

Consolidated Financial Statements of:
CANDORADO OPERATING COMPANY LTD.

March 31, 2008

(Unaudited – prepared by Management)

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.

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS
As at March 31, 2008 and December 31, 2007

| | March 31 2008 (unaudited) | December 31 2007 (audited) |
|--|--|----------------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 82,070 | \$ 439,803 |
| Marketable securities (Note 3) | 74,000 | 63,000 |
| Taxes recoverable and other receivables | 87,053 | 198,255 |
| Due from related parties (Note 6) | 36,783 | 8,049 |
| Prepaid and advances | 82,782 | 38,541 |
| Restricted shares (Note 3,4 j,4k(viii)) | 118,000 | 126,000 |
| | 480,688 | 873,648 |
| RECLAMATION BOND | 6,000 | 6,000 |
| EQUIPMENT (Note 5) | 40,092 | 42,642 |
| MINERAL PROPERTIES (Note 4) | 5,264,801 | 4,933,850 |
| | \$ 5,791,581 | \$ 5,856,140 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 168,422 | \$ 350,184 |
| Contingent Liabilities (Note 9) | | |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 7 (b)) | 8,941,783 | 8,578,808 |
| CONTRIBUTED SURPLUS (Note 7(e)) | 1,139,355 | 1,139,355 |
| OTHER COMPREHENSIVE INCOME (Note 8) | 44,000 | 45,000 |
| DEFICIT | (4,501,979) | (4,257,207) |
| | 5,623,159 | 5,505,956 |
| | \$ 5,791,581 | \$ 5,856,140 |

Approved on behalf of the Board:

/s/ Kirk Reed
Kirk Reed – Director

/s/ Rene Bernard
Rene Bernard – Director

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LIMITED
STATEMENTS OF LOSS AND DEFICIT
For the Three Months ended March 31
(Un-audited – prepared by management)

| | March 31 | March 31 |
|---|-----------------------|-----------------------|
| | 2008 | 2007 |
| ADMINISTRATIVE EXPENSES | | |
| Bank charges and interest, net interest | \$ 185 | \$ 153 |
| Consulting fees | 28,206 | 37,748 |
| Depletion and depreciation | 2,550 | 794 |
| Insurance | 13,500 | — |
| Investor relations | — | 23,895 |
| Listing and filing fees | 9,900 | 10,739 |
| Management fees (Note 6) | 15,000 | 15,000 |
| Office and general (Note 6) | 9,714 | 6,539 |
| Professional fees | 2,940 | 27,725 |
| Property evaluation | 106,926 | — |
| Shareholder communication | 9,805 | 24,666 |
| Stock based compensation | — | 395,520 |
| Transfer agent fees | 1,348 | 5,197 |
| Travel | 16,839 | 10,381 |
| Vehicle Expenses | 3,890 | 6,451 |
| Wages | 21,566 | 6,680 |
| Net Loss before other items | (242,369) | (571,488) |
| OTHER ITEMS | | |
| (Loss) gain on sale of marketable securities | (2,402) | 240,281 |
| Gain on sale of mineral properties | — | 4,017 |
| Loss for the period | (244,771) | (327,190) |
| Deficit, beginning of period | \$ (4,257,207) | \$ (3,605,679) |
| Deficit, end of period | \$ (4,501,979) | \$ (3,932,869) |
| Loss per common share | \$ (\$0.01) | \$ (\$0.01) |
| Weighted average number of common shares | 46,790,366 | 38,834,974 |

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months ended March 31
(Un-audited – prepared by management)

| | March 31 | | March 31 |
|--|---------------------|-----------|------------------|
| | 2008 | | 2007 |
| Loss for the period before comprehensive loss | \$ (244,771) | \$ | (327,190) |
| Unrealized gain on available for sale investments (Note 8) | 44,000 | | 218,000 |
| Comprehensive loss for the period | \$ (200,771) | \$ | (109,190) |

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months ended March 31

(Un-audited – prepared by management)

March 31
2008

March 31
2007

OPERATING ACTIVITIES

| | | | | |
|---------------------------------------|----|-----------|----|-----------|
| Net loss for the period | \$ | (244,771) | \$ | (327,190) |
| Adjust for item not affecting cash: | | | | |
| Depreciation | | 2,550 | | 794 |
| Gain on sale of marketable securities | | 2,402 | | (240,281) |
| Gain on sale of mineral properties | | — | | (4,017) |
| Stock based compensation | | — | | 395,520 |

Net changes in non-cash working capital items:

| | | | | |
|--|--|-----------------|--|------------------|
| Accounts payable and accrued liabilities | | 181,762 | | (31,065) |
| Due (from) to related parties | | 1,758 | | (82,346) |
| Prepays and advances | | (74,733) | | (459,696) |
| Taxes recoverable and receivables | | 111,202 | | 16,909 |
| Net Cash Used in Operating Activities | | (19,830) | | (731,372) |

INVESTING ACTIVITIES

| | | | | |
|---|--|------------------|--|-----------------|
| Mineral property exploration | | (518,178) | | (333,901) |
| Proceeds from the sale of marketable securities | | — | | 288,281 |
| Purchase of equipment | | — | | (38,438) |
| Net Cash Used in Investing Activities | | (518,178) | | (84,058) |

