

ELDORADO GOLD CORP /FI
Form 425
May 09, 2008
Filed by Eldorado Gold Corporation

Pursuant to Rule 425 under the United States Securities Act of 1933, as amended

Subject Company: Frontier Pacific Mining Corporation

Commission File No.: 132-02644

Date: May 8, 2008

ELDORADO GOLD CORPORATION

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company
Eldorado Gold Corporation ("Eldorado" or the "Company")

Suite 1188 – Bentall 5

550 Burrard Street

Vancouver, British Columbia

V6C 2B5

Item 2. Date of Material Change
May 1, 2008

Item 3. News Release

The Company filed its news release #08-09 dated May 1, 2008 on SEDAR and disseminated the same via CCN Matthews.

Item 4. Summary of Material Change

The Company announced their first quarter 2008 financial and operational results.

Item 5. Full Description of Material Change

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Paul N. Wright, President and Chief Executive Officer of Eldorado Gold Corporation is pleased to report on the Company's financial and operational results for the first quarter ended March 31, 2008. "This was an excellent quarter for us, thanks to record sales at our Tanjianshan mine in China, a successful and smooth resumption of production from our Kisladağ mine in Turkey, strong gold prices and lower production cost," said Wright. "Looking ahead, we plan to commence construction at Efemçukuru in Turkey in Q2; we're on track for commissioning the Vila Nova Iron Ore project in Brazil and our exploration work plans for 2008 are underway."

2008 Highlights

- Reported earnings of \$0.06 per share
 - Produced 67,234 ounces of gold from our operations at an average cash cost of \$213 per ounce
 - Resumed operations on March 6, 2008 at our Kışladağ gold mine and ramped up quickly to produce 27,228 ounces of gold during March
-
- Sold 73,604 ounces of gold from our Tanjianshan and Kışladağ mines at a realized average price of \$933 per ounce
 - Signed a Memorandum of Understanding for the sale of iron ore produced from our Vila Nova Iron Ore project in Brazil to BHP Billiton
 - Obtained at our Efemçukuru project, the user rights for all forestry land within the project boundary
 - Announced our intention to make an offer to acquire all the outstanding shares of Frontier Pacific Mining Corporation.

Financial Results

Our consolidated net income for Q1 2008 was \$20.7 million or \$0.06 per share compared with net income of \$12.6 million or \$0.04 per share in Q1 2007. The increase in net income resulted from record sales from our Tanjianshan mine, higher gold prices, lower costs and strong production and sales in March from our restarted Kisladağ mine. In Q1 2008, we sold 73,604 ounces of gold at an average price of \$933 per ounce, compared to 64,177 ounces at an average price of \$647 per ounce in Q1 2007.

Operating Performance

Kisladağ

We reopened the Kisladağ mine on March 6, 2008 and quickly achieved full mine production. In the month of March we placed 529,480 tonnes of ore on the leach pad at an average grade of 1.18 g/t of gold. We produced 27,228 ounces of gold at a cash operating cost of \$217 per ounce in Q1 2008 and sold 23,219 ounces of gold at an average price of \$965 per ounce. We continue to forecast 2008 production of approximately 190,000 ounces at a cash cost of \$222 per ounce.

Tanjianshan

We produced 40,006 ounces of gold at a cash cost of \$211 per ounce in Q1 2008 and sold 50,475 ounces of gold at an average price of \$919 per ounce. We spent \$6.6 million on capital expenditures, primarily relating to the sulfide ore processing project to treat ore from the newly opened Jinlonggou pit. The construction has progressed with 500,000 man hours worked without a lost time accident. During the quarter, we also made the transition to contractor mining, which will lower our overall unit mining costs. We forecast 2008 production of approximately 109,000 ounces at a cash cost of \$289 per ounce.

Development

Efemçukuru

With the forestry permit approvals in place, the Company is now positioned to commence construction activities and plans to begin access road development and site clearing. We expect to acquire all the remaining privately owned land required for the project in a timely manner.

