ELDORADO GOLD CORPORATION

ANNUAL INFORMATION FORM

May 14, 1998

PRELIMINARY NOTES

Incorporation of Financial Statements

Incorporated by reference into this Annual Information Form ("AIF") are the Consolidated Financial Statements of Eldorado Gold Corporation ("Eldorado" or the "Corporation") for the years ended December 31, 1997 and 1996. All financial information in this AIF is prepared in accordance with generally accepted accounting principles in Canada.

Date of Information

All information in this AIF is as of May 1, 1998 unless otherwise indicated.

Forward Looking Statements

Certain statements in this AIF and in the information incorporated herein by reference constitute "forward looking statements" within the meaning of Section 21E of the United States Exchange Act of 1934. Such forward looking statements include estimates of future gold production for specific operations, estimated future production costs, exploration expenditures and other expenses for specific operations and statements as to the projected development of certain ore deposits, including estimates of capital costs and expected production commencement dates. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Specific reference is made to "Narrative Description of the Business—Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the source of the factors underlying forward-looking statements.

CURRENCY AND EXCHANGE RATES

All dollar amounts in this AIF are expressed in United States dollars unless otherwise indicated. The business activities of the Corporation are carried out primarily in United States dollars, as is the business of its subsidiaries. The Corporation's accounts are maintained in United States dollars.

The noon rate of exchange on May 1, 1998, as reported by the Bank of Canada, for the conversion of Canadian dollars into U.S. dollars was Cdn.$1.43 per U.S.$1.00 (Cdn.$1.00 equals U.S.$0.68)

The following table sets forth (i) the rate of exchange for the Canadian dollar, expressed in United States dollars in effect at the end of the periods indicated, (ii) the average of exchange rates in effect on the last day of each month during such periods, and (iii) the high and low exchange rates during such periods, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into United States dollars.

	Year Ended December 31		
U.S. Dollars per Canadian Dollar	**1997**	**1996**	**1995**
Rate at end of period	US$0.6968	US$0.7301	US$0.7330
Average rate for period	US$0.7223	US$0.7334	US$0.7290
High for period	US$0.7493	US$0.7526	US$0.7530
Low for period	US$0.6944	US$0.7212	US$0.7010

METRIC EQUIVALENTS

For ease of reference, the following factors for converting Imperial measurements into metric equivalents are provided:

To convert from Imperial	To metric	Multiply by
Acres	Hectares	0.404686
Feet	Metres	0.304800
Miles	Kilometres	1.609344
Tons	Tonnes	0.907185
Ounces (Troy)/Ton	Grams/Tonne	34.285700

GLOSSARY OF MINING TERMS

The following is a glossary of certain mining terms used in this AIF.

adit — A passage driven horizontally into a mountainside providing access to a mineral deposit from the surface of the working of a mine.

Au — Gold.

Australasian Code — The Australasian Code for reporting of Identified Mineral Resources and Ore Reserves.

autoclave — The equipment used in an oxidation process in which high temperatures and pressures are applied to convert refractory sulphide mineralization into amenable oxide ore.

back fill — Waste material used to fill the void created by mining an ore body.

Biox® — The proprietary process whereby microorganisms are used in the oxidation of gold-bearing sulphidic minerals in order to facilitate gold recovery in a tank leaching system.

carbon in leach ("CIL") — A recovery process in which a slurry of gold ore, carbon granules and cyanide are mixed together. The cyanide dissolves the gold content and the gold is adsorbed on the carbon. The carbon is subsequently separated from the slurry for further gold removal.

crushing plant - A plant in which run-of mine ore is physically reduced in size by mechanical crushing in order to improve the liberation of the gold particles for downstream recovery.

cut and fill — A method of stoping in which ore is removed in slices, or lifts, and then the excavation is filled with rock or other waste material known as back fill, before the subsequent slice is mined.

cyanidation — The process of extracting gold or silver by dissolving it in a weak solution of sodium cyanide.

decline — An underground passageway connecting one or more levels in a mine, providing adequate traction for heavy, self-propelled equipment. Such underground openings are often driven in an upward or downward spiral, much the same as a spiral staircase.

diamond drill — A type of rotary drill in which the cutting is done by abrasion rather than percussion. The cutting bit is set with diamonds and is attached to the end of the long hollow rods through which water is pumped to the cutting face. The drill cuts a core of rock which is recovered in long cylindrical sections, an inch or more in diameter.

dilution — The effect of waste or low-grade ore being included unavoidably in the mined ore, lowering the recovered grade.

doré — Unrefined gold and silver in bullion form.

flotation — A process by which some mineral particles are induced to become attached to bubbles and float, and other particles to sink, so that the valuable minerals are concentrated and separated from the worthless gangue.

grade **—** The amount of precious metals in each tonne of ore.

g Au/t — Grams of gold per metric tonne.

ha — Hectare.

heap leaching — The process of stacking ore in a heap on an impermeable pad and percolating through the ore a solution containing a leaching agent such as cyanide. The gold which leaches from the ore into the solution is recovered from the solution by carbon adsorption or precipitation. The solution, after topping up the leaching agent, is then recycled to the heap to effect further leaching.

indicated mineral resource — A mineral resource sampled by drillholes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability. An indicated mineral resource estimate will be based on more data, and therefore will be more reliable, than an inferred mineral resource estimate.

inferred mineral resource — A mineral resource inferred from geoscientific evidence, drillholes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of confidence.

leach — Gold being dissolved in cyanide solution in heap leaching or in tanks in a processing plant (agitated leach, carbon in pulp, carbon in leach).

long hole open stope **-** A method of mining involving the drilling of holes up to 90 feet long into an ore body and then blasting a slice of rock which falls into an open space. The broken rock is extracted and the resulting open chamber is not filled with supporting material.

measured mineral resource — A mineral resource intersected and tested by drillholes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known. A measured mineral resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation of which allows a clear determination to be made of shapes, sizes, densities and grades.

mill — A plant where ore is ground fine and undergoes physical or chemical treatment to extract the valuable minerals.

mine — An excavation in the earth for the purpose of extracting minerals. The excavation may be an open-pit on the surface or underground workings

mineral resource — In-situ mineral occurrences from which valuable or useful minerals may be recovered. Mineral resources are subdivided into inferred mineral resources, indicated mineral resources and measured mineral resources.

mineralization — Rock containing an undetermined amount of minerals or metals.

metallurgy — The science of extracting metals from ores and preparing them for use.

open-pit mine **-** An excavation for removing minerals which is open to the surface.

ounces — Troy ounces.

ore — A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

ore reserve — That part of a measured or indicated mineral resource which could be mined, inclusive of dilution, and from which valuable or useful minerals could be recovered economically under conditions realistically assumed at the time of reporting. Ore reserves are subdivided into probable ore reserves and proved ore reserves. Ore reserve estimates are derived from estimates of mineral resources modified by economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors.

oxide ore — Mineralized rock in which some of the original minerals, usually sulphide, have been oxidized. Oxidation tends to make the ore more porous and permits a more complete permeation of cyanide solutions so that minute particles of gold in the interior of the minerals will be readily dissolved.

oz/t — Troy ounces per short ton.

probable ore reserves — Ore reserves stated in terms of mineable tonnes or volumes and grades in which the corresponding identified mineral resource that has been defined by drilling, sampling or excavation (including extensions beyond actual openings and drillholes) and where the geological factors that control the ore body are known with sufficient confidence that the mineral resource is categorized as "indicated".

proved ore reserves — Ore reserves stated in terms of mineable tonnes or volumes and grades in which the corresponding identified mineral resource has been defined in three dimensions by excavation or drilling (including minor extensions beyond actual openings or drillholes), and where the geological factors that limit the ore body are known with sufficient confidence that the mineral resource is categorized as "measured".