FINANCING ACTIVITIES

| | | | | |
|--|--|----------------|--|------------------|
| Proceeds from issuance of common shares | | 180,275 | | 1,653,125 |
| Share subscriptions | | — | | 35,000 |
| Share issue costs | | — | | (50,846) |
| Net Cash Provided by Financing Activities | | 180,275 | | 1,637,279 |

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS \$ (357,733) \$ 821,849

CASH & CASH EQUIVALENTS, beginning of period \$ 439,803 \$ 314,132

CASH & CASH EQUIVALENTS, end of period \$ 82,070 \$ 1,135,981

SUPPLEMENTAL CASH FLOW INFORMATION

| | | | | |
|-------------------|----|---|----|---|
| Interest paid | \$ | — | \$ | — |
| Income taxes paid | \$ | — | \$ | — |

NON-CASH FINANCING ACTIVITIES

| | | | | |
|--------------------------------------|----|---------|----|---------|
| Shares issued for mineral properties | \$ | 182,000 | \$ | 306,750 |
|--------------------------------------|----|---------|----|---------|

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all to the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited interim financial statements have been prepared in accordance with the accounting principles and policies described in the Company's annual financial statements for the year ended December 31, 2007, and should be read in conjunction with those statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral properties

The Company capitalizes the acquisition cost of mineral properties and related exploration and development costs. The amounts shown for mineral properties represent costs incurred to date, less write-offs, and do not necessarily reflect present or future values. These costs will be amortized over the estimated productive lives of the properties following the commencement of commercial production using the unit of production method. If a property is subsequently abandoned, sold or determined not to be economic, all related costs are written down. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to previous agreements or transfers and title may be affected by undetected title defects. The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Equipment

Equipment is recorded at cost and is depreciated on a straight line basis at a rate of 20% per annum.

Estimates and assumptions

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 year. Actual results could differ from those estimates.

Financial instruments

The fair value of the Company's cash, marketable securities, taxes recoverable and other receivables, accounts payable and accrued liabilities and due to/from related parties were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. It was not practicable to determine the fair value of the amounts due to the related parties. The amounts due to the related parties are non-interest bearing and have no specific terms of repayment. Management does not believe the Company is exposed to significant credit, interest rate or financial risks.

Loss per share

Loss per share computations is based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented separately as the outstanding stock options and warrants are anti-dilutive.

Comparative figures

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Stock-based compensation plan

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

Marketable securities

The Company records its investment in marketable securities at market value. Market value is based on the closing price of the security at the balance sheet date. Changes in fair value are recognized in comprehensive income

Cash and cash equivalents

Cash equivalents include highly liquid term investments, where the initial terms to maturity are less than 90 days. At March 31, 2008, the Company has no cash equivalents.

3. MARKETABLE SECURITIES AND RESTRICTED SHARES

| | March 31, 2008 | | | December 31, 2007 | | |
|----------------------------------|----------------|------------------|------------------|-------------------|------------------|------------------|
| | No. of Shares | Cost | Fair Value | No. of Shares | Cost | Fair Value |
| New Cantech Ventures Inc. | | | | | | |
| - Shares available for sale | 300,000 | \$48,000 | \$51,000 | 300,000 | \$48,000 | \$63,000 |
| - Restricted shares | 300,000 | \$48,000 | \$51,000 | 600,000 | \$96,000 | \$126,000 |
| Callinan Mines Limited | | | | | | |
| - Shares available for sale | — | \$— | \$— | — | — | — |
| - Restricted shares | 50,000 | \$67,000 | \$90,000 | — | — | — |
| Total | 650,000 | \$163,000 | \$192,000 | 900,000 | \$144,000 | \$189,000 |