Vila Nova Iron Ore

We continued construction activities at the Vila Nova Iron Ore project in anticipation of shipping lump ore and sinter fines in Q1 2009. We signed a Memorandum of Understanding with BHP Billiton for the sale of all lump ore and sinter fines for the first three years of production and are negotiating the terms of the Long Term Supply Agreement with BHP Billiton.

Exploration

2

Exploration expense for Q1 2008 was \$2.2 million (Q1 2007 – \$2.8 million). Our exploration activities focused on our properties in Turkey, Brazil and China.

Exploration –Turkey

At Efemçukuru we began a soil sampling program designed to generate targets outside the main ore zone. Permits for drill roads have been obtained and we are designing a drilling program that will target the North Ore Shoot, which currently has only inferred resources and limited drilling. Best results from the North Ore Shoot in 2007 included 5.02 meters (true width) at 12.52 g/t Au.

A drill program (+13,000 meters) has been planned for Kisladag and will start in Q2 2008. This program is designed to follow up on results obtained in 2007 that saw significant increases to both the resources and reserves at the mine. The focus of the 2008 program will be to convert inferred resources to measured and indicated and to explore areas in which the mineralization is still open at depth and on the flanks of the

deposit.

We obtained four new licenses through the auction process during the quarter and conducted additional mapping and soil sampling on the Biga Peninsula properties. Regional reconnaissance work is continuing in other parts of Turkey to identify and acquire new targets.

Exploration –Brazil

Exploration in Brazil consisted of support for the Vila Nova Iron Ore project and project evaluations in various prospective areas.

Exploration –China

During Q1 2008, our geologists from the Beijing regional exploration office evaluated projects in northern and western China. At Tanjianshan, preparation for a busy field season has begun. We commenced detailed mapping on several areas, including north and south of the current Qinlongtan pit, to identify extensions to the high grade ore zone that will be drill targets during the upcoming drilling campaign. A structural review is underway on the targets in the vicinity of the Jinlonggou pit; we drilled some of these targets in 2007 and will continue drilling in 2008. These targets are peripheral to the currently designed pit in Jinlonggou and are a high priority in the upcoming program.

Acquisitions

On April 21, 2008, we announced the intention to make an offer to acquire all of the outstanding shares of Frontier Pacific Mining Corporation (“FRP”). The proposed transaction is valued at approximately C\$148 million (or C\$157 million on a fully diluted basis). FRP shareholders will receive 0.122 common shares of Eldorado for every common share FRP.

Eldorado is a gold producing and exploration company actively growing businesses in Brazil, Turkey, China and surrounding regions. With our international expertise in mining, finance and project development, together with highly skilled and dedicated staff, we believe that Eldorado is well positioned to grow in value as we create and pursue new opportunities.