ramp — An inclined underground tunnel which provides access for mining or a connection between levels of a mine.

recovery — A term, generally stated as a percentage, used in process metallurgy to indicate the proportion of valuable material obtained in the processing of an ore.

refractory material — Gold mineralized material in which the gold is not amenable to recovery by conventional cyanidation without any pre-treatment. The refractory nature can be either silica or sulphide encapsulation of the gold or the presence of naturally occurring carbon which reduce gold recovery.

shaft — A vertical passageway to an underground mine for moving personnel, equipment, supplies and material, including ore and waste rock.

shrinkage stoping — A method of stoping which utilises part of the broken ore as a working platform and as support for the walls.

stope — An underground excavation from which ore has been extracted.

sulphide ore — Refractory mineralized rock in which much of the gold is encapsulated in sulphides and may not be readily amenable to dissolution by cyanide solutions.

tailings — The material that remains after all metals considered economic have been removed from ore during milling.

tonne — A metric tonne, 1000 kilograms.

waste — Barren rock in a mine, or mineralized material that is too low in grade to be mined and milled at a profit.

winze — A vertical or inclined opening sunk from a point inside a mine.

ITEM 1: INCORPORATION

1. Incorporation or Organization of the Issuer

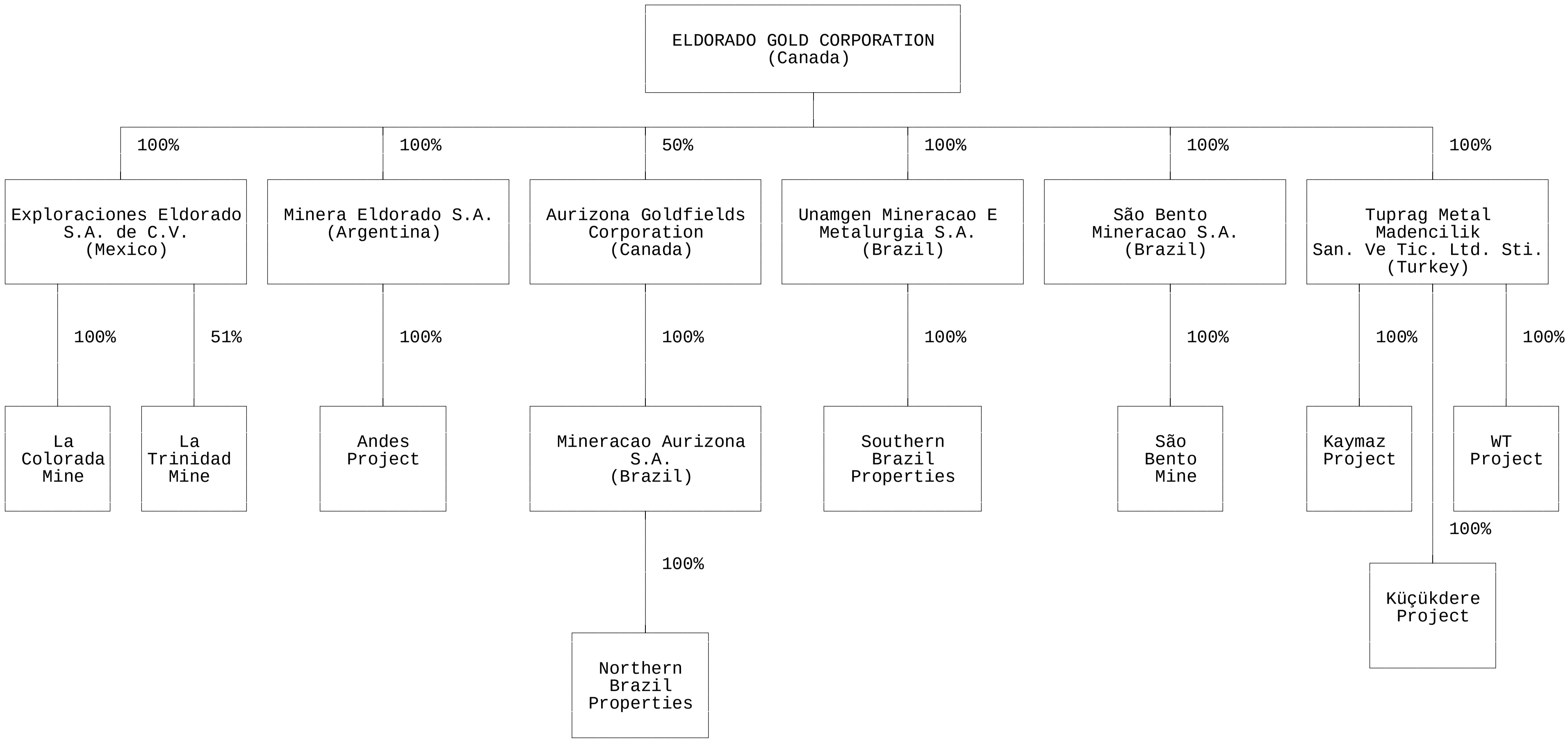
Eldorado was incorporated by Memorandum of Association on April 2, 1992 under the *Companies Act* (Bermuda) under the name "Eldorado Corporation Ltd." On April 23, 1996, Eldorado was continued under the *Company Act* (British Columbia) and changed its name to "Eldorado Gold Corporation". On June 28, 1996, Eldorado was continued under the *Canada Business Corporations Act*. On November 19, 1996, pursuant to a plan of arrangement, Eldorado and HRC Development Corporation were amalgamated under the laws of Canada under the name "Eldorado Gold Corporation".

Eldorado's registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8, and its executive offices are located at Suite 1920, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9. Eldorado, through its subsidiaries, has administrative offices in Ankara, Turkey, Buenos Aires, Argentina, Hermosillo, Mexico and Rio de Janeiro, Brazil.

2. Subsidiaries

The following simplified corporate chart sets forth all of Eldorado's material subsidiaries, their jurisdictions of incorporation, the percentage of voting securities or ownership held by Eldorado and the principal mineral resource properties owned by each of them:

[Insert visio drawing – "AIF p7 vertical"]


ELDORADO GOLD CORPORATION
(Canada)
100%
Exploraciones Eldorado S.A. de C.V. (Mexico)
100%
La Colorada Mine
51%
La Trinidad Mine
100%
Minera Eldorado S.A. (Argentina)
100%
Andes Project
50%
Aurizona Goldfields Corporation (Canada)
100%
Mineracao Aurizona S.A. (Brazil)
100%
Northern Brazil Properties
100%
Unamgen Mineracao E Metalurgia S.A. (Brazil)
100%
Southern Brazil Properties
100%
São Bento Mineracao S.A. (Brazil)
100%
São Bento Mine
100%
Tuprag Metal Madencilik San. Ve Tic. Ltd. Sti. (Turkey)
100%
Kaymaz Project
100%
WT Project
100%
Küçükdere Project

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

Eldorado, together with its subsidiaries, is engaged in the mining and processing of gold ore and the exploration for, and the acquisition and development of, gold-bearing mineral properties. Eldorado's business is presently focused in Mexico, Brazil, Argentina and Turkey.

Shortly after its incorporation in April 1992, Eldorado acquired an option to earn a 70% interest in the La Colorada mine near Hermosillo, Mexico. Eldorado acquired its 70% interest by placing the La Colorada mine into commercial production on January 1, 1994. On October 1, 1994, Eldorado acquired the remaining 30% interest, together with an outstanding 1% net smelter return royalty, resulting in Eldorado owning 100% of the La Colorada mine.