CANDORADO OPERATING COMPANY LTD.
Notes to Financial Statements

Three Months Ended March 31, 2008

4. MINERAL PROPERTIES

| | <u>British Columbia properties</u> | | | | | | | | | | | March 31 2008 | |
|--|------------------------------------|-------------------|--------------------|-----------------|------------------|--------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|---------------------|
| | Serb Creek | Quesnel Trough | Murphy Lake | Eldorado | Pitt Island | Man Prime | Riley/ Summer | Hefly Creek | Deer/ Friendly | Rayfield | Other | | Aurora Extension |
| <i>Exploration and development costs beginning of period</i> | \$14,985 | — | \$856,891 | \$18,517 | \$17,736 | \$1,337,545 | \$279,367 | \$128,727 | \$381,712 | \$63,863 | \$151,792 | \$125,663 | \$3,376,798 |
| Incurred during the year: | | | | | | | | | | | | | |
| Cash in lieu, assessment work reports | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Drilling | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Sampling and assaying | — | — | 6,469 | — | — | 31,624 | — | — | 7,128 | — | 42,234 | — | 87,455 |
| Helicopter, transport and rentals | — | — | — | — | — | 382 | — | — | 203 | — | — | — | — |
| Field work | — | — | — | — | — | 435 | — | — | — | — | 410 | — | 845 |
| Geophysical work | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Site Costs, management fees | — | — | 544 | — | — | 6,825 | — | — | 787 | — | 3,262 | — | 11,418 |
| Maps, field supplies and misc | — | — | 8,461 | — | — | 9,130 | — | 1,654 | 682 | 1,263 | 14,438 | — | 35,628 |
| Geological consulting and reports | — | — | 6,833 | — | — | 6,650 | — | 1,384 | 15,740 | 523 | 13,623 | — | 44,753 |
| Deferred exploration, end of period | 14,985 | — | 879,197 | 18,517 | 17,736 | 1,392,590 | 279,367 | 131,765 | 406,252 | 65,649 | 225,760 | 125,663 | 3,557,481 |
| <i>Acquisition costs, beginning of period</i> | 117,719 | 175,042 | 162,414 | 108,561 | 126,556 | 56,705 | 42,036 | 10,792 | 90,421 | 11,231 | 572,575 | 83,000 | 1,557,052 |
| Additions during the period: | | | | | | | | | | | | | |
| Capital stock issued | — | — | — | — | — | 182,000 | — | — | — | — | — | — | 182,000 |
| Finders fees | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Staking fees | — | — | 725 | — | — | — | — | 2,350 | — | — | — | — | — |
| Property payments | — | — | — | — | — | — | 50,000 | 10,000 | — | — | 95,000 | — | — |
| Reimbursement of staking costs | (13,814) | — | — | (1,482) | — | — | — | — | — | — | — | — | (15,296) |
| Property payments cash received | — | — | — | (100,000) | — | — | — | — | — | (50,000) | — | — | (150,000) |
| Property payments shares received | — | — | — | — | — | — | — | — | — | (67,000) | — | — | (67,000) |
| Acquisition costs, end of period | 103,905 | 175,042 | 163,139 | 7,079 | 126,556 | 238,705 | 92,036 | 23,142 | 90,421 | (105,769) | 710,064 | 83,000 | 1,707,320 |
| Total Mineral Properties | \$118,890 | \$175,042 | \$1,042,337 | \$25,596 | \$144,292 | \$1,631,295 | \$371,403 | \$154,907 | \$496,673 | (\$40,120) | \$935,824 | \$208,663 | \$5,264,801 |

CANDORADO OPERATING COMPANY LTD.
Notes to Financial Statements

Three Months Ended March 31, 2008

4. MINERAL PROPERTIES (Cont'd)

| 2007 | British Columbia properties | | | | | | | | | | Ontario | | December 31 2007 |
|--|-----------------------------|------------------|--------------------|-----------------|------------------|--------------------|------------------|------------------|------------------|-----------------|------------------|------------------|--------------------|
| | Serb Creek | Quesnel Trough | Murphy Lake | Eldorado | Pitt Island | Man Prime | Riley/ Summer | Hefley Creek | Deer/ Friendly | Rayfield | Other | Aurora Extension | |
| <i>Exploration and development costs beginning of year</i> | \$4,243 | \$ — | \$488,560 | \$18,517 | \$12,425 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 5,058 | \$ 125,663 | \$ 654,466 |
| Incurred during the year: | | | | | | | | | | | | | |
| Cash in lieu, assessment work reports | 10,512 | — | 6,620 | — | 5,311 | 4,095 | — | — | — | — | 5,564 | — | 32,102 |
| Drilling | — | — | 97,153 | — | — | 622,553 | — | 46,466 | 149,760 | — | — | — | 915,932 |
| Sampling and assaying | — | — | 20,773 | — | — | 67,389 | 27,731 | 4,899 | 32,498 | 13,430 | 20,701 | — | 187,420 |
| Helicopter, transport and rentals | — | — | 13,078 | — | — | 59,214 | 6,863 | 18,733 | 22,902 | 210 | 9,609 | — | 130,610 |
| Field work | — | — | 95,673 | — | — | 247,576 | 93,633 | 8,841 | 26,076 | 14,788 | 78,380 | — | 564,967 |
| Geophysical work | — | — | 18,845 | — | — | 4,350 | 100,605 | 5,220 | — | — | — | — | 129,020 |
| Site Costs, management fees | — | — | 66,172 | — | — | 183,396 | 31,438 | 23,261 | 53,687 | 13,920 | 21,248 | — | 393,122 |
| Maps, field supplies and misc | — | — | 7,969 | — | — | 20,466 | 1,608 | 1,381 | 5,475 | 4,474 | 2,820 | — | 44,193 |
| Geological consulting and reports | 230 | — | 42,048 | — | — | 128,506 | 17,489 | 19,926 | 91,314 | 17,041 | 8,412 | — | 324,966 |
| Deferred exploration, end of year | 14,985 | — | 856,891 | 18,517 | 17,736 | 1,337,545 | 279,367 | 128,727 | 381,712 | 63,863 | 151,792 | 125,663 | 3,376,798 |
| <i>Acquisition costs, beginning of year</i> | 27,416 | 46,212 | 180,489 | 89,678 | 85,159 | — | — | — | — | 5,987 | 99,480 | 18,000 | 552,421 |
| Additions during the year: | | | | | | | | | | | | | |
| Capital stock issued | 72,000 | 78,750 | — | 30,000 | 32,250 | — | 22,500 | — | 31,875 | — | 150,000 | — | 417,375 |
| Finders fees | — | — | — | 12,500 | — | — | — | — | 10,000 | — | — | — | 22,500 |
| Staking fees | 14,072 | 80 | 13,280 | 1,633 | 9,147 | 6,705 | 1,536 | 792 | 8,546 | 5,244 | 212,595 | — | 273,630 |
| Property payments | 15,000 | 50,000 | 15,000 | 52,750 | — | 50,000 | 26,000 | 10,000 | 40,000 | — | 102,500 | 65,000 | 426,250 |
| Reimbursement of staking costs | (10,769) | — | (1,355) | — | — | — | — | — | — | — | — | — | (12,124) |
| Property payments cash received | — | — | (45,000) | (50,000) | — | — | — | — | — | — | — | — | (95,000) |
| Property payments shares received | — | — | — | (28,000) | — | — | — | — | — | — | — | — | (28,000) |
| Acquisition costs, end of period | 117,719 | 175,042 | 162,414 | 108,561 | 126,556 | 56,705 | 50,036 | 10,792 | 90,421 | 11,231 | 564,575 | 83,000 | 1,557,052 |
| Total Mineral Properties | \$132,704 | \$175,042 | \$1,019,305 | \$27,078 | \$144,292 | \$1,394,250 | \$329,403 | \$139,519 | \$472,133 | \$75,094 | \$716,367 | \$208,663 | \$4,933,850 |