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| | First Quarter 2008 | First Quarter 2007 | Second Quarter 2007 | Third Quarter 2007 | Fourth Quarter 2007 |
|--|--------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| Gold Production | | | | | |
| Total Ounces Produced | 67,234 | 88,780 | 98,970 | 61,385 | 32,000 |
| Commercial Production | 67,234 | 76,288 | 98,970 | 61,385 | 32,000 |
| Cash Operating Cost (\$/oz) ^{1, 4} | 213 | 220 | 259 | 228 | 216 |
| Total Cash Cost (\$/oz) ^{2,4} | 268 | 233 | 287 | 264 | 262 |
| Total Production Cost (\$/oz) ^{3,4} | 393 | 270 | 332 | 335 | 522 |
| Realized Price (\$/oz - sold) | 933 | 647 | 664 | 667 | 774 |
| Kisladağ Mine, Turkey | | | | | |
| Commercial Production | 27,228 | 43,601 | 68,095 | 23,610 | - |
| Tonnes to Pad | 529,480 | 1,849,330 | 1,872,691 | 825,839 | - |
| Grade (grams / tonne) | 1.18 | 1.27 | 1.32 | 1.52 | - |
| Cash Operating Cost (\$/oz) ⁴ | 217 | 192 | 187 | 191 | - |
| Total Cash Cost (\$/oz) ^{2,4} | 218 | 194 | 190 | 194 | - |
| Total Production Cost (\$/oz) ^{3,4} | 246 | 225 | 221 | 234 | - |
| Tanjianshan Mine, China⁵ | | | | | |
| Total Ounces Produced | 40,006 | 39,252 | 29,135 | 37,775 | 32,000 |
| Commercial Production | 40,006 | 26,760 | 29,135 | 37,775 | 32,000 |
| Tonnes Milled | 223,395 | 142,859 | 237,909 | 202,641 | 173,945 |
| Grade (grams / tonne) | 6.83 | 7.17 | 4.41 | 6.87 | 7.20 |
| Cash Operating Cost (\$/oz) ⁴ | 211 | 260 | 440 | 251 | 216 |
| Total Cash Cost (\$/oz) ^{2,4} | 302 | 291 | 522 | 307 | 261 |
| Total Production Cost (\$/oz) ^{3,4} | 493 | 356 | 616 | 397 | 526 |
| São Bento Mine, Brazil | | | | | |
| Commercial Production | - | 5,927 | 1,740 | - | - |
| Tonnes Milled | - | 20,069 | - | - | - |
| Grade (grams / tonne) | - | 8.88 | - | - | - |
| Cash Operating Cost (\$/oz) ⁴ | - | 245 | 80 | - | - |
| Total Cash Cost (\$/oz) ^{2,4} | - | 252 | 132 | - | - |
| Total Production Cost (\$/oz) ^{3,4} | - | 211 | (50) | - | - |

¹ Cost figures calculated in accordance with the Gold Institute Standard.

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

³ Total Cash Costs, plus foreign exchange gain or loss, depreciation, amortization and reclamation expenses.

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

⁵ The Tanjianshan gold mine commenced commercial production on February 1, 2007.

Eldorado Gold Corporation

Unaudited Consolidated Balance Sheets

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(Expressed in thousands of US dollars)

| | March 31, 2008 | December 31, 2007 |
|---|---------------------------|------------------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 79,948 | 46,014 |
| Restricted cash (note 3) | 71,010 | 65,710 |
| Accounts receivable and other | 31,188 | 30,335 |
| Inventories | 52,938 | 57,525 |
| Derivative contract (note 8) | 2,217 | 2,956 |
| Future income taxes | 957 | 959 |
| | 238,258 | 203,499 |
| Restricted cash (note 3) | 8,300 | 8,300 |
| Mining interests | 381,950 | 377,705 |
| Other | 2,238 | 2,238 |
| | 630,746 | 591,742 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 48,876 | 39,943 |
| Debt - current | 70,850 | 65,422 |
| Current portion of asset retirement obligations | 1,896 | 509 |
| | 121,622 | 105,874 |
| Debt - long-term | 139 | 139 |
| Contractual severance obligations | 1,248 | 1,479 |
| Asset retirement obligations | 6,384 | 8,290 |
| Future income taxes | 27,088 | 26,781 |
| | 156,481 | 142,563 |
| Shareholders' Equity | | |
| Share capital (note 4(a)) | 754,788 | 753,058 |
| Contributed surplus (note 4(b)) | 16,223 | 13,083 |
| Accumulated other comprehensive income (loss) (note 4(c)) | (307) | 214 |
| Deficit | (296,439) | (317,176) |
| | 474,265 | 449,179 |
| | 630,746 | 591,742 |
| Subsequent event (note 10) | | |