In June 1993, Eldorado acquired an option to earn a 51% interest in the La Trinidad mine near Rosario, Mexico. Eldorado acquired its 51% interest in September 1995 by completing a feasibility study for the mine. Construction of the mine commenced in the fall of 1995 and the La Trinidad mine was placed into commercial production on October 1, 1996. On January 1, 1997, Eldorado acquired the remaining 49% interest, resulting in Eldorado owning 100% of the La Trinidad mine.

In August 1993, Eldorado acquired by staking an extensive land package in the Argentinean Provinces of Catamarca, La Rioja and San Juan along the border with Chile. Through 1993 and 1994 Eldorado acquired additional mineral properties in the same region. In May 1995, Eldorado was granted rights to explore a provincial reserve in the Province of Catamarca.

In March 1996, Eldorado and Gencor Limited ("Gencor") entered into a 50-50 joint venture to pursue the acquisition of an interest in the Pueblo Viejo mine in the Dominican Republic.

On July 4, 1996, Eldorado acquired a portfolio of assets located in Brazil and Turkey from Gencor, including the São Bento mine near Belo Horizonte, Brazil and extensive holdings of exploration properties in Brazil. Concurrently with the acquisition of assets from Gencor, Eldorado acquired the North American license to use and sublicense Gencor's proprietary BIOX® bacterial oxidation technology for treating refractory sulphide ores for a period of five years. Eldorado has established a wholly owned subsidiary, Oxidor Gold Corporation Inc., to serve as an in house metallurgical facility and to market the BIOX® process in North America.

On July 5, 1996, Eldorado entered into an agreement with Companhia Estanhifera do Brasil ("Cesbra"), a wholly owned Brazilian subsidiary of Brascan Limited, to create Aurizona Goldfields Corporation ("Aurizona Goldfields"). Each of Eldorado and Cesbra contributed their respective mineral resource properties located in Northern Brazil to Aurizona Goldfields in consideration of each of Eldorado and Cesbra receiving a 50% interest in Aurizona Goldfields.

On November 19, 1996, Eldorado amalgamated with HRC Development Corporation, an affiliated company of Eldorado.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

1. OPERATIONS

Eldorado operates the 100% owned São Bento mine near Belo Horizonte, Brazil, the 100% owned La Colorada mine near Hermosillo, Mexico and the 100% owned La Trinidad mine near Rosario, Mexico.

Production and Operating Summary

The following table summarizes certain production and operating information relating to the three gold mines for each of the years indicated:

								Cost ($/oz.)	
Mine	**Year**	**Tonnes Mined (Ore & Waste)**	**Ore to Heap Leach (tonnes)**	**Ore Milled (tonnes)**	**Grade (g/t)**	**Recovery (%)**	**Production (ozs.)**	**Operating Cash[4]**	**Total Production[5]**
São Bento[1]	1997	519,760	-	437,344	8.07	93	105,907	288	361
	1996	289,849	-	217,000	9.30	91	52,370	320	395
La Colorada[2]	1997	9,618,880	2,184,850	-	1.008	75	53,235	294	405
	1996	5,925,477	1,821,000	-	1.09	73	47,219	224	313
	1995	2,779,282	1,083,401	-	1.23	70	31,128	209	278
	1994	1,624,037	734,997	-	1.30	75	19,900	191	272
La Trinidad[3]	1997	1,835,938	712,368	-	1.98	65	29,810	216	335
	1996	527,116	164,695	-	2.52	58	6,927	212	334

(1) The São Bento mine commenced production in 1986, however, Eldorado acquired ownership on July 4, 1996. Accordingly, the figures shown relate to the period Eldorado owned the São Bento mine.

(2) The La Colorada mine commenced commercial production on January 1, 1994.

(3) Represents 100% of commercial production. The La Trinidad mine commenced commercial production on October 1, 1996. Eldorado acquired 49% of the La Trinidad mine on January 1, 1997 to hold 100% of the La Trinidad mine.

(4) Calculated in accordance with the Gold Institute Production Cost Standard, total operating cash costs include direct mining expenses, adjusted for such items as changes in in-process inventories.

(5) Calculated in accordance with the Gold Institute Production Cost Standard, total production costs comprise total cash production costs plus depreciation, depletion and reclamation provisions.

Reserves

Eldorado has estimated proven and probable reserves for its three mines and for one development project. All reserves are calculated in accordance with the Australasian Code. Eldorado's estimate of its proven and probable reserves as at December 31, 1997 as set forth in the table below, is based on a gold price of $350 per ounce and includes dilution factors based on operating experience. For information regarding risks associated with Eldorado's estimates of its proven and probable reserves, see "Narrative Description of the Business—Risk Factors".

Mine or Project	Ownership	Location	Tonnes	Grade (g/t)	Contained Ounces
São Bento mine	100%	Brazil	3,302,000	9.02	957,400
La Colorada mine	100%	Mexico	7,753,000	1.27	315,700
La Trinidad mine	100%	Mexico	656,000	1.94	40,900
Kaymaz Project	100%	Turkey	799,000	6.77	173,900
				Total:	1,487,900

Reconciliation of Reserves in Ounces

Mine	Reserves December 31, 1996	Mined in 1997	Increase (Decrease) in Reserves	Reserves December 31, 1997
São Bento mine	910,250	105,907	153,057	957,400
La Colorada mine	330,458	53,235	(38,477)	315,700
La Trinidad mine	94,514	29,810	(23,804)	40,900
Total:	1,335,222	188,952	90,776	1,314,000

Resources

The following table sets forth the measured, indicated and inferred mineral resources estimated by Eldorado for its three mines and certain of Eldorado's development and advance stage exploration projects as at December 31, 1997. These figures include the reserve figures disclosed above.

Mine or Project	Ownership	Location	Tonnes	Grade (g/t)	Contained Ounces(1)
São Bento mine	100%	Brazil	5,243,000	10.93	1,842,000
Piaba Project	50%	Brazil	10,595,000	1.27	434,000
La Colorada mine	100%	Mexico	32,926,000	0.97	1,023,000
La Trinidad mine	100%	Mexico	1,921,000	1.36	84,200
Kaymaz Project	100%	Turkey	1,086,000	6.25	218,200
WT Project	100%	Turkey	2,846,000	14.06	1,286,300
Küçükdere Project	100%	Turkey	1,414,000	6.43	292,400
				Total:	5,180,100

(1) Represents 100% of resources.

Mines

São Bento Mine, Brazil

Ownership Interest

Eldorado owns 100% of the São Bento mine through its wholly owned Brazilian subsidiary São Bento Mineração S.A. The mine site covers an area of 800 hectares and consists of one mining concession. A single contiguous mining concession of 1,221 hectares, also owned 100% by São Bento Mineração S.A., adjoins the northeastern boundary of the mine site.

Location and Access

The São Bento mine is located in the municipality of Santa Bárbara, Minas Gerais State, Brazil, approximately 100 kilometres by road east of Belo Horizonte, the state capital and 550 kilometres north of Rio de Janeiro.

History

The area around the São Bento mine has been intermittently worked for gold since the 1860s. The mine was operated by various companies until 1947. Gencor acquired the São Bento mine in the 1970s and, in July 1984, decided to develop the São Bento mine in two phases. The first phase, with a process capacity of 20,000 tonnes per month utilizing an internal winze system to access the ore body, was completed in late 1986. The winze system was later replaced by inclines capable of handling 35,000 tonnes per month of ore and waste. The second phase commenced in 1988 and consisted of sinking a vertical shaft and the doubling of the capacity of the grinding and oxidation circuits in the processing plant. Gencor installed a one-tank BIOX® pilot plant in 1991 and a second BIOX® tank in February 1995.