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia

a) Serb Creek Property

The Company entered into an option agreement in April 25, 2006, to acquire a 100% interest in 63 mineral claims totaling 6,466 hectares located within the Omenica Mining Division, collectively referred to as the Serb Creek property. Consideration for the option was total cash payments of \$60,000 over four years (paid), an aggregate of 400,000 common shares (100,000 issued). In November 2006, the Company elected to exercise its option early and paid \$50,000 and issued 300,000 common shares to the vendors to earn a 100% interest subject to a 2% NSR in the property. In December 2006 the Company entered into an agreement with Georgia Ventures Inc. ("GVI") wherein GVI can earn a 60% interest in the property for consideration of a cash payment of \$60,000 (received) and must incur exploration expenditures of \$600,000 over a two year period. The NSR can be purchased by either party from the original vender for \$1,500,000. During February 2008, GVI gave notice and the Company accepted the termination of the Option Agreement between the parties.

b) Quesnel Trough Property

The Company entered into an option agreement on April 21, 2006 to acquire a 100% interest, subject to a 2% NSR, in 29 mineral tenures totaling 5,900 hectares located within the Clinton and Caribou mining district, collectively referred to as the Quesnel Trough properties. Consideration for the option is total cash payments of \$50,000 due on April 12, 2012 and 550,000 common shares issued over a six year period (200,000 issued). The Company elected to exercise the option early and issued the remaining 350,000 shares and paid a cash, payment of \$50,000 to acquire the 100% interest.

c) Murphy Lake Property

The Company entered into an option agreement dated February 11, 2004 to acquire a 100% interest, subject to a 2% NSR in 24 mineral claim units located in the Cariboo Mining Division. The claims area covered by the agreement will also include an additional 111 claim units. The Company must make staged cash payments totaling \$700,000 over a ten-year period (\$60,000 paid) and thereafter successive payments of \$100,000 on the anniversary date of the agreement. The Company entered into an agreement dated December 15, 2006 for the right to explore and develop 3 mineral concessions to Beeston Enterprises for the sum of \$5,000. Beeston Enterprises can earn a 60% interest in the property for consideration of a cash payment of \$45,000 (received) and must incur exploration expenditures of \$200,000 by the first anniversary date.

Mac and Spout Property (collectively included in Murphy Lake)

The Company entered into an option agreement dated January 26, 2004 to acquire a 100% interest, subject to a 2% net smelter returns royalty ("NSR"), in 60 mineral claim units located in the Cariboo and Clinton Mining Divisions. An additional 62 mineral claim units have been staked which are also subject to the terms of the agreement. Consideration for the option was a cash payment of \$15,000 (paid) aggregate share issuances of 300,000 common shares (issued) and work commitment expenditures of \$140,000 (completed). A finder's fee of 35,000 common shares of the Company was also paid in connection with this acquisition.

d) Eldorado Property

The Company entered into an option agreement dated November 21, 2003 to acquire a 100% interest, subject to a 2% net smelter returns royalty, in the Eldorado Gold Project. The Company was required to make cash payments of \$100,000 (\$47,500 paid) and issue 500,000 common shares (300,000 issued) to the optionors in stages over a three-year period. The 2% NSR may be purchased for \$2,000,000 subsequent to making a production decision on the project. The Company elected to buyout its option early and issued 200,000 shares and made aggregate payments of \$52,500 to the vendors of the Eldorado Gold property to earn 100% interest subject to a 2% NSR. February 16, 2007 the Company entered into an option agreement with Gravity West Corp. ("GWR") to acquire a 60% interest in the Company's Eldorado property located in northern British Columbia. GWR is required to make a cash payment of \$50,000 (received) and issue 200,000 shares to the Company (received). GWR are also required to spend a minimum of \$500,000 on exploration on the property and issue a further 700,000 shares to the Company by February 16, 2008. The agreement is subject to a 2% NSR payment to the original vendors of the property. A finder's fee was paid in the amount of \$12,500.

Pursuant to a joint venture staking agreement, GWR purchased two additional fractions from the Company for a cash payment of \$100,000.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia

e) **Pitt Island Property**

The Company entered into an option agreement in April 2005, to acquire a 100% interest in the Pitt Island Property subject to a 2% NSR. Half of the NSR can be purchased for \$500,000. Consideration for the Option was a cash payment of \$15,000 (paid) and aggregate shares issuances of 400,000 common shares (250,000 issued). The Company elected to exercise its option early and issued the remaining 150,000 shares to the vendor. The Company's interest remains subject to the 2% NSR.

f) **Man/Prime Property**

Company entered into an option agreement with Bearclaw Capital Corp., dated January 4, 2007 to acquire an 80% interest in the Man/Prime property located 35 km north of Princeton British Columbia. Under the terms of the agreement, the Company may earn 51% interest by making a cash payment of \$50,000 (paid) and incurring \$800,000 in exploration expenditures and issuing 700,000 shares by December 31, 2009 (issued). The additional 29% may be obtained by incurring an additional \$2,000,000 in exploration expenditures and issuing an additional 2,000,000 shares by December 31, 2011. On January 14, 2008 the Company exercised its option and issued 700,000 shares to earn its 51% interest.

g) **Riley and Summer Properties**

The Company entered into a purchase agreement dated January 23, 2007 to acquire 100% interest in 9 mineral tenures within the Summer Creek property for consideration of \$5,000 (paid). The Company entered into an option agreement dated February 19, 2007 to earn a 100% interest in the Riley and Summer properties located east of Lac La Hache, subject to a 2% NSR. The Company is required to pay \$218,000 (\$68,000 paid) and issue 150,000 common shares (50,000 issued) over two years. The Company must also fund exploration and development work totaling at least \$900,000 by June 15, 2009.

h) **Heffley Lake Property**

On February 6, 2007 the Company entered into an option agreement to acquire a 100% interest in the Mesabi claims, better known as the "Heffley Lake" property, for consideration of \$500,000 over eight years with first and second year payments of \$10,000 (paid \$20,000) in each year. The property covers two tenures comprised of 58 units for 765.305 hectares. A 2% NSR was negotiated, and the Company has the option to purchase 1% of the NSR for a payment of \$5,000,000.

i) **Deer Lake and Friendly Lake Properties**

On April 15, 2007 the Company and Electrum Resource Corp. (John Barakso) whereby the Company has been granted an option to acquire a 100% interest in the Deer Lake and Friendly Lake properties located near Kamloops, British Columbia. Consideration of \$825,000 and 960,000 common shares payable over four years of which \$40,000 is due upon signing (paid) and 75,000 shares is due upon Exchange acceptance of the agreement for filing (issued). The Company must incur \$1,350,000 in exploration and development expenditures over a five year period of which \$125,000 is due on or before April 15, 2008. The properties are subject to a 2% net smelter return royalty of which 1% may be purchased by the Company of \$1,000,000 subject to further Exchange review and acceptance. As at December 31, 2007 the Company had on deposit with the Minister of Finance a \$6000 reclamation bond.

j) **Rayfield Property**

As at December 31, 2007, the Company staked various claims collectively referred to as the Rayfield property for and completed exploration work programs for total acquisition and exploration costs of \$75,094 (December 31, 2006 - \$5,987). On November 15, 2007 the Company entered into an option agreement with Callinan Mines Limited ("Callinan") wherein Callinan can acquire a 60% interest for consideration of \$50,000 cash payment (received) and the issue of 100,000 common shares, 50,000 on TSX-VE approval (received) and 50,000 on or before May 30, 2008. In addition there are work commitment expenditures of \$600,000 on or before December 31, 2008.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia (Cont'd)

k) Other (Cont'd)

i) **Canim Lake Claims**

The Company entered into an option agreement on November 7, 2006 to acquire the remaining 50% joint venture interest in 8 mineral tenures totaling 66,000 hectares located within the Canim Lake and Murphy Lake area, east of Williams Lake. Consideration for the option is 500,000 common shares (150,000 issued).

The Company acquired through staking an additional 100,000 plus acres in the Canim Lake area in 2006 and during the period ended December 31, 2007, further ground was acquired.

ii) **Central BC**

As at March 31, 2008 the Company had staked various mineral concessions collectively referred to as Central BC claim block for staking fees of \$52,975.

iii) **Bonaparte Property**

As at March 31, 2008 the Company staked various mineral concessions collectively referred to as the Bonaparte Property and completed exploration work programs for total acquisition and exploration costs of \$47,989 (December 31, 2007 – \$43,729).

iv) **IO CG Claim block**

As at March 31, 2008 the Company staked various concessions and completed exploration work programs for total acquisition and exploration costs of, \$75,594 (December 31, 2007 - \$66,095).

v) **King Claim block**

As at March 31, 2008 the Company has staked various concessions for staking fees of \$1,693

vi) **K-CR Claim group**

As at March 31, 2008 the Company had staked various concessions and completed exploration work programs for, \$60,756 (December 31, 2007 - \$36,043).

vii) **Swan/Pat Property**

April 4, 2007 the Company entered into a purchase agreement with Craig Lynes to acquire ten additional properties within the Quesnel Trough collectively known as the Swan and Pat properties for a cash payment of \$30,000 (paid). Exploration costs as at March 31, 2008 were \$407.

viii) **Lucky Ship Property**

The Company entered into an option agreement dated November 5, 2004 to earn a 100% interest in 46 mineral claim units located in the Omineca Mining Division, BC, subject to a 2% net smelter returns royalty ("NSR").

On March 3, 2005, the Company entered into an option agreement with New Cantech Ventures Inc. ("New Cantech"), whereby New Cantech acquired a 50% in the Lucky Ship property. Terms of the option include the incurrence of \$45,000 of exploration expense within six months and annual payments over a six-year period totaling \$485,000. The property is subject to a 2% net smelter return with a buyback of 1 percent for \$1 million.

On June 16, 2005, New Cantech acquired the remaining 50% interest in the option to purchase a 100% interest, for a purchase price of 2,000,000 common shares of New Cantech at a deemed price of \$0.16 per share. The shares are subject to the Exchange Escrow Agreement under Form 5D and will be released on the basis of 10% upon the issuance of the Exchange bulletin (released), and an additional 15% will be released every six months thereafter. The Company has received 1,700,000 common shares to date.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

4. MINERAL PROPERTIES (Cont'd)

ix) Canoe Hot Springs

In January 2008 the Company acquired the right to earn a 100% interest in the Canoe Hot Springs Geothermal project under permit #55274 based on the following agreement with Comstock Energy Inc., ("Comstock").

Under the terms of the agreement Candorado will pay Comstock \$1 million for a 100% interest in the project and underlying lease and permit. The first payment (\$100,000) on signing (paid) with additional payments due September 30, 2008 (\$100,000) and December 31, 2008 (\$800,000).

The Company also acquired additional rights to a geothermal lease located near the town of Valemount in eastern British Columbia for a cost of \$4,271 and completed exploration work to date for \$4,978

Ontario

i) Aurora Extension Property

The Company entered into an option agreement dated February 11, 2004 to acquire a 100% interest, subject to a 2% NSR, in 26 mineral claim units located in the Porcupine Mining Division. Consideration for the Option was staged cash payments totaling \$500,000 (\$18,000 paid) and work commitments of \$30,000 by September 15, 2004 (incurred). The Company and Mr. McMillan agreed on an early buyout of the option for a one time cash payment of \$65,000 (paid) for a 100% interest in the Aurora Extension property subject to the 2% NSR payable to Mr. McMillan.

Commitments

The Company must make the following option payments towards the acquisition of its mineral properties over the next five years:

| | | Cash | Expenditure Commitments | Shares |
|-----------------|----|-----------|----------------------------|---------|
| 2008 | \$ | 1,010,000 | \$ 225,000 | 50,000 |
| 2009 | \$ | 180,000 | \$ 475,000 | 135,000 |
| 2010 | \$ | 270,000 | \$ 250,000 | 175,000 |
| 2011 | \$ | 415,000 | \$ 350,000 | 250,000 |
| 2012 | \$ | 845,000 | \$ 500,000 | 350,000 |
| 2013 and beyond | \$ | 250,000 | \$ — | — |

5. EQUIPMENT

| | March 31, 2008 | | | December 31 2007 | | |
|-------------------------|----------------|-----------|----------------|-------------------|----------------|----------------------|
| | Cost | Cost | Accum Amort | Net Book Value | Accum Amort | Net Book Value |
| Furniture and equipment | \$ 12,722 | \$ 12,722 | \$ 1,988 | \$ 10,734 | 1,988 | \$ 10,734 |
| Computer | 2,250 | 2,250 | 654 | 1,596 | 654 | 1,596 |
| Vehicle | 36,188 | 36,188 | 6,129 | 30,059 | 6,129 | 30,059 |
| Total | \$ 51,160 | \$ 51,160 | \$ 8,771 | \$ 42,389 | 8,771 | \$ 42,389 |

6. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2008, the Company incurred the following to directors, officers and private companies controlled by them: management fees - \$15,000 (2007 - \$15,000); rent - \$4,500 (2007 - \$1,500). These transactions were recorded at exchange value, which was the amount of consideration established and agreed to by the related parties.

At March 31, 2008, an amount of \$36,783 was advanced to the President of the Company for staking and cash in lieu of work requirements. At March 31, 2007, the Company was indebted to the President of the Company in the amount of \$2m872 for management fees, legal fees, mineral property payments and reimbursement of office expenses.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

7. SHARE CAPITAL

(a) **Authorized**

Unlimited common shares without par value.

| | Shares | Amount |
|-------------------------------------|------------|--------------|
| Balance at December 31, 2006 | 30,286,724 | \$ 5,025,086 |
| Private Placements | 11,324,332 | 3,532,949 |
| Share issue costs | — | (437,682) |
| Exercise of warrants | 1,741,250 | 353,125 |
| Exercise of stock options | 50,000 | 6,250 |
| Issued for property | 1,625,000 | 417,375 |
| Fair value of options exercised | — | 5,845 |
| Recovery of future income tax asset | — | (324,140) |
| Balance at December 31, 2007 | 45,027,306 | \$ 8,578,808 |
| Exercise of warrants | 1,802,750 | 180,275 |
| Issued for property | 700,000 | 182,000 |
| Recovery of share issue costs | — | 700 |
| | 47,530,056 | 8,941,783 |

During the three months ended the Company

- i. issued 1,802,750 shares pursuant to the exercise of warrants at \$0.10 per share;
- ii. issued 700,000 common shares pursuant to the Man/Prime property – See note 4 f).

During the year ended December 31, 2007, the Company:

- i. Completed a non-brokered private placement for 1,400,000 “flow through” units (“FT Units”) at a price of \$0.25 per FT Unit for total proceeds of \$350,000. Each FT Unit consists of one “flow-through” common share and one non “flow-through” common share purchase warrant exercisable for two years at a price of \$0.40 per warrant. A cash finders’ fee of \$14,000 was paid to Limited Market Dealer Inc as well as 126,000 warrants with a fair value of \$34,700 exercisable into 126,000 units at a price of \$0.25 per unit for a 24 month period. The units have the same terms as the FT Units;
- ii. Completed a non-brokered private placement for 4,600,000 units at \$0.22 per unit for gross proceeds of \$1,012,000. Each unit consists of one common share and one non-transferable warrant. Each warrant is exercisable to purchase one common share at \$0.30 for two years. A finders’ fee of 250,000 warrants with a fair value of \$65,370 exercisable into common shares at \$0.30 per share for a two year period was issued. The warrants have the same terms as the private placement;
- iii. Completed a non-brokered private placement for 500,000 units at \$0.30 per unit for gross proceeds of \$150,000. Each unit consists of one common share and one non-transferable warrant. Each warrant is exercisable to purchase one common share at \$0.375 for two years;
- iv. Completed a non brokered private placement for 1,000,000 FT Units at a price of \$0.50 per FT Unit for total proceeds of up to \$500,000. Each FT Unit consists of one “flow-through” common share and one non “flow-through” common share purchase warrant exercisable for one year at a price of \$0.65 per warrant. A cash finders’ fee of \$20,000 was paid to Limited Market Dealer Inc as well as 90,000 options with a fair value of \$19,540 exercisable into 90,000 FT units at a price of \$0.50 per unit for one year. The units have the same terms as the FT Units;

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Three Months Ended March 31, 2008

7. SHARE CAPITAL (Cont'd)

(b) Issued and outstanding

- v. Completed a non brokered private placement for 2,000,000 FT Units at a price of \$0.35 per FT Unit for total proceeds of up to \$700,000. Each FT Unit consists of one "flow-through" common share plus one-half of one half non "flow-through" common share purchase warrant. One full warrant entitles the investor to purchase one non "flow-through" common share for a period of two years at a price of \$0.50 per warrant. A cash finders' fee of \$28,000 was paid to Limited Market Dealer Inc as well as 180,000 options with a fair value of \$24,370 exercisable into 180,000 FT units at a price of \$0.35 per unit for a 24 month period. The units have the same terms as the FT Units;
- vi. Completed a non brokered private placement of 1,824,332 FT Units at a price of \$0.45 per unit for total proceeds of \$820,949. Each FT Unit consists of one "flow-through" common share plus one-half of one warrant. One full warrant entitles the investor to purchase one non "flow-through" common share for a period of two years at a price of \$0.60 per share. A cash finders' fee of \$24,000 was paid to Limited Market Dealer Inc as well as 119,999 options with a fair value of \$20,890 exercisable into 119,999 FT units at a price of \$0.24 per unit for a 24 month period.

Other share issue costs which includes legal costs and due diligence fees related to the financings were \$222,812.

- vii. Issued 500,000 common shares pursuant to the option agreement to acquire the Canim Lake claims (See Note 5(k)i);
- viii. Issued 50,000 common shares pursuant to the option agreement to acquire the Riley and Summer Properties (See Note 5(g));
- ix. Issued 75,000 common shares pursuant to the option agreement to acquire the Deer Lake and Friendly Lake Properties (See Note 5(i));
- x. Issue 300,000 common shares pursuant to the exercise of the Serb Creek property option (See Note 5(a));
- xi. Issued 350,000 common shares pursuant to the exercise of the Quesnel Trough property option (See Note 5(b));
- xii. Issued 200,000 common shares pursuant to the exercise of the Eldorado property option (See Note 5(d));
- xiii. Issued 150,000 common shares pursuant to the exercise of the Pitt Island property option (See Note 5 (e));
- xiv. Issued 50,000 common shares pursuant to the exercise of stock options at a price of \$0.125 per share.
- xv. Issued 1,741,250 common shares pursuant to the exercise of share purchase warrants at prices of \$0.10 - \$0.25.

(c) **Stock options**

The Company's Board of Directors approved a stock option and approved at the Company's annual general meeting on July 6, 2007, in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares from time to time. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options granted under this plan are exercisable over a period not exceeding five years.

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**

Three Months Ended March 31, 2008

7. SHARE CAPITAL (Cont'd)**c) Stock options**

| | March 31, 2008 | | December 31, 2007 | |
|------------------------------|------------------|---------------------------------|-------------------|---------------------------------|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Balance, beginning of period | 4,175,000 | \$0.22 | 2,100,000 | \$0.125 |
| Granted/Repriced | — | — | 2,125,000 | \$0.305 |
| Exercised | — | — | (50,000) | \$0.125 |
| Cancelled / Expired | — | — | — | — |
| Balance, end of period | <u>4,175,000</u> | <u>\$0.22</u> | <u>4,175,000</u> | <u>\$0.22</u> |

Stock options outstanding and exercisable as at March 31, 2008 are as follows:

| Expiry Date | Exercise Price | Number of Shares |
|-------------------|----------------|------------------|
| February 3, 2010 | \$ 0.125 | 650,000 |
| February 19, 2011 | \$ 0.125 | 825,000 |
| March 9, 2011 | \$ 0.125 | 575,000 |
| January 12, 2012 | \$ 0.23 | 750,000 |
| February 13, 2012 | \$ 0.30 | 575,000 |
| February 22, 2012 | \$ 0.42 | 350,000 |
| April 10, 2010 | \$0.44 | 150,000 |
| August 1, 2012 | \$0.30 | 200,000 |
| December 12, 2012 | \$0.30 | 100,000 |
| | | <u>4,175,000</u> |

(d) Stock based compensation

During the three months ended March 31, 2008 the Company did not issue any stock options.

During the three months ended March 31, 2007, the Company issued 1,675,000 options (750,000 at a price of \$0.23 per option, 575,000 at a price of \$0.30 per option and 350,000 at a price of \$0.42 per option) to directors, consultants and employees. The fair value of stock-based compensation in the amount of \$395,520 has been recorded in the accounts of the Company as an expense with the offsetting entry to contributed surplus. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

| | 2007 |
|-----------------------|-------------------|
| Expected life (years) | 5 |
| Interest rate | 3.89% - 4.13% |
| Volatility | 109.72% - 111.06% |
| Dividend yield | 0.00% |

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**

Three Months Ended March 31, 2008

8. SHARE CAPITAL (Cont'd)**(e) Contributed Surplus**

Contributed surplus represents accumulated stock-based compensation expense, reduced by the fair value of the stock options exercised.

Details are as follows:

| | March 31 2008 | December 31 2007 |
|--|---------------------|---------------------|
| Balance – Beginning of period | \$ 1,139,355 | \$ 447,388 |
| Current year fair value of stock-based compensation | — | 697,812 |
| Fair value of stock options exercised during the period and transferred to share capital | — | (5,845) |
| Balance – End of period | \$ 1,139,355 | \$ 1,139,355 |

Contributed surplus as at December 31, 2007 includes stock based compensation of \$44,673 which was offset to share issue costs pursuant to a finders' fee of 250,000 warrants at price of \$0.30

(f) Share purchase warrants

Details of share purchase warrant activity during the three months ended March 31, 2008 is as follows:

| | March 31 2008 | December 31 2007 |
|------------------------------------|-------------------|---------------------|
| Outstanding - Beginning of period | 15,823,182 | 7,959,601 |
| Issued | — | 10,178,164 |
| Expired | (371,000) | (573,333) |
| Exercised | (1,802,750) | (1,741,250) |
| Outstanding – End of period | 13,649,432 | 15,823,182 |

As at March 31, 2008 the following share purchase warrants were outstanding:

| Expiry Date | Per Common Share Exercise Price | Warrants Outstanding | Common Share Entitlement |
|--------------------|--|---------------------------------|---------------------------------|
| July 13, 2008 | \$0.20/.25 | 400,000 | 400,000 |
| July 13, 2008 | \$0.20 | 555,888 | 555,888 |
| December 8, 2008 | \$0.50 | 2,515,380 | 2,515,380 |
| February 6, 2009 | \$0.40 | 1,526,000 | 1,526,000 |
| February 6, 2009 | \$0.30 | 4,850,000 | 4,850,000 |
| March 8, 2009 | \$0.375 | 500,000 | 500,000 |
| May 9, 2009 | \$0.65 | 1,090,000 | 1,090,000 |
| September 25, 2009 | \$0.50 | 1,180,000 | 1,180,000 |
| December 12, 2009 | \$0.60 | 1,032,164 | 1,032,164 |
| Total | | | 13,649,432 |

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**Three Months Ended March 31, 2008

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

| | | 2008 |
|--|----|---------|
| Balance at December 31, 2007 | \$ | 45,000 |
| Change in unrealized loss on available-for-sale financial assets | | (1,000) |
| Balance at March 31, 2008 | \$ | 44,000 |

9. CONTINGENCIES

The Company is in receipt of a letter from the British Columbia Ministry of Energy, Mines and Petroleum regarding the old Hedley heap leach operation by the Company's predecessor company, Candorado Mines Ltd. Several environmental issues regarding the site clean up were addressed in the letter dated November 21, 2005 and in an on-site meeting on November 22, 2005. The Company had been given a November 24, 2005 deadline to provide a clean-up plan but has advised the Ministry that in respect to its financial resources, this plan could not have been delivered on time. The Company does not admit or deny any liability regarding the responsibility for the clean-up and has engaged legal counsel regarding this matter. As indicated, the Ministry of Energy, Mines & Petroleum Resources will now proceed with the required work and may initiate proceedings to recover the costs incurred. The Company is unable to determine the amount of potential cost, if any, and therefore has not recognized any amount related to this matter as at March 31, 2008.