Approved on behalf of the Board of Directors

(Signed) Robert Gilmore

Director

(Signed) Paul N. Wright

Director

Eldorado Gold Corporation

Unaudited Consolidated Statements of Operations and Deficit

For the three months ended March 31,

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

| | 2008 | 2007 |
|--|------------------|------------------|
| | \$ | \$ |
| Revenue | | |
| Gold sales | 68,675 | 41,548 |
| Interest and other income | 3,844 | 1,940 |
| | 72,519 | 43,488 |
| Expenses | | |
| Operating costs | 19,819 | 15,065 |
| Depletion, depreciation and amortization | 8,824 | 3,108 |
| General and administrative | 9,794 | 7,426 |
| Exploration | 2,191 | 2,796 |
| Mine standby costs | 2,433 | - |
| Accretion of asset retirement obligation | 133 | 80 |
| Foreign exchange loss (gain) | 854 | (565) |
| Gain on disposal of assets | (24) | (3,477) |
| Interest and financing costs | 1,028 | 775 |
| Unrealized loss on derivative contract | 739 | - |
| | 45,791 | 25,208 |
| Income before income taxes | 26,728 | 18,280 |
| Income tax expense | | |
| Current | (5,682) | (22) |
| Future | (309) | (5,676) |
| | (5,991) | (5,698) |
| Net income for the period | 20,737 | 12,582 |
| Deficit, beginning of period | (317,176) | (353,470) |
| Deficit, end of period | (296,439) | (340,888) |
| Weighted average number of shares outstanding | | |
| Basic | 344,542 | 341,435 |
| Diluted | 345,902 | 344,161 |
| Earnings per share | | |
| Basic income per share - US\$ | 0.06 | 0.04 |
| Diluted income per share - US\$ | 0.06 | 0.04 |
| Basic income per share - Cdn\$ | 0.06 | 0.04 |
| Diluted income per share - Cdn\$ | 0.06 | 0.04 |

Eldorado Gold Corporation
Unaudited Consolidated Statements of Cash Flows**For the three months ended March 31,**

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

| | 2008 | 2007 |
|---|-------------|-------------|
| | \$ | \$ |
| Cash flows generated from (used in): | | |

| | | |
|---|---------------|---------------|
| Operating activities | | |
| Net earnings for the period | 20,737 | 12,582 |
| Items not affecting cash | | |
| Accretion of asset retirement obligation | 133 | 80 |
| Contractual severance expense | - | 598 |
| Depletion, depreciation and amortization | 8,824 | 3,108 |
| Unrealized foreign exchange loss | 418 | 148 |
| Future income taxes | 309 | 5,676 |
| Gain on disposal of assets | (24) | (3,477) |
| Imputed interest and financing costs | 10 | 16 |
| Stock-based compensation | 4,882 | 3,094 |
| Unrealized loss on derivative contract | 739 | - |
| | 36,028 | 21,825 |
| Property reclamation payments | (652) | (1,183) |
| Contractual severance payments | (231) | (1,612) |
| Changes in non-cash working capital (note 6) | 11,898 | (6,337) |
| | 47,043 | 12,693 |
| Investing activities | | |
| Mining interests | | |
| Capital expenditures | (10,296) | (13,940) |
| Sales proceeds | 221 | 703 |
| Available-for-sale securities | | |
| Purchases | (1,792) | - |
| Disposals | 263 | - |
| Pre-production gold sales capitalized in mining interests | - | 10,052 |
| Non-producing properties under development | (2,418) | (2,959) |
| Value added taxes recoverable on mining interests | - | 1,077 |
| Restricted cash | (5,300) | (7,231) |
| | (19,322) | (12,298) |
| Financing activities | | |
| Capital stock | | |
| Issuance of common shares for cash | 1,213 | 822 |
| Debt | | |
| Proceeds | 5,000 | - |
| | 6,213 | 822 |
| Net increase in cash and cash equivalents | 33,934 | 1,217 |
| Cash and cash equivalents - beginning of period | 46,014 | 59,967 |
| Cash and cash equivalents - end of period | 79,948 | 61,184 |
| Supplementary cash flow information (note 6) | | |

Eldorado Gold Corporation
Unaudited Consolidated Statements of Comprehensive Income
For the three months ended March 31,

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

| | 2008 | 2007 |
|---|-------------|-------------|
| | \$ | \$ |
| Net earnings for the period ended March 31, | 20,737 | 12,582 |

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| | | |
|--|--------|--------|
| Other comprehensive income (loss) | | |
| Net unrealized gains (losses) on available-for-sale investment (note 4(c)) | (521) | 39 |
| Comprehensive income for the period ended March 31, | 20,216 | 12,621 |

Notes attached form part of this release.

Item 6. Reliance on 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

Name of Executive Officer:

Dawn Moss

Corporate Secretary

Telephone Number:

(604) 601 6655

Item 9. Date of Report

May 5, 2008.

ELDORADO GOLD CORPORATION

/s/ Dawn Moss

By:

Name: Dawn Moss

Title: Corporate Secretary

1. Nature of operations and basis of presentation

Eldorado Gold Corporation (“Eldorado”, “the Company” or “we”) is a gold exploration, development, mining and production company. Eldorado has ongoing exploration and development projects in Brazil, China and Turkey. On July 1, 2006, Eldorado began production in Turkey and on February 1, 2007, Eldorado began production in China. Production at the Kisladag mine in Turkey was suspended in August 2007 as a result of a court injunction and the mine remained shut down throughout the remainder of 2007. The court injunction was removed in February 2008 and the mine restarted production on March 6, 2008. Production operations at the São Bento mine in Brazil ceased in the second quarter of 2007 and the mine is in reclamation.

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

In the opinion of Management, Eldorado has made all adjustments necessary to present fairly the consolidated financial position as at March 31, 2008 and the consolidated results of operations, cash flows and comprehensive income for the three-month period then ended. These interim results are not necessarily indicative of the results for a full year.

2. Changes in accounting policies and new accounting developments

Capital Disclosure – Section 1535

Effective January 1, 2008, the Company adopted Section 1535 “Capital Disclosures”, which requires disclosure of qualitative and quantitative information that enables the users to evaluate the Company’s objectives, policies and processes for managing capital as well as the implications of non-compliance. Disclosures required by this standard are included in note 7.

Inventories – Section 3031

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

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

Financial Instruments – Disclosures, Section 3862

Effective January 1, 2008, the Company adopted Section 3862 “Financial Instruments – Disclosures”. This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in note 8.

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

Goodwill and intangible assets – Section 3064

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

Restricted cash

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

| | March 31, | December 31, |
|--|------------------|---------------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Current: | | |
| Collateral account against the HSBC bank loan – Turkey | 60,000 | 55,000 |
| Collateral account against the HSBC bank loan – China | 10,800 | 10,500 |
| Electricity deposit | 210 | 210 |
| | 71,010 | 65,710 |
| Non-current: | | |
| Environmental guarantee deposit | 8,300 | 8,300 |
| | 8,300 | 8,300 |

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

Shareholders' equity

Authorized share capital

The Company's authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of non-voting common shares without par value. At March 31, 2008, there were no non-voting common shares outstanding.

Eldorado Gold Corporation**Unaudited Consolidated Statements of Comprehensive Income****For the three months ended March 31,**

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

| | Number of shares | Amount |
|--|-------------------------|---------------|
| Voting common shares | | \$ |
| Balance, December 31, 2007 | 344,208,540 | 753,058 |
| Estimated fair value of share options exercised | - | 517 |
| Shares issued upon exercise of share options, for cash | 391,154 | 1,213 |
| Balance, March 31, 2008 | 344,599,694 | 754,788 |

Contributed surplus

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

| | Contributed surplus attributable to: | | |
|--|---|--------------|--------------|
| | Stock-based | | |
| | compensation | Other | Total |
| | \$ | \$ | \$ |
| Balance, December 31, 2007 | 11,989 | 1,094 | 13,083 |
| Non-cash stock-based compensation | 3,657 | - | 3,657 |
| Options exercised, credited to share capital | (517) | - | (517) |
| Balance, March 31, 2008 | 15,129 | 1,094 | 16,223 |

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised as follows:

| | | |
|--|-----------|-------|
| | \$ | |
| Balance, December 31, 2007 | | 214 |
| Unrealized (losses) on available-for-sale investment | | (460) |

| | |
|---|--------------|
| Realized (gains) on sale of available-for-sale investment transferred to net income | (61) |
| Balance, March 31, 2008 | (307) |

Stock-based compensation

Share option plans

The continuity of share purchase options outstanding is as follows:

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

| | Weighted average exercise price | Number of options | Contractual weighted average remaining life |
|-----------------------------------|--|------------------------------|--|
| | Cdn\$ | | (years) |
| Balance, December 31, 2007 | 5.36 | 8,224,279 | 3.1 |
| Granted | 6.44 | 2,808,000 | |
| Exercised | 3.10 | (391,154) | |
| Balance, March 31, 2008 | 5.73 | 10,641,125 | 3.4 |

At March 31, 2008, 6,691,534 share purchase options (December 31, 2007 – 5,064,193) with a weighted average exercise price of Cdn\$5.37 (December 31, 2007 – Cdn\$4.64) had vested and were exercisable.

Options outstanding at March 31, 2008 are as follows:

| | Total options outstanding | | Exercisable options | | |
|------------------------------------|--|--|--|--|--------------|
| | Weighted average remaining contractual life | Weighted average exercise price | Weighted average exercise price | Weighted average exercise price | |
| Range of exercise price | Shares | Cdn\$ | Cdn\$ | Shares | Cdn\$ |
| \$1.00 to \$2.99 | 100,000 | 0.1 | 1.90 | 100,000 | 1.90 |

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| | | | | | |
|------------------|------------|-----|------|-----------|------|
| \$3.00 to \$3.99 | 2,387,000 | 1.3 | 3.58 | 2,387,000 | 3.58 |
| \$4.00 to \$4.99 | 325,000 | 1.9 | 4.61 | 233,333 | 4.52 |
| \$5.00 to \$5.99 | 1,718,625 | 3.6 | 5.41 | 858,537 | 5.47 |
| \$6.00 to \$6.99 | 2,983,000 | 4.8 | 6.43 | 1,027,664 | 6.41 |
| \$7.00 to \$7.12 | 3,127,500 | 4.0 | 7.12 | 2,085,000 | 7.12 |
| | 10,641,125 | 3.4 | 5.73 | 6,691,534 | 5.37 |

5. **Stock-based compensation** (continued)

Stock-based compensation expense

Stock-based compensation expense incurred to March 31, 2008 has been included in the undernoted expenses in the consolidated statement of earnings and deficit as follows:

| | Three months ended 2008 | 2007 |
|----------------------------|------------------------------------|-------------|
| | \$ | \$ |
| Operating costs | 434 | 649 |
| Exploration | 553 | 361 |
| General and administrative | 2,670 | 2,084 |
| | 3,657 | 3,094 |

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

Bonus Cash Award Units plan

As of March 31, 2008, the Company had awarded 587,500 Bonus Cash Award Units (“BCAUs”) with a vesting date of February 8, 2008 and 587,500 BCAUs with a vesting date of February 8, 2009. All BCAUs were unexercised at March 31, 2008. The carrying value of BCAUs at March 31, 2008 was \$1,703, and is reflected in accrued liabilities on the balance sheet. The related cost in the amount of \$1,225 is reflected in “general and administrative expense” in the Consolidated Statements of Operations and Deficit.

Supplementary cash flow information

| | Three months ended 2008 | 2007 |
|--|------------------------------------|-------------|
| | \$ | \$ |

| | | |
|--|--------|---------|
| Changes in non-cash working capital | | |
| Accounts receivable and prepaids | 179 | (338) |
| Inventories | 2,657 | (5,809) |
| Accounts payable and accrued liabilities | 9,062 | (190) |
| | 11,898 | (6,337) |
| Supplementary cash flow information | | |
| Income taxes paid | - | - |
| Interest paid | - | 215 |

Capital disclosure

Eldorado's objectives when managing capital are as follows:

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

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

Eldorado's strategy is to keep the debt to adjusted capital ratio below 40%. The debt to adjusted capital ratio at March 31, 2008 and December 31, 2007 was 14.99% and 14.60% respectively.

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

Financial instruments

- a) *Fair Value*

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

| | March 31, 2008 | | December 31, 2007 | |
|--|-----------------|------------|-------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| <i>Held for trading</i> | | | | |
| Cash and cash equivalents | 79,948 | 79,948 | 46,014 | 46,014 |
| Restricted cash | 79,310 | 79,310 | 74,010 | 74,010 |
| Accounts receivable and other | 28,521 | 28,521 | 28,720 | 28,720 |
| Derivative contract | 2,217 | 2,217 | 2,956 | 2,956 |
| <i>Available for sale</i> | | | | |
| Accounts receivable and other | 2,667 | 2,667 | 1,615 | 1,615 |
| Financial Liabilities | | | | |
| Accounts payable and accrued liabilities | 48,876 | 48,876 | 39,943 | 39,943 |
| Debt | 70,989 | 70,989 | 65,561 | 65,561 |

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

8. Financial instruments (continued)

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

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

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

We used the following assumptions when calculating the fair value of this contract:

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

| | |
|---|----------------------------|
| Quantity of energy to purchase | 59,267.90 MWh |
| Set price per contract | \$24.50/MWh |
| Spot price in Brazilian real – January 2008 | R\$502.45/MWh |
| Forward price of energy (range) | \$111.78/MWh – \$54.75/MWh |
| US treasury yield (range) | 2.90% – 3.31% |

b) Financial risk management

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

Credit risk

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

Currency risk

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

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

We had the following balances in foreign currency as at March 31, 2008:

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

8. Financial instruments (continued)

| | Canadian dollar | Euro | Turkish lira | Chinese renminbi | Brazilian real |
|--|--------------------|------|--------------|---------------------|----------------|
| Cash and cash equivalents | 3,167 | 103 | 1,413 | 254,767 | 4,353 |
| Accounts receivable | 4,405 | 4 | 15,987 | 56,276 | 9,720 |
| Accounts payable and accrued liabilities | (3,149) | (75) | (6,281) | (196,434) | (17,954) |
| Debt | - | - | - | (73,500) | - |
| Net balance | 4,423 | 32 | 11,119 | 41,109 | (3,881) |
| Equivalent in US dollars | 4,358 | 52 | 8,663 | 5,831 | (2,221) |

Based on the balances as at March 31, 2008, a 1% increase (decrease) in the exchange rates on that date would have resulted in a (decrease) increase of approximately \$167 in earnings before income. There would be no effect in other comprehensive income.

Our cash flows from our Chinese operations are exposed to foreign exchange risk, as commodity sales are set in US dollars and the majority of operating expenses are in Chinese renminbi.

Interest rate risk

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

Gold price risk and other price risk

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

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

Liquidity risk

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

Eldorado Gold Corporation

Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

As at March 31, 2008, Eldorado had \$55,501 of purchase obligations with respect to its normal course of business for the remainder of 2008.

Segmented information

During the period ended March 31, 2008, the Company had four reporting segments. The Brazil reporting segment includes the reclamation activities of the São Bento mine and exploration activities in Brazil. The Turkey reporting segment includes the operations of the Kisladag mine and exploration and development activities in Turkey. The China reporting segment includes the operations of the TJS mine and exploration activities in China. The corporate reporting segment includes the operations of the Company's corporate office.

| | March 31, 2008 | | | | |
|--|--|--------------|---------------|------------------|--------------|
| | Turkey | China | Brazil | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Net mining interests | | | | | |
| Producing or under construction | 179,500 | 147,620 | 7,816 | 921 | 335,857 |
| Non-producing | 39,838 | - | 6,255 | - | 46,093 |
| | 219,338 | 147,620 | 14,071 | 921 | 381,950 |
| | | | | | |
| | December 31, 2007 | | | | |
| | Turkey | China | Brazil | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Net mining interests | | | | | |
| Producing or under construction | 175,888 | 149,267 | 7,919 | 956 | 334,030 |
| Non-producing | 38,358 | - | 5,317 | - | 43,675 |
| | 214,246 | 149,267 | 13,236 | 956 | 377,705 |
| Operations | | | | | |
| | For the three months ended March 31, 2008 | | | | |
| | Turkey | China | Brazil | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Gold sales | 22,314 | 46,361 | - | - | 68,675 |
| Interest and other income | 89 | 95 | 2,768 | 892 | 3,844 |
| | 22,403 | 46,456 | 2,768 | 892 | 72,519 |
| Expenses except the undernoted | 10,794 | 14,907 | 1,129 | 7,946 | 34,776 |
| Depletion, depreciation and amortization | 889 | | 7,852 | 83 | 8,824 |
| Exploration | 1,243 | 92 | 448 | 408 | 2,191 |
| Income (loss) before tax | 9,477 | 23,605 | 1,191 | (7,545) | 26,728 |
| Income tax recovery (expense) | (1,703) | (3,919) | (352) | (17) | (5,991) |
| Net income (loss) | 7,774 | 19,686 | 839 | (7,562) | 20,737 |

Eldorado Gold Corporation
Unaudited Consolidated Statements of Comprehensive Income

For the three months ended March 31,

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

9. Segmented information (continued)

| | For the three months ended March 31, 2007 | | | | |
|--|--|--------------|---------------|------------------|--------------|
| | Turkey | China | Brazil | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Gold sales | 30,413 | 8,860 | 2,275 | - | 41,548 |
| Interest and other income | 625 | 30 | 113 | 1,172 | 1,940 |
| | 31,038 | 8,890 | 2,388 | 1,172 | 43,488 |
| Expenses except the undernoted | 11,238 | 4,405 | 1,660 | 5,478 | 22,781 |
| Depletion, depreciation and amortization | 1,303 | 1,736 | - | 69 | 3,108 |
| Exploration | 1,478 | 233 | 1,085 | - | 2,796 |
| Gain on disposal of assets | - | - | (3,341) | (136) | (3,477) |
| Income (loss) before tax | 17,019 | 2,516 | 2,984 | (4,239) | 18,280 |
| Income tax recovery (expense) | (4,703) | - | (973) | (22) | (5,698) |
| Net income (loss) | 12,316 | 2,516 | 2,011 | (4,261) | 12,582 |

Subsequent event

On April 21, 2008, we announced the intention to make an offer to acquire all of the outstanding shares of Frontier Pacific Mining Corporation ("FRP"). The proposed transaction is valued at approximately C\$148 million (or C\$157 million on a fully diluted basis). FRP shareholders will receive 0.122 common shares of Eldorado for every common share of FRP.

In the event that a consensual transaction cannot be reached, Eldorado will take its proposal directly to FRP's shareholders by commencing a takeover bid to acquire 100% of the outstanding shares of FRP. Eldorado has executed a lock-up agreement with FRP's largest shareholder, Dundee Precious Metals, Inc., under which Dundee has agreed to tender 41,942,800 shares, or approximately 25.5% of FRP's outstanding common shares, pursuant to the proposed takeover bid of FRP by Eldorado.

Full details of the offer will be included in a formal offer and the takeover bid circular to be filed with securities regulatory authorities and mailed to FRP shareholders. The offer will be open for acceptance for at least 35 days following the start of the offer. The offer will be subject to certain conditions, including receipt of all necessary regulatory clearances in Greece, absence of material adverse changes and acceptance of the offer by FRP shareholders owning not less than 66 2/3% of the FRP common shares on a fully diluted basis. Once the 66 2/3% acceptance level is met, Eldorado intends, but is not required, to take steps to acquire all of the outstanding FRP common shares.