Geology and Mineralization

The São Bento mine is situated in the "Quadrilatero Ferrifero" ("Iron Quadrangle") of Minas Gerais State. The stratigraphy is comprised of volcanic rocks, chemical sediments and pelitic sediments all of which have been subjected to green schist metamorphism. The lithologies are typical of greenstone belts in Africa, Australia and Canada and are dated at between 1,900 and 1,300 million years in age.

The formations have been strongly folded along northeast trending axes. Dips are steep, generally in the range of 50°. Mineralization at the São Bento mine is restricted to a sequence of chemical and fine-grained sediments and tuffs of the Nova Lima Group. Four formations have been identified on the property: the Carrapato Formation; the Lower Iron Formation; the Basal Iron Formation; and the São Bento Formation. Gold mineralization is localized in the Basal Iron Formation.

On the basis of lateral lithologic variations, the Basal Iron Formation is subdivided along strike into three portions: Orebody No. 1; Orebody No. 2; and the São Bento/Pinta Bem or Orebody No. 3. The Basal Iron Formation has its greatest thickness in the No. 1 Orebody area where it attains 35 metres and at least six periods of gold/sulphide mineralization are evident. The ore zone is distinctly banded and consists of alternating layers of sulphide and iron carbonates. Gold occurs in close association with sulphides and may be free, on crystal boundaries or enclosed in sulphide grains. Grain sizes of the gangue minerals and sulphides range from 0.5 to 5.0 millimetres and gold grains range from 1 to 250 microns with an average of 70 microns. The ratios between gold, arsenic and sulphur are consistent, with a very stable average gold content.

Mining

The São Bento mine is an underground mine accessed by an adit on level 11 and a vertical shaft which services the surface and levels 11 and 17 to 23. The vertical shaft is used to hoist ore and waste to the surface, to replace the internal incline system for the upper mining levels and to deliver men and materials to level 17 and below. In its current configuration, the vertical shaft hoisting capacity is approximately 100,000 tonnes per month.

The three mining methods currently employed at São Bento are mechanized and manual cut and fill, manual shrinkage stoping and long hole open stoping. The ore is hauled by electrical locomotive on levels 17 to 20, and with diesel trackless equipment (trucks and LHD) on levels 20 through 23, to the shaft ore passes. The São Bento mine currently employs approximately 700 workers.

Processing

The processing plant at São Bento is a conventional grinding and milling operation using an autogenous mill. Once the ore is milled, it goes to a flotation unit where the concentrate of sulphides containing gold is separated from the tailings. This concentrate is then forwarded to an oxidation process, either through two bioxidation reactors using the BIOX® process and/or through two autoclaves. Gold is recovered in a six-stage CIL circuit to produce doré. The processing plant has a current design capacity of 42,000 tonnes per month and gold recovery is approximately 92%. Tailings are classified to produce a sand product used for underground backfill and a final tailing is sent to the tailings impound area. In 1997 the São Bento mine produced 105,907 ounces of gold at a cash operating cost of $288 per ounce. Production in 1998 is estimated to be approximately 120,000 ounces of gold.

Mine Improvement Program

After acquisition of the São Bento mine in 1996, Eldorado began an improvement program consisting of mine mechanization, plant expansion and shaft upgrade, at a total estimated capital cost of approximately $22 million. From acquisition until December 31, 1997, Eldorado purchased new underground mining equipment to replace the existing contract mining and operations and begin the conversion to a trackless operation. Long hole open stoping was commenced to augment cut and fill mining. Shaft upgrading, including adding a second hoist, was completed in January 1998 and the optimization of the processing plant, increasing capacity to approximately 45,000 tonnes per month, is scheduled to be completed by the end of the second quarter of 1998.

Eldorado incurred approximately $8,100,000 in capital expenditures in 1996 and approximately $12,000,000 capital expenditures in 1997 in the implementation of the mine improvement program. Estimated capital expenditures for 1998 to complete the mine improvement program, together with all other sustaining capital expenditures for 1998, are approximately $7,100,000.

Minesite Exploration

Current exploration efforts at the São Bento mine are concentrated on the delineation of additional gold resources at depth through an underground diamond drill program, estimated to cost approximately $175,000 in 1998.

La Colorada Mine, Mexico

Ownership Interest

Eldorado owns 100% of the La Colorada mine through its wholly owned Mexican subsidiary Exploraciones Eldorado, S.A. de C.V. ("Exploraciones"). The La Colorada mine site and surrounding property consists of 7 mining concessions and 29 exploration concessions covering approximately 58,495 hectares.

Location and Access

The La Colorada mine is located approximately 48 kilometres southeast of Hermosillo in the State of Sonora, Mexico. Access can be gained to the La Colorada mine property by paved highway from Hermosillo. The La Colorada mine lies in the foothills of the Sierra Madre Occidental Mountains, in the Sonora Desert climatic zone. Water is available at depths of 15 to 20 metres, as observed in numerous flooded shafts and underground workings within the area of the La Colorada mine.

History

The La Colorada mine is situated in an historic gold and silver producing region, with production from the area beginning after the discovery of gold in 1740. The property was acquired by Eldorado in 1993 and commercial production began on January 1, 1994.

Geology and Mineralization

The Sonora gold belt extends south from the Arizona-Mexico border through the districts of Magdalena, Hermosillo and Guaymas. It parallels the Cananea copper porphyry belt to the east. Lode gold and silver deposits in the Sonora gold belt are primarily hosted in upper level epithermal and hydrothermal vein and breccia mineralizing systems which commonly display strong structural control.

At the La Colorada mine property, gold-silver mineralization is associated with quartz-manganese oxide veins and stockwork vein systems along east-west fracture/fault zones developed both within elongate diorite granodiorite intrusives and along the intrusive contacts. The property hosts three known areas of mineralization: (1) the El Creston-Minas Prietas deposit; (2) the Gran Central deposit; and (3) the La Colorada zone.

The El Creston-Minas Prietas deposit is the largest zone of mineralization and is currently being mined. The El Creston-Minas Prietas deposit has a known overall strike length of 750 metres. The Gran Central deposit is located approximately 750 metres west of the El Creston and is currently being developed for future mining. The La Colorada zone is located approximately 200 metres north of the Gran Central deposit. A fourth zone, the Los Duendes zone, is located approximately 3.5 kilometres south south-east of the Gran Central, El Creston and Minas Prietas zones.

Mining

The La Colorada mine is a conventional open pit mine and heap leach operation. All mining is currently being conducted by a local mining contractor. Drilling is carried out by Eldorado in support of blasting operations and for grade control. Blasting is performed by a contractor. Blasted ore is trucked to a conventional two-stage crushing facility and then to the leach pads, while waste is trucked to the nearby waste dumps.

A total of 9,618,880 tonnes of material was mined in 1997, of which a total of 2,184,850 tonnes of ore were directly shipped to the leach pads or crushed and placed on the leach pads. As part of the expansion completed in early 1997, Eldorado completed a 17 kilometre highway by-pass around the mine, thereby permitting the mining of the El Creston and Minas Prietas deposits as a single open pit. In addition, leach pads were expanded and a 27 kilometre power line was constructed directly from a local substation.

Processing

Once the ore is crushed, it is trucked to the impermeable leach pad where the ore is treated with a weak cyanide solution which penetrates the ore dissolving the gold. The pregnant leach solution is collected and pumped through a standard CIL circuit and a Merrill-Crowe plant to remove the gold from the solution. Recoveries range from 60% for run of mine material from Minas Prietas to 80% for crushed material from the El Creston pit. Average recoveries for 1997 were 75%. A total of 53,235 ounces of gold was produced in 1997 at a cash operating cost of $294 per ounce. Production in 1998 is estimated to be approximately 60,700 ounces of gold.

Capital Expenditures

In 1997, Eldorado incurred approximately $6,800,000 in capital expenditures in connection with the expansion of the La Colorada mine, which included the expansion of the existing leach pads, power line construction and the construction of the highway. In 1998, Eldorado anticipates incurring approximately $750,000 in capital expenditures, the majority of which will be associated with plant improvements.

Minesite Exploration

In 1997, Eldorado completed sufficient exploration in the Gran Central and La Colorada areas to add these areas to reserves. In 1998, exploration activities will be centred on a review of resources in the Los Duendes and La Verde areas and an evaluation of the underground potential in the Gran Central area.

La Trinidad Mine, Mexico

Ownership Interest

Eldorado owns 100% of the La Trinidad mine through Exploraciones. The La Trinidad mine site and surrounding property consists of 4 mining concessions and 3 exploration concessions covering approximately 23,638 hectares.

Location and Access

The La Trinidad mine is located approximately 110 kilometres southeast of the city of Mazatlan and 42 kilometres southeast of the town of Rosario in the State of Sinaloa, Mexico. Water is supplied from perennial streams that are tributaries of the Matatan River.

Access to the property is gained south along highway 15 from Mazatlan to Rosario. A gravel road continues east from Rosario for 27 kilometres to the small community of Palmarito, from which a branch road continues south for 15 kilometres to the mine site area.

History

Records of exploration prior to 1982 are unavailable. The Mexican subsidiary of Anaconda Minerals Company entered into a work agreement to explore and evaluate the claims in 1983 and completed geological mapping, sampling, trenching, and 1,804 metres of diamond drilling before terminating its interest in mineral exploration in Mexico in 1988.

Geology and Mineralization

The La Trinidad mine is underlain by a sequence of Tertiary volcanic and intrusive rocks. Several northeast to north-west trending fault structures, the Taunas zone is at the intersection of the north-west trending Colinas fault and two drill inferred fault features and gold/silver mineralization is associated with a low angle silicified breccia zone. The Colinas Main zone is approximately 500 to 600 metres southeast of the Taunas zone along the projected extension of the Colinas fault. Colinas zone gold/silver mineralization occurs in quartz hematite veins and veinlets. No sulphides are present in either the Taunas or Colinas zones.

Mining

The La Trinidad mine is a conventional open pit mine and heap leach operation. All mining is currently being conducted by the same mining contractor for the La Colorada mine and drilling and blasting are conducted by Eldorado. Ore is trucked to a conventional three-stage crushing facility, after which it is agglomerated and conveyed by grasshopper conveyor for delivery to the leach pads. Waste is trucked to the waste dumps. A total of 1,835,938 tonnes of ore and waste was mined in 1997, of which a total of 712,368 tonnes of ore was placed on the leach pads in 1997.

Processing

Crushed ore is placed on an impermeable leach pad where it is treated with a weak cyanide solution which penetrates the ore dissolving the gold. The pregnant solution is collected and pumped through a conventional CIL circuit using carbon adsorption to produce doré. A total of

29,810 ounces of gold was produced in 1997 at a cash operating cost of $216 per ounce. Production in 1998 is estimated to be approximately 27,000 ounces of gold.

Capital Expenditures and Minesite Exploration

In 1998, Eldorado anticipates incurring approximately $560,000 in sustaining capital expenditures. During 1997, exploration on extensions to the present ore body was completed, without significant new results. No further exploration is planned at the La Trinidad mine during 1998.

2. DEVELOPMENT PROJECTS

All of Eldorado's current development projects are situated in Turkey. These projects range from the substantially permitted Kaymaz Project to the early development stage Kisladag Project. Difficulties experienced by other mining companies in fully permitting new gold mines in Turkey has hampered the permitting process for all mining companies operating in Turkey, including Eldorado. Likewise, the decline in the price of gold in 1997 has affected the economic viability of all gold projects, including Eldorado's four development projects in Turkey. During 1998, Eldorado intends to explore a variety of alternatives to advance the development of its Turkish projects, as well as to improve the economic viability of such projects.

Kaymaz Project, Turkey

Ownership Interest

Eldorado owns a 100% interest in the Kaymaz Project through its wholly-owned Turkish subsidiary Tüprag Metal Madencilik San. Ve Tic. Ltd. Sti. ("Tüprag"). The Kaymaz Project consists of two operating licenses covering 9,490 hectares and two pre-operation licenses covering approximately 2,426 hectares.

Location and Access

The Kaymaz Project area is located in western Turkey, approximately 70 kilometres east of the provincial capital of Eskisehir. The village of Kaymaz (population 3,000) is located three kilometres west of the project site which is located in hilly terrain at an elevation of about 1,100 metres on the high Anatolian Plateau. Access is provided by the Ankara-Eskisehir highway which passes two kilometres south of the Kaymaz area. The property is connected to the highway by unpaved roads which pass through the village of Karakaya.

Geology and Mineralization

Gold mineralization at the Kaymaz Project occurs within a sequence of deformed and altered marine sediments and associated ophiolites which were strongly metamorphosed during the Cretaceous and early Tertiary periods. Ultramafic sections were strongly serpentinized and deformed into a series of folds with north-northwest trending axes. This sequence is intruded by northeasterly dipping, sill-like bodies of the Karakaya granite.

Mineralization is believed to be epithermal in character and associated with brecciation and silicification. At Damdamca Tepe, higher grading mineralization occurs as a tabular body measuring about 180 metres in length, 5 to 45 metres in thickness and extending below 85 metres from surface. The zone is approximately parallel to a granite contact, and enclosed within a halo of lower grade mineralization. At Topkaya, economically significant mineralization occurs in small pod-like bodies within a zone 600 metres in length and 20 to 30 metres in horizontal width. The north-striking Kizilagil Zone, located about 1,200 metres south of Damdamca Tepe, is hosted in silicified calcschists and marbles of the basement Sivrihisar Formation and dips steeply in an easterly direction with a strike length of 275 metres and an average width of 14 metres. Located 3,500 metres south of Damdamca, the Kucuk Mermerlik Tepe Zone occurs in flat-lying to gently dipping silicified serpentinites in an area unique for its lack of granite bodies. A total of 12,300 metres of drilling has been completed on the Kaymaz Project.

Current Development Activities

A full feasibility study for the Kaymaz project was completed by Eldorado in 1997. The study contemplated an open pit operation with a cyanide gold recovery plant located on site. The mineable reserves were determined to be approximately 973,000 tonnes at an average grade of 6.04 g Au/t. Ore production was estimated at 150,000 tonnes per year, producing 25,000 ounces per year at a cash cost of approximately $180 per ounce of gold. Total capital costs were estimated at approximately $14 million.

In preparation for a production decision to be made in mid-1997, all necessary permits were obtained, with the exception of the operating permit. However, during 1997 litigation was commenced against the Ministry of Environment over the environmental permit previously granted by the Ministry for the Kaymaz Project. All further work on the Kaymaz Project has been suspended pending resolution of this matter.

The decline in gold prices in 1997 has adversely affected the economics of the Kaymaz Project and accordingly, a variety of options and alternatives for advancing this project will be considered during 1998. A nominal budget has been established for 1998 to fund care and maintenance activities on this project.

WT Project, Turkey

Ownership Interest

Eldorado owns a 100% interest in the WT Project through Tüprag. The WT Project consists of two pre-operation licenses comprising 3,072 hectares.

Location and Access

The WT Project area lies near the coast of western Turkey, approximately 20 kilometres from the provincial capital of Izmir. A village with a population of 500 is the nearest settlement and is located two kilometres south of the WT Project. The area is located in hilly terrain with a range of elevation from 520 to 760 metres. Access to the WT Project is provided by various paved and unpaved roads which connect the village with other local population centres.

Geology and Mineralization

Gold mineralization is hosted by the 1,800 metre long Kestane Beleni Vein which contains the present resource, and the less well explored Kokarpinar Vein which is 2,500 metres in length. Both strike southeasterly (160°), dip 60° to 70° northeast and postdate the emplacement of rhyolitic dikes, although the veins may follow dike-occupied fracture zones for short distances.

Mineralization occurs as open space fillings. Multistage breccia, quartzcarbonate veinlets, cockade and laminated textures are common. Non-metallic gangue minerals include quartz, rhodonite and rhodochrosite. Associated sulphides include pyrite, pyrrhotite, chalcopyrite, sphalerite and galena, and their oxidized products. Most of the gold is very fine (2.5 to 50 microns), occurring as free grains in quartz and carbonate, and as inclusions in sulphide minerals. Lower grade stockwork mineralization occurs locally between ore shoots, and is relatively abundant in the hanging wall irrespective of rock type. Such stockworks are not common in the footwall.

All levels currently explored through drilling are oxidized, and both gold and copper enrichment in the oxidized zone is at least locally present. This is believed to explain the more erratic distribution of gold in samples collected from the surface compared to the results obtained from drill holes.

Previous Exploration

A drilling program was completed in 1997 along the north, middle and south ore shoots. A total of 4092 metres of diamond drilling was carried out to further delineate the initial resource. This has resulted in an increase in the resource to 3.14 million tonnes at an average grade of 14.64 grams per tonne. The drill hole pattern has been reduced to approximately 50 by 35 metres. Additional diamond drilling was carried out in 1997 to conduct hydrogeological testing in the vein structure as well as the hanging wall and foot wall rocks. Assay data from this program has been incorporated into the database for the deposit.

Current Development Activities

The target identified at the WT Project is a high-grade vein-hosted gold system. Current exploration and development activities are centered on additional engineering work to reflect a larger resource than previously identified. A prefeasibility mine plan was completed in 1997, estimating a production rate of 250,000 tonnes per year using ramp access and cut and fill mining methods. Base line environmental data is being collected in preparation for environmental impact studies to be carried out in 1998. In addition, conceptual engineering studies covering mining, processing and waste handling will be conducted in preparation for the completion of a prefeasibility study during in 1998. The total development budget for the WT Project for 1998 is approximately $640,000.

Küçükdere Project, Turkey

Ownership Interest

Eldorado owns a 100% interest in the Küçükdere Project through Tüprag. The Küçükdere Project consists of one operation license comprising 9,784 hectares and one pre-operation license comprising 632 hectares.

Location and Access

The Küçükdere Project area is located near the west coast of Turkey, approximately 10 kilometres southeast of the town of Edremit (population 36,000) and approximately 125 kilometres north of the provincial capital of Izmir. The village of Küçükdere (population 500) is the nearest settlement and is located approximately one kilometre south of the Küçükdere Project. The project site is located in hilly terrain at an elevation of approximately 300 metres. Access to the property is provided by various unpaved roads which connect the project and the village of Küçükdere to the main Izmir-Canakkale highway.

Previous Exploration

Exploration at the Küçükdere Project was initiated in 1989 with the completion of geological mapping, detailed vein mapping, bedrock chip sampling, geophysical surveying and excavation of 48 bedrock trenches. Drilling initiated later that year was completed in three phases over the next two years, employing diamond drill rigs, reverse circulation and air percussion rigs.

Geology

The project area is comprised of a series of Tertiary rocks including andesite, dacite, tuff and associated subvolcanic andesite porphyry and granodiorite. Underlying these volcanic assemblages, older basement rocks are represented by schists of Paleozoic age and marine limestones of Jurassic age.

Gold mineralization at Küçükdere is hosted exclusively by andesitic porphyry which was emplaced during the early Paleogene. Gold and silver occur in a series of quartz-carbonate veins which are subvertical with north to northeasterly strikes, or are flat-lying to northwesterly dipping with northerly to easterly strikes. At present, five vein zones have been identified, extending from Coraklik Tepe in the south to Firincik Tepe in the north. Within each zone, veins form a series of discontinuous lenses and pods over a strike of nearly 4 kilometres, although less well mineralized veins extend along strike beyond this central area. Individual veins range in thickness from less than one metre to 30 metres, and vary in length from a few metres to more than 200 metres. The veins are controlled by north-northeast trending shears and dilatant zones developed in the andesite porphyry stock and are surrounded by pervasive propylitic alteration to moderate argillic alteration.

Gold occurs as free grains within quartz and carbonate gangue, ranging in size from less than one micron to more than 50 microns in diameter. Overall gold to silver ratios are 1:2. Minor galena, sphalerite and, chalcopyrite are also present.

Previous Exploration

Exploration work at Küçükdere was conducted between 1988 and 1991 and a feasibility study was completed by Gencor Limited in early 1992. Project permitting was initiated by submitting an environmental impact report in November 1992, however, further permitting and project development was halted due to agricultural and land use regulations which restricted placement of the tailings pond.

Current Development Activities

During 1997, engineering work was conducted to evaluate the feasibility of using dry tailings disposal methods to reduce the environmental impact of on site processing at the Kucukdere Project. Initial dewatering studies have indicated that this method would be applicable and would therefore resolve some of the environmental issues associated with the initial feasibility study completed by Gencor Limited in 1992. Revision of the previous feasibility study and environmental impact report are presently in progress. Agricultural and land use regulations have recently been amended, thereby eliminating an impediment to further development.

As with the WT Project, declining gold prices have adversely affected the economics of the Kucukdere Project. Accordingly, work planned is limited to care and maintenance activities with a nominal budget.

Kisladag Project, Turkey

Ownership Interest

Eldorado owns a 100 percent interest in the Kisladag Project through Tüprag. The Kisladag Project consists of two pre-operating and one exploration license comprising a total of 4,283 hectares.

Location and Access

The Kisladag Project lies in western central Turkey, approximately 40 kilometres southwest of the provincial capital of Usak. Several small villages with populations of about 100 people are located within a radius of 5 kilometres. The Kisladag Project is located in hilly terrain with elevations ranging from 900 to 1100 metres. All-season access to the Kisladag Project is provided by various paved and unpaved roads.

Geology and Mineralization

The Kisladag Project is situated in an andesitic to dacitic Tertiary volcanic complex formed by two partially overlapping calderas.

Precious metal mineralization on the property is interpreted to be the upper levels of high-sulfidation system. Exploration conducted by Eldorado has outlined two alteration zones on the Kisladag Project. The Gökgöz Tepe alteration zone covers approximately 12 square kilometres. Anomalous gold mineralization is hosted in an area of complex volcanic stratigraphy interpreted as a volcanic vent. Gold mineralization is associated with silicified andesite tuffs and volcanic breccias. Silicification occurs as irregular patches fed by thin stockwork veinlets in both tuff and breccia matrices. Surface oxidation extends 25 to 35 metres below surface.

The Sayacik alteration zone is located 5 kilometres southwest of Gökgöz Tepe and covers approximately 6 square kilometres. Moderate to strong silicification occurs for approximately 1.5 kilometres in andesitic tuffs. Quartz barite veinlets cutting the tuff contain up to 100 parts per million silver in grab samples.

Previous Exploration

The Gökgöz Tepe alteration zone has been investigated through an extensive program of mapping, soil sampling and trenching by Eldorado during 1997. Thirty-two shallow percussion drillholes were completed to a depth of 50 metres below surface.

Current Development Activities

The target sought at the Kisladag Project is a bulk-tonnage low-grade gold deposit hosted in Tertiary volcanics. The next phase of exploration and development activities will focus on further delineating the resource to a depth of approximately 150 metres through an in-fill reverse circulation drilling program, together with preliminary metallurgical testwork. Eldorado is not currently planning any active exploration on the Kisladag Project during 1998.

3. EXPLORATION PROJECTS

As a result of the decline in the price of gold in 1997, Eldorado has modified its exploration strategy to focus on opportunities near its existing mines in Mexico and Brazil. Eldorado's exploration activities are directed from Vancouver, British Columbia, where all exploration projects and opportunities are evaluated and prioritized. Exploration activities at existing mines, including exploration near the minesites, are managed from the local minesite offices. Regional projects, which represented a significant portion of Eldorado’s exploration activities in 1997, have been suspended and Eldorado is soliciting joint venture partners for many of these projects.

In 1997, Eldorado incurred an aggregate of $32,406,000 in exploration expenditures. The distribution of exploration expenditures by region was 36% in Brazil, 30% in Argentina, 8% in Mexico, 12% in Turkey and 13% in other areas. For 1998, Eldorado has an aggregate exploration budget of approximately $2,000,000.

a) Brazil Projects

Piaba Project, Maranhão State

Ownership Interest

Eldorado owns a 50% interest in the Piaba Project through its 50% ownership of Aurizona Goldfields Corporation ("Aurizona Goldfields"). The Piaba Project consists of one mining concession covering an area of 9,981 hectares. Three additional applications for exploration permits cover an additional area of approximately 20,100 hectares to the west.

Location and Access

The Piaba Project is located within the Aurizona region in the Municipality of Godofredo Viana in northeastern Brazil. Located about eight kilometres from an inlet of the Atlantic Ocean, the Piaba Project is reached by road from the city of São Luis over an eight-hour 535 kilometre circuitous route through Miranda, Santa Ines, Quatro Bocas and Godofredo Viana which is about 20 kilometres south of the property. This last portion is accessible by truck only during the dry season (October through December) and only during relatively low tides. High tides make a 5 kilometre stretch of this road impassable. Accordingly, most materials must be transported to the project site using a barge, thereby requiring a detour of 18 kilometres.

Geology and Mineralization

The Piaba Project is located in one of several greenstone belts within the eastern part of the Guyana Shield. These greenstone belts, which have affinities to similar rocks on the opposite side of the Atlantic Ocean in Ghana, host several major gold deposits including Omai in Guyana and Las Cristinas in Venezuela.

Gold mineralization at Piaba is carried by quartz veins and stockworks within sheared felsites (granophyre dikes) and country rocks in general proximity to intrusive stocks. Hydrothermal alteration is characterized by a central pyrite-bearing sericitized zone which grades outwards through an outer carbonate alteration zone into pervasively chloritized country rocks. Low level gold mineralization occurs in a broad weakly veined halo surrounding the deposit. The Piaba Project is about 2,000 metres in length. The saprolitic zone extends to a vertical depth of about 60 metres, below which primary gold mineralization occurs in less weathered, pyrite-bearing rocks. The substantial strike length of the Piaba Project is thought to indicate good potential for primary mineralization below the zone currently explored by diamond drilling, and for saprolitic gold beyond the limits of the known deposit.

Previous Exploration

Jesuit settlers are believed to have been the first to have exploited gold in the Aurizona area during the 17th century. During the 1800s, experienced miners were brought to the area from Minas Gerais. During the last century and the early part of the 20th century, several companies carried out work in the area. During the 1950s, a variety of companies carried out geological exploration of the region. In 1988, Mineração Aurizona S.A. acquired the rights to the Piaba Project and new exploration work was initiated. During the period 1991 to 1993, the saprolite portion of the Piaba Project was systematically drill tested with auger, percussion, reverse circulation and diamond drilling. A total of 19,000 metres of drilling were completed, including 10,014 metres in shallow testing of the main Piaba Deposit.

During 1997, exploration activities were focused on delineating additional open-pittable reserves at the eastern and western extensions of the known Piaba Deposit, as well as on additional peripheral targets. Sixty-one diamond holes were drilled in 1997, for a total of 6,300 metres as well as 24 reverse circulation holes for a total of 1,100 metres.

Current Exploration Activities

The target Eldorado is pursuing at the Piaba Project is a bulk-tonnage low-grade open-pittable gold deposit in saprolite together with shear-hosted higher grade underground extensions in fresh bedrock.

Following the decline in the gold price during 1997, and with the low grade of the Piaba Deposit, significant exploration and development activities have been suspended. The budget for the Piaba Project in 1998 for care and maintenance activities is currently $140,000 of which Eldorado would fund 50%.

Luziânia Project, Goias State

Ownership Interest

Eldorado owns, or has the right to acquire, 100% of the properties comprising the Luziânia Project, through its wholly-owned Brazilian subsidiary, Unamgen Mineração Metalurgia S.A. ("Unamgen"). The portion of the Luziânia Project currently owned by Unamgen consists of 7 exploration permits covering approximately 5,703 hectares, 5 exploration permit applications, with priority confirmed status, covering approximately 5,066 hectares. Unamgen is a participant in a 50-50 joint venture with respect to two exploration permits, interspersed with the permits already held by Unamgen and covering approximately 1,950 hectares.

Location and Access

The Luziânia Project is situated in east-central Gôias State, approximately 50 kilometres south of Brasilia. The town of Luziânia is approximately one hour by asphalt highway from Brasilia and the project area is approximately ten minutes by well maintained gravel tracks from Luziânia.

Geology and Mineralization

The area is underlain by a series of Archean to early Proterozoic rocks of the Canastra Group which predominantly comprise sericite schist and sericite-chlorite schist in the Luziânia Project area. Regional reconnaissance mapping has identified three main rock units: a lower unit of carbonate schist and siliceous schist is overlain by a middle unit which comprises quartzite, muscovite-bearing quartzite, banded ferruginous quartzite and garnet-muscovite schist, in turn overlain by the upper unit composed of graphitic schist with quartz boudins. In much of the Luziâníа area, graphitic sericite schist and chlorite schist are major constituents, the former containing quartz boudins 5 to 40 centimetres in length which are commonly surrounded by ferruginous sericite-rich alteration envelopes.

In the vicinity of the old Santa Maria and Japanese Hill mine workings, these rocks are commonly graphitic and carry abundant millimetre scale quartz boudins and stringers. Old workings comprise regular-shaped, rectangular excavations with subvertical walls and typical depths of 2 to 6 metres. Such workings cover areas of approximately 1,200 metres by 200 metres at Santa Maria and 550 metres by 350 metres at Japanese Hill.

Gold mineralization at Luziânia is associated with quartz boudins and rusty or gossanous zones (from elevated pyrite contents). The favourable host rock contains fine graphite on foliation planes. The mineralization is spatially associated with thrust faulting which may have provided major conduits for gold-bearing fluids. These features are all present at the Morro do Ouro Mine owned by Rio Tinto and TVX. At inception, this operation represented a resource of 180 million tonnes grading 0.6 g Au/t. The Morro do Ouro Mine presents a model which is applicable for exploration in the Luziânia area. The extensive colonial workings at Santa Maria and Luziânia bear testament to the potential size of a deposit in this area. The presence of similar workings in the outskirts of the town of Luziânia indicate that gold mineralization occurs over a very large area, measuring at least 11 kilometres in length and 500 metres in width.

Previous Exploration

Grid-based geochemical soil sampling was carried out over a 3 by 4 kilometre area. A greater than 75 parts per billion gold anomaly was outlined averaging 300 metres in width which extended the full length of the grid. A total of 156 bedrock samples were collected, primarily from the gold-bearing graphitic schist unit. Low-grade gold mineralization was detected in several test pits dug in the area.

Exploration work in 1997 was focused on soil sampling to determine extensions of mineralized areas, large diameter auger drilling, reverse circulation drilling to define ore reserves, diamond drilling to test structural trends and define geological controls of mineralization, as well as metallurgical tests, engineering and pre-feasibility studies.

Current Exploration Activities

The target sought at the Luziânia Project is a bulk tonnage low-grade open-pit gold deposit similar to that at the Morro do Ouro Mine, 150 kilometres from the Luziânia Project. All exploration activity on the Luziania Project has been suspended because of the current low price of gold.

Aurizona Regional Project, Maranhão State

Ownership Interest

Eldorado owns a 50% interest in the Aurizona Regional Project through Aurizona Goldfields. The Aurizona Regional Project consists of 42 exploration permits covering an area of approximately 367,484 hectares, together with 17 applications for exploration permits, with priority confirmed status, covering an area of approximately 152,397 hectares.

Location and Access

The Aurizona Regional Project is immediately adjacent to the south side of the Piaba Project. The main access to the project area is by asphalt highway joining São Luis, the capital of Maranhão, and Belem, the capital of Para. Several other gravel roads are present but most are only accessible during the dry season and are concentrated in the northern portion of the claim block.

Geology and Mineralization

The Aurizona Regional Project is located in one of several greenstone belts within the eastern part of the Guyana Shield. These belts, which have similarities to rocks on the opposite side of the Atlantic Ocean in Ghana, host several major gold deposits including Omai (Guyana) and Las Cristinas (Venezuela) of which both are associated with intrusive stocks. The project area is underlain by an Archean to early Proterozoic sequence comprising metamorphosed graphitic sedimentary strata and mafic to ultramafic lavas. These sediments are represented by graphitic schists and metacherts intercalated with granophyre and mica schists composed of variable amounts of quartz, sericite and chlorite.

Previous exploration has identified several gold-bearing structures within a wide east north-east trending shear zone, which has been traced for approximately 40 kilometres. Several types of gold mineralization have been observed in the Aurizona region:

(a) hosted in hydrothermally altered and sheared granophyres;

(b) occurring in quartz veinlets in shear zones in volcanosedimentary strata;

(c) in laterites, especially those of a ferricrete variety;

(d) redistributed enrichments in saprolite;

(e) occurring in quartz veinlet swarms and stockwork in felsic intrusives; and

(f) in sulphide rich quartz veins in intrusives.

Previous Exploration

The Aurizona region has a long history of gold production dating from the early 1600s when Jesuits settled in the area. Small-scale “garimpeiro” mining occurred locally and intermittently from 1810 until the 1850s when a number of mining companies carried out the first geological exploration. In 1978, Brascan Recursos Naturais ("BRN") initiated work on the Piaba Project and in other garimpeiro mining areas in the region. In 1991, BRN and Unamgen agreed to carry out joint regional exploration activities in the Aurizona area.

The Aurizona Regional Project covers an extensive land area in the Amazon basin which has not been explored previously with modern exploration techniques. Consequently exploration efforts were initially focused on compiling an inventory of, and investigating, garimpeiro workings as well as a regional reconnaissance program. Regional exploration consisted of a magnetic and radiometric airborne survey totaling 22,000 line kilometres. Targets sought include bulk-tonnage open-pittable gold deposits related to quartz-vein stockworks within felsic intrusives as well as open-pittable and underground gold deposits related to shear zones of the nearby Piaba type.

Exploration work in 1997 was concentrated on known garimpeiro workings .Grid-based soil sampling and magnetic ground surveying, rock sampling, auger drilling and reverse circulation drilling were carried out in various garimpos.

Current Exploration Activities

A comprehensive assessment of all results is currently in progress with the objective of rating targets and establishing priorities for future work. The total exploration budget for the Aurizona Regional Project in 1998 is approximately $870,000 of which Eldorado would fund 50%. At the present time, Aurizona Goldfields is soliciting joint venture partners for this project.

Sapucaí Project, Minas Gerais State

Ownership Interest

Eldorado owns, or has the right to acquire, a 100% interest in the Sapucaí Project through Unamgen. The portion of the Sapucaí Project currently owned by Unamgen consists of 42 exploration permits covering approximately 27,271 hectares, 5 exploration permit applications, with priority confirmed status, covering approximately 4,064 hectares and 14 exploration permit applications, with priority not confirmed status, covering approximately 13,997 hectares.

Unamgen has the option to acquire a 100% interest in 7 exploration permits covering approximately 21,797 hectares upon payment to the optionor of an aggregate of $275,000 over a period of four years and the issuance of 105,000 common shares of Eldorado. In addition, Unamgen must pay $3.00 for each proven and probable ounce of gold identified on the property and confirmed in a positive bankable feasibility study, to a maximum of $2,000,000.

Location and Access

The Sapucaí Project is located in Minas Gerais State in southeastern Brazil, in the vicinity of the towns of Tres Coracoes, Cambuquira, Varginha and São Goncalo do Sapucaí. This area is situated about 240 kilometres southwest of Belo Horizonte, the state capital. Access to the project area is provided by a series of paved roads which link the local towns, including the main Belo Horizonte-São Paulo highway.

Geology and Mineralization

The project area is located on the southern margin of the São Francisco Craton and is underlain by a plutonic-volcanic assemblage (Silvianopolis Complex) and a sequence of metasedimentary rocks with minor volcanic components (Lambari Complex). Of these complexes, the former is dated as late Archean whereas the latter is early Proterozoic. Both were deformed and metamorphosed to amphibolite grade.

Major gold occurrences in the area are spatially associated with north-east trending shears and faults, preferentially those in hornblende-biotite gneisses. Numerous gold prospects are located on the property and most were extensively mined during colonial times. Gold is present in a lateritic soil cover and in the underlying saprolite zone. The saprolite contains stockwork-like quartz veins and veinlets. Main exploration targets are low-grade bulk-tonnage open-pittable gold deposits based on the extensive old pits and workings.

Previous Exploration

Geochemical data from stream sediment samples and heavy mineral concentrates were collected from a 1977 government regional survey which included the current Sapucaí Project area. The data was collated with information from 1:50,000 and 1:250,000 geological maps. Preliminary follow-up exploration comprised panning of stream sediment samples from the São

Goncalo do Sapucaí and Tres Coracoes areas, and initial reconnaissance of old mine workings which were identified from aerial photographs. The conclusions from this work were in accord with regional evidence which shows a general north-easterly alignment of gold occurrences in the Sapucaí-Tres Coracoes Belt.

Eldorado's exploration work in 1997 included an airborne magnetic and radiometric survey of the entire project area, a landsat imagery and photo-geological study and a stream sediment geochemical survey. In parallel, an inventory of old workings was carried out, comprising preliminary geological mapping and sampling. A total of 10 large gold stream and soil geochemical anomalies have been outlined over a strike of some 30 kilometres. In addition, five areas were gridded in the northern portion of the Sapucaí-Tres Coracoes Belt and outlined large gold soil anomalies measuring up to 4,000 metres by 300 metres. Preliminary auger drilling of these anomalies has returned encouraging results.

Current Exