrease) increase in accounts payable and accrued liabilities	1,462	(2,167)
	<u>(1,196)</u>	<u>1,565</u>
<b>Cash flow from investing activities</b>		
Property, plant and equipment	(12,896)	(2,979)
Mineral properties and deferred development	(142)	(10,394)
Investments and advances	-	(35)
Proceeds from disposals of investments and advances	-	69
	<u>(13,038)</u>	<u>(13,339)</u>
<b>Cash flow from financing activities</b>		
Issue of common shares:		
Voting - for cash	345	450
	<u>345</u>	<u>450</u>
Foreign exchange loss on cash held in foreign currency	(798)	(511)
<b>Net decrease in cash and cash equivalents</b>	<u>(14,687)</u>	<u>(11,835)</u>
Cash and cash equivalents at beginning of the period	<u>135,390</u>	<u>105,465</u>
<b>Cash and cash equivalents at end of the period</b>	<u>\$ 120,703</u>	<u>\$ 93,630</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2005 and 2004 (in thousands of U.S. dollars except per share and per ounce amounts)

### 1. Nature of Operations

Eldorado Gold Corporation ("Eldorado", "the Company") is engaged in gold mining and related activities, including exploration and development, extraction, processing, and reclamation. Gold, the primary product, is produced in Brazil. Development and construction of a mine and processing facility is underway in Turkey. Exploration activities are carried on in Brazil, Turkey and China.

The Company has not determined whether all its development properties contain ore reserves that are economically recoverable. The recoverability of the amount shown for mineral properties and deferred development is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing, licenses and permits to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The amounts shown as mineral properties and deferred development represent net costs to date, less amounts amortized and/or written off and do not necessarily represent present or future values.

### 2. Significant Accounting Policies

#### *Basis of presentation*

These interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. These interim financial statements should be read in conjunction with the most recent annual financial statements of the company.

These financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company.

#### *Earnings (loss) per share*

Earnings or loss per share are presented for basic and diluted net income (loss). A basic earnings per share is computed by dividing net income or loss by the weighted average number of outstanding common shares for the period. The computation of diluted earnings per share reflects the dilutive effect of the exercise of stock options and warrants outstanding at the period end using the treasury stock method.

### 3. Share Capital

#### *(a) Authorized and Issued Share Capital*

Eldorado's authorized share capital consists of an unlimited number of voting and non-voting common shares with no par value. At March 31, 2005 the Company has nil non-voting shares outstanding. The details of the voting common shares issued and outstanding are as follows:

2005	Shares Issued	Amount
Shares at beginning of the year	276,263,776	\$ 508,373
Shares for exercised stock options	195,167	345
Stock based compensation	-	687
Shares at March 31, 2005	<u>276,458,943</u>	<u>\$ 509,405</u>

#### *(b) Share option plan*

As at March 31, 2005, the Company has share option plans as described in the most recent annual financial statements of the Company. The Company accounts for its grants under those plans in accordance with the fair value based method of accounting for stock based compensation. Compensation costs charged against net income in 2005 for the plans were \$1,364.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2005 and 2004 (in thousands of U.S. dollars except per share and per ounce amounts)

### 3. Share Capital (continued)

A summary of the terms and status of Company's outstanding options at March 31, 2005 and the changes for the period ending on that date is presented below:

Options	Three months ended March 31, 2005	
	Outstanding Options	Weighted average exercise price - Cdn.\$
Outstanding at the beginning of the period	5,638,000	3.25
Granted	1,870,000	3.38
Exercised	(195,167)	2.17
Expired/Cancelled	(75,000)	3.53
Outstanding at the end of the period	7,237,833	3.32
Options exercisable at period end	5,991,166	3.30

The following table summarizes information about share options outstanding as at March 31, 2005.

Number Outstanding At March 31, 2005	Weighted-Average Remaining Contractual Life (years)	Weighted Average Exercise Price - Cdn\$
95,000	1.32	0.39
364,000	2.20	1.09
1,089,000	3.26	2.97
3,836,500	3.89	3.67
1,853,333	4.76	3.38
7,237,833	3.90	3.32

The following table summarizes information about the warrants outstanding as at March 31, 2005.

Number Outstanding At March 31, 2005	Weighted-Average Remaining Contractual Life (years)	Weighted Average Conversion Price - Cdn.\$
12,442,650	0.40	4.10

On August 16, 2004 the expiry date of the warrants issued in connection with the completed financing of August 25, 2003 was extended from August 25, 2004 to August 25, 2005.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2005 and 2004 (in thousands of U.S. dollars except per share and per ounce amounts)

### 4. Commitments and Contingencies

The Company's contractual obligations at March 31, 2005, including payments due for each of the periods indicated, are summarized as follow:

Contractual obligations	Payments due in							Total
	2005	2006	2007	2008	2009	2010 +		
Operating leases	\$ 208	\$ 215	\$ 170	\$ 170	\$ 174	\$ 945	\$ 1,882	
Capital expenditures	19,803	12	-	-	-	-	19,815	
Purchases obligations	5,878	6,607	6,607	6,209	-	-	25,301	
<b>Total</b>	<b>\$ 25,889</b>	<b>\$ 6,834</b>	<b>\$ 6,777</b>	<b>\$ 6,379</b>	<b>\$ 174</b>	<b>\$ 945</b>	<b>\$ 46,998</b>	

### 5. Guarantee

São Bento Mineração has made a guarantee deposit of approximately \$529 relating to a tax case. The Company estimates that this amount will be refunded once the tax case has been settled.

### 6. Segmented Information

All of Eldorado's operations are related to the gold mining industry. In 2005 and 2004 Eldorado had a single producing mine, São Bento with mining and exploration assets located in South America and Turkey. In 2003, the Company began exploration activities in China.

	Three months	
	ended March 31 2005 (unaudited)	ended March 31 2004 (unaudited)
<b>Gold sales</b>		
São Bento Mine	\$ 7,234	\$ 8,973
	<b>7,234</b>	<b>8,973</b>
<b>Operating costs</b>		
São Bento Mine	7,982	6,265
Accretion of asset retirement obligation	121	107
	<b>8,103</b>	<b>6,372</b>
<b>Depletion, depreciation and amortization</b>		
São Bento Mine	2,476	1,044
	<b>2,476</b>	<b>1,044</b>
Corporate expenses, net of interest and other income	(2,456)	(492)
Exploration expense	(1,154)	(927)
Stock based compensation	(1,364)	(3,316)
Write down of investments and advances	(662)	-
<b>Profit (loss) before income taxes</b>	<b>(8,981)</b>	<b>(3,178)</b>
<b>Tax recovery (expense)</b>		
Current	(72)	1,845
Future	96	670
<b>Net income (loss) for the period</b>	<b>\$ (8,957)</b>	<b>\$ (663)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1st Quarter ended March 31, 2005 and 2004 (in thousands of U.S. dollars except per share and per ounce amounts)

### 6. Segmented Information (continued)

	Three months ended	
	March 31 2005 (unaudited)	March 31 2004 (unaudited)
<b>Revenues by geographic area</b>		
North America	\$ 376	\$ 448
South America	7,506	9,439
Turkey	-	53
	<b>\$ 7,882</b>	<b>\$ 9,940</b>
<b>Net (loss) income by geographic area</b>		
North America	\$ (3,847)	\$ (4,763)
South America	(3,559)	4,063
Turkey	(1,551)	37
	<b>\$ (8,957)</b>	<b>\$ (663)</b>
<b>Segment assets</b>		
São Bento - Consolidated	\$ 68,365	\$ 91,877
Total assets for reportable segments	<b>68,365</b>	<b>91,877</b>
Turkey - Consolidated	63,666	55,089
Canada	88,570	79,293
	<b>\$ 220,601</b>	<b>\$ 226,259</b>
<b>Assets by geographic area</b>		
North America	\$ 88,529	\$ 79,293
South America	68,403	91,877
Turkey	63,669	55,089
	<b>\$ 220,601</b>	<b>\$ 226,259</b>

### 7. Subsequent Event

On April 6, 2005 Tüprag Metal Madencilik Snayi Ve Ticaret Limited Surketi ("Tüprag"), a wholly-owned subsidiary of the Company, entered into a Revolving Credit Facility ("Facility") for \$65 million dollars with HSBC Bank USA, National Association ("HSBC Bank"). The Facility is secured by cash deposits, equivalent to the amounts advanced by HSBC Bank to Tüprag, to a cash collateral account over which the HSBC Bank holds security.

## MANAGEMENT DISCUSSION AND ANALYSIS

1st Quarter ended March 31, 2005 and 2004

### 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 the first quarter ("Q1") of 2005 with those of Q1 2004. 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.

The MD&A has been prepared effective March 31, 2005, unless otherwise stated, and contains certain "Forward-Looking Statements" within the meaning of section 21E of the United States Securities Exchange Act of 1934, as amended. All statements included here, other than statements of historical fact, and including without limitation statements regarding potential mineralization and reserves, exploration results and future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that these statements will prove to be accurate, and actual results and future events could differ materially from them.

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.

#### 1. 2005 – First Quarter in Review

Eldorado is a gold producer based in Vancouver, Canada. We own and operate the São Bento Gold Mine (the "São Bento mine", or "São Bento") in Brazil and are constructing the Kisladag mine in Turkey. We also explore for and/or acquire precious mineral properties for exploration and develop gold mineralized properties into mines.

##### *Vila Nova*

On April 7, 2005, we signed an agreement to acquire 84% of the Vila Nova project located in Amapa State, Brazil. Under the terms of the agreement, we will spend a minimum of \$200,000 in exploration before March 20, 2006 and pay \$5.2 million, staged in a series of payments over a three-year period. We reserve a right of termination. The Vila Nova project is situated approximately 90 kilometers northwest of the state capital of Macapa.

The Vila Nova project is located in lower proterozoic rocks of the Guyana Shield that are host to several major gold deposits, including Las Cristinas, Omai, Rosebel and Amapari. The geological setting is similar to what is found at our São Bento mine.

Garimpero workings extend for a strike length of over six kilometers on the main mineralized trend, exploiting gold from the oxidized weathered zone and also from un-oxidized bedrock. We believe that there is excellent potential for both additional oxide mineralization and a structurally controlled banded iron formation hosted deposit.

##### *Net Loss for the Quarter*

The consolidated net loss for Q1 2005 was \$8.96 million or (\$0.03) per share compared with a net loss of \$0.66 million or (\$0.00) per share in Q1 2004. The loss in Q1 2005 is due to lower gold sales and higher operating costs at the São Bento mine.

## MANAGEMENT DISCUSSION AND ANALYSIS

1st Quarter ended March 31, 2005 and 2004

### ***Gold Sales***

In Q1 2005, we sold 16,910 ounces of gold for \$7.23 million at an average realized selling price of \$428 per ounce. This compares to Q1 2004 gold sales of 22,793 ounces at a realized average price of \$394 per ounce, or \$408 per ounce excluding \$0.33 million in hedging loss amortization.

### ***Financial Position***

Eldorado is in a strong financial position. At March 31, 2005, we held \$120.70 million in cash and short-term deposits. We remain debt free and hedge free. We have sufficient funds to construct the \$63.10 million Kisladag mine, carry out our planned exploration programs in Turkey and Brazil and pursue new opportunities in China and elsewhere.

### ***Revolving Credit Facility***

On April 6, 2005 Tüprag Metal Madencilik Sanayi Ve Ticaret Limited Surketi (“Tüprag”), a wholly-owned subsidiary of the Company, entered into a Revolving Credit Facility (“Facility”) for \$65 million dollars with HSBC Bank USA, National Association (“HSBC Bank”). The Facility is secured by cash deposits, equivalent to the amounts advanced by HSBC Bank to Tüprag, to a cash collateral account over which the HSBC Bank holds security.

Funds advanced under the Facility will be utilized for the construction of the Kisladag mine. When the Kisladag mine achieves production the net earnings of Tüprag will be directed to repayment of the Facility and funds in the cash collateral account will be released to the Company in parallel with such repayments.

### ***Kisladag Mine Construction***

In Q1 2005, we continued construction of earthworks as part of the first phase of the leach pad at Kisladag. We have mobilized the construction workforce at the mine site and will complete our review of project costs and timing in Q2 2005. A stronger Turkish Lira, wet winter conditions and higher fuel and steel costs have all impacted the project’s costs and timing. Kisladag mine construction is planned for completion in Q4 2005, with commissioning leading to startup as planned by the end of 2005.

We expect the Kisladag mine to begin producing gold at an annualized rate of 164,000 ounces in its first year of operations, increasing in year two to 240,000 ounces. Cash operating costs are expected to be \$165 per ounce for a planned mine life of 14 years.

### ***Lower Production at São Bento Mine***

In Q1 2005, production at the São Bento mine was 14,311 ounces of gold at a cash cost of \$407 per ounce compared with 21,158 ounces of gold at a cash cost of \$276 per ounce in Q1 2004. We have slowed production at São Bento to prioritize the completion of the shaft-deepening project.

### ***Ongoing Exploration in Brazil and Turkey***

We continue to focus our exploration activities in Brazil and Turkey, completing detailed mapping, sampling and initial drill programs at various sites in these two countries.

## **2. Outlook**

### ***Production***

In 2005, we are forecasting production of 72,000 ounces at our São Bento mine, at a cash cost of \$320 per ounce. We will complete the shaft-deepening project at São Bento in Q3 2005 and will expand the São Bento mine’s ventilation system.

## MANAGEMENT DISCUSSION AND ANALYSIS

1st Quarter ended March 31, 2005 and 2004

### *Development*

We expect to complete the construction of the Kisladag mine in Turkey, on time and on budget, in December 2005.

Litigation by certain third parties continues against Tüprag and the Turkish Ministry of Forestry and Environment seeking to cancel the Kisladag environmental positive certificate for Kisladag on the basis of an alleged threat to the environment. We are confident with both the methodology of the Environmental Impact Assessment (“EIA”) Report and Tüprag’s compliance with all procedural steps taken in obtaining the Kisladag environmental positive certificate. We continue to believe that ultimately such litigation will be successfully defended.

As part of the EIA process for our Efemçukuru project, a public meeting was held at the town of Efemçukuru on February 2, 2005 by the Turkish Ministry of Forestry and Environment to obtain input from local residents about our proposed mine. The meeting was well attended and provided excellent dialogue with and input from the local residents. We will address the questions and concerns of local residents in our EIA study for submission to the Ministry of Forestry and Environment in Q2 2005. Once we receive a positive certificate, we will prepare a Feasibility Study and obtain the necessary permits to construct and operate the mine. We currently have the data needed to prepare the Feasibility Study, and we expect to complete it by Q2 2006. Our development schedule for the Efemçukuru project, following approval of the EIA, anticipates that the mine will begin producing gold in late 2007.

Litigation by certain third parties continues against Tüprag and the Turkish Ministry of Energy and Natural Resources seeking to cancel the mineral license for the Efemçukuru project on the basis of an alleged threat to the water quality in the local catchment area. In the course of the litigation against the Ministry and Tüprag concerning the Efemçukuru project, a lower administrative court has issued an injunction which, while in effect, would bar the commencement of mining activities at the Efemçukuru project. We are confident that we will prevail in the case when it is heard in the higher courts. We do not anticipate a delay in the overall project as a consequence of the legal proceedings. Permitting activities are continuing.

### *Exploration*

Our exploration program for the coming year is focused on Brazil, Turkey and China.

#### Brazil

The Company believes at the Vila Nova Project that there is excellent potential for both additional oxide mineralization and a structurally controlled banded iron formation hosted deposit. We have budgeted \$1.80 million in exploration expense for this project in 2005, and are immediately embarking on a work program. We will also continue our exploration work at Cassipore and Tartarugalzinho.

#### Turkey

In Turkey, we intend to advance our pipeline of projects with particular emphasis on the AS project (Demir JV) and the Koyulhisar project (Western Pontides). Both of these projects will be the targets of diamond drilling during the upcoming field season.

#### China

We continue to pursue and evaluate exploration opportunities in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

1st Quarter ended March 31, 2005 and 2004

### 3. Exploration Activity in the First Quarter of 2005

During the first quarter, we continued to pursue exploration activities in Turkey and Brazil.

#### Turkey

At Toplak Tepe, in Turkey's Western Pontide belt, we drilled six reverse circulation holes for 744 meters to test a gold and base metal geochemical anomaly. At Keditasi in Western Turkey, five holes were drilled for 108 meters, targeting a gold soil geochemistry anomaly and an area of pervasive silification.

In the Demir JV area, bulldozer work was started on a road designed to cross the center of the deposit at the AS project. This road will provide access for mapping, sampling and diamond drilling.

#### Brazil

In addition to the Vila Nova acquisition we have continued our exploration work at Cassipore and Tartarugalzinho.

### 4. Review of Financial Results

#### *Net (Loss) Income*

In Q1 2005, our consolidated net loss was \$8.96 million or (\$0.03) per share, compared with a net loss of \$0.66 million or (\$0.00) per share in Q1 2004.

#### *Revenues*

Our revenues consist of sales of gold bullion, which is sold to a number of large institutions.

	Q1	Q1
REVENUE - (\$000)	2005	2004
Gold	\$ 7,234	\$ 9,302
Effects of hedging	-	(329)
Total gold sales	\$ 7,234	\$ 8,973
Interest and other income	648	967
	<u>\$ 7,882</u>	<u>\$ 9,940</u>

#### Interest and Other Income

Interest and other income for Q1 2005 was \$0.65 million, consisting of \$0.62 in interest income earned on cash and short-term money market investments. Interest and other income for Q1 2004 was \$0.97 million consisting of \$0.46 million in interest income earned on cash and short-term money market investments and \$0.51 of other income relating to Brazilian tax credits.

## MANAGEMENT DISCUSSION AND ANALYSIS

1st Quarter ended March 31, 2005 and 2004

### *Expenses*

	Q1	Q1
EXPENSES - (\$000)	2005	2004
Operating costs	\$ 7,982	\$ 6,265
Depletion, depreciation and amortization	2,515	1,059
General and administrative	2,457	1,245
Exploration expense	1,154	927
Stock based compensation expense	1,364	3,316
Foreign exchange (gain) loss	608	236
Write-down of investments	662	-
Other	121	70
	<u>\$ 16,863</u>	<u>\$ 13,118</u>

### Operating Costs

The operating costs for the São Bento mine include \$1.53 million of certain development costs. These development costs have been charged to operating costs based on the reduction of the estimate of probable reserves reported at December 31, 2004. In addition we made a decision in Q1 2005 to reduce production rates to focus on the completion of the Shaft Deepening Project and expend additional resources on implementing tighter ground control practices at depth. These factors combined with the appreciation of the Brazilian Real (“\$R”) are reflected in the higher cash costs per ounce for the quarter.

### Depletion, Depreciation and Amortization

Depletion, depreciation and amortization expense increased in Q1 2005 due to the reduced mine life of the São Bento mine, which is now forecast to end in late 2007 or early 2008.

### General and Administrative

The higher administrative expense in Q1 2005 is a result of increased administrative and start-up costs in Turkey related to the Kisladag mine. Administrative staffs have been employed to hire and train a core operating team at the Kisladag mine.

### Exploration Expense

The significant increase in our exploration activities in Brazil, Turkey and China accounted for the increase in exploration expense spending. In Brazil, we established an office in Belo Horizonte to coordinate exploration activities throughout the country.

### Stocked-Based Compensation Expense

The Company uses fair-value accounting for awards of stock options to employees, officers and directors under its share option plans. In Q1 2005, 1,870,000 options were granted to Eldorado employees and officers resulting in an expense of \$1.36 million. In Q1 2004, 3,390,000 options were granted to Eldorado employees, officers and directors resulting in an expense of \$3.32 million.

### Foreign Exchange (Gain) Loss

In Q1 2005, the Canadian dollar weakened against the US dollar resulting in a \$0.61 million foreign exchange loss on \$83.8 million Canadian funds held. In Q1 2004, the Canadian dollar weakened against the US dollar resulting in a foreign exchange loss of \$0.24 million on \$70.4 million Canadian funds held.

### Write-down of investments

On November 28, 2003 the Company purchased 2,500,000 units of Fury Explorations Ltd. (“Fury”) at a price of \$0.47 per unit. Despite a strong gold price Fury’s share price has been falling and as a result we

## MANAGEMENT DISCUSSION AND ANALYSIS

1st Quarter ended March 31, 2005 and 2004

wrote down the investment to market at the quarter end. At March 31, 2004 Fury's market price was \$0.20 per share resulting in a write-down of \$0.66 million.

### *Income Taxes*

Current tax expense for Q1 2005 was \$0.07 million compared to a tax recovery of \$1.85 million in Q1 2004. The recovery in 2004 resulted from the reversal of the remaining Brazilian withholding tax liability from the completion of the restructuring of our inter-company debt.

Future income tax recovery was \$0.10 million in Q1 2005, compared to a future income tax recovery of \$0.67 million in Q1 2004. The recovery in 2004 is a result of a depreciation of the Brazilian Real ("R") in Q1 2004 and a partial reversal of the previously booked foreign exchange gain on the inter-company loans.

## 5. Review of Mining Operations

São Bento Mine	2005	2004
<b>Operating Data<sup>1</sup></b>		
<b>Gold Production</b>		
Ounces	14,311	21,158
Cash Operating Costs (\$/oz) <sup>5</sup>	\$ 407	\$ 276
Total Cash Costs (\$/oz) <sup>2,5</sup>	\$ 417	\$ 284
Total Production Costs (\$/oz) <sup>3,5</sup>	\$ 593	\$ 341
Realized Price (\$/oz sold) <sup>4</sup>	\$ 428	\$ 408
<b>São Bento Mine</b>		
Tonnes to Mill	67,328	90,586
Grade (grams/tonne)	8.31	8.18
Average Recovery Rate (%)	89.3	89.9

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

<sup>2</sup> Cash Operating Costs, plus royalties and the cost of off-site administration.

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

<sup>4</sup> Excludes amortization of deferred gain or loss.

<sup>5</sup> Cash operating, total cash and total production costs are non-GAAP measures that do not have any standardized meaning as prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities. Please see the section "Non-GAAP Measures" of the MD&A.

Gold production of 14,311 ounces in Q1 2005 at the São Bento mine in Brazil was 32% lower than production in Q1 2004. We have decided to slow down the ore production schedule at São Bento in order to focus on completing the shaft-deepening project. The deepening of the concrete-lined shaft by 270 meters from the 23<sup>rd</sup> to the 28<sup>th</sup> level, which has created more challenging working conditions underground due to a high level of waste handling. We expect this to be completed in Q3 2005 at an approximate cost of \$3.93 million in 2005 and will provide a bottom working elevation of 1,300 meters below surface.

The São Bento mine is also facing increasingly challenging ground conditions at depth, which has prompted us to implement tighter ground control practices. These factors, combined with the appreciation of the Brazilian currency, the R, have resulted in an increase in cash costs on a per ounce basis to US\$407/oz in Q1 2005 versus US\$276/oz in Q1 2004. We expect gold production and cash costs to improve in Q3 2005 once the shaft deepening project is commissioned. We are forecasting production of

## MANAGEMENT DISCUSSION AND ANALYSIS

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72,000 ounces at cash costs of US\$320/oz for São Bento in 2005, assuming an average exchange rate of 2.75 \$R to the US dollar.

In Q1 2005, we completed 863 meters of in-fill drilling and 1,290 meters of exploration drilling underground to better delineate reserves and upgrade inferred resources to the measured and indicated category.

São Bento Mine	Q1	Q1
Gold Production and Cost per Ounce	2005	2004
Direct mining expense	\$ 410	\$ 269
Inventory change	(14)	-
Refining and selling costs	8	5
Vancouver costs	4	3
By-product credits	(1)	(1)
Cash operating costs per ounce	\$ 407	\$ 276
Royalties and production taxes	10	8
Total cash costs per ounce	\$ 417	\$ 284
Depletion, depreciation and amortization	165	49
Foreign exchange (gain) loss	2	3
Accretion of asset retirement expense	9	5
Total production costs per ounce	\$ 593	\$ 341

## 6. Financial Conditions and Liquidity

### *Cash from Operations*

The decrease from Q1 2004 to Q1 2005 resulted primarily from higher cash operating costs at the São Bento mine and lower gold sales. Both higher cash operating costs and lower gold sales are a direct result of the continued congestion at the bottom of the mine as a result of construction related to the shaft deepening and the requirement to handle waste and haul ore to the surface for processing.

### *Investing Activities*

In Q1 2005 we invested \$13.0 million in property, plant and equipment. At the São Bento mine, our capital expenditures of \$2.67 million were primarily related to underground ventilation and underground development. Capital expenditures of \$10.10 million at the Kislada mine relate to construction activities.

### *Financing Activities*

Eldorado at March 31, 2005 is debt free and unhedged.

### *Proceeds from the Issue of Common Shares*

We raised \$0.35 million in Q1 2005 from the exercise of stock options.

We believe Eldorado has the cash available and the ability to generate sufficient amounts of cash from operations in the short and long term to maintain planned production. We also believe that we will be able to raise capital as needed in the capital markets as opportunities for expansion arise.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### *Cash Resources and Liquidity*

At March 31, 2005, we had cash and short-term investments of \$120.70 million resulting in working capital of \$127.04 million, compared with \$135.39 million and working capital of \$144.02 million at the beginning of the year. The decrease in cash and short-term investments primarily resulted from our expenditures for property, plant and equipment.

### 7. Contractual Obligations

Our contractual obligations at March 31, 2005, including payments due for each of the periods indicated, are summarized as follows:

Contractual obligations (\$000)	Payments due in						Total
	2005	2006	2007	2008	2009	2010 +	
Operating leases	\$ 208	\$ 215	\$ 170	\$ 170	\$ 174	\$ 945	\$ 1,882
Capital expenditures	19,803	12	-	-	-	-	19,815
Purchases obligations	5,878	6,607	6,607	6,209	-	-	25,301
Total	<u>\$ 25,889</u>	<u>\$ 6,834</u>	<u>\$ 6,777</u>	<u>\$ 6,379</u>	<u>\$ 174</u>	<u>\$ 945</u>	<u>\$ 46,998</u>

Capital expenditures in 2005 of \$19,803 relate to purchases for the construction of the Kisladag mine. Purchase obligations of \$5,878 relate to energy, oxygen and other contracts at the São Bento mine.

### 8. Summary of Quarterly Results and First Quarter Review

(\$000) except per share amounts	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
	2005	2004	2004	2004
Revenue	\$ 7,882	\$ 9,560	\$ 9,156	\$ 7,259
Net income (loss) <sup>1</sup>	\$ (8,981)	\$ (10,263)	\$ (1,343)	\$ (1,673)
Basic (loss) Income per share - U.S.\$	(0.03)	(0.04)	-	(0.01)
Diluted (loss) Income per share - U.S.\$	(0.03)	(0.04)	-	(0.01)

  

	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
	2004	2003	2003	2003
Revenue	\$ 9,940	\$ 9,592	\$ 9,841	\$ 9,348
Net income (loss) <sup>1</sup>	\$ (663)	\$ (46,528)	\$ (1,631)	\$ 1,447
Basic (loss) Income per share - U.S.\$	-	(0.21)	(0.01)	0.01
Diluted (loss) Income per share - U.S.\$	-	(0.21)	(0.01)	0.01

<sup>1</sup> Net Income (loss) figures have been restated for the quarters to reflect the non-cash year end adjustments in fiscal 2003.

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### 9. Critical Accounting Estimates

The Company utilizes certain critical accounting estimates as follows:

#### *Reserves and Resources*

Mineral reserves have been 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) applies different standards in order to classify mineralization as a reserve. The project mineral reserves are classified as such by both Canadian and US regulatory authorities.

Cautionary note to US investors concerning estimates of inferred mineral resources: We advise US investors that while this term is recognized and required by National Instrument 43-101 under Canadian regulations, the US Securities and Exchange Commission does not recognize it. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility or other economic study. US investors are cautioned not to assume that any part or all of an inferred mineral resource exists or is economically or legally mineable.

#### *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.

#### *Gold Price*

We estimate the future price of gold based on historical trends and published forecasted estimates. Our five-year plan currently assumes the following prices:

	2005	2006	2007	2008	2009
Gold price (US\$/oz)	400	375	375	375	350

The resulting average price is \$375 per ounce.

#### *Operating Costs*

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

#### *Stock-Based Compensation*

When determining the fair-value for awards of stock options to employees, officers and directors using the Black Scholes Model.

#### *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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### 10. Risks and Uncertainties

#### *Gold Price*

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

#### *Exploration and Development*

The costs and results of our exploration and development programs affect Eldorado's profitability and value. Since mines have finite lives based on proven reserves, we actively seek to replace and expand our reserves, primarily through acquisitions, exploration and development of our existing operations, and reconnaissance exploration. 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 is dependent on the appropriate application of the laws in the countries in which we operate.

#### *Capital and Operations*

Our exploration and development activities and our operations are located in Brazil, Turkey and China and face potential political risks in these countries. As well, 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.

As we currently have only one producing mine, any adverse development affecting São Bento would have a negative impact on our financial performance.

We also rely on a number of key employees. Our success depends on attracting and retaining qualified personnel in a competitive labour environment.

We have sufficient financial resources to undertake our planned exploration and development program. Further exploration and development of mineral resource properties or acquisitions beyond this 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws and permits, any changes to these laws in the future 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.

### ***Legal Proceedings***

The nature of our business subjects us to regulatory investigation, claims, lawsuits and other proceedings in the ordinary course of business. We cannot predict the outcome of these legal proceedings with certainty.

### ***Currency Fluctuations***

We operate in numerous countries – including the US, Canada, Brazil, Turkey and China – 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 Brazil, Turkey and China. These operations are potentially subject to a number of political, economic and other risks which may have an impact on our future operations and financial position.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### 11. Non-GAAP Measures

Throughout this document, we have provided measures prepared according to Canadian Generally Accepted Accounting Principles (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 are unlikely to 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:

Reconciliation of Cash Operating Costs per Ounce <sup>1</sup>	Q1 2004	Q1 2003
Gold Ounces Sold	16,910	22,793
Cash Operating Cost - (\$000)		
Operating costs	\$ 7,982	\$ 6,265
Royalty expense and production taxes	(138)	(173)
Effects of inventory adjustments	560	199
Expense of certain development costs	(1,528)	-
Cash Operating Cost	<u>\$ 6,876</u>	<u>\$ 6,291</u>
Cash Operating Cost per ounce	<u>\$ 407</u>	<u>\$ 276</u>

<sup>1</sup> Cash operating costs are calculated in accordance with the Gold Institute Standard. Cash costs are derived from amounts included in the Statement of Operations and include the São Bento mine site operating costs excluding the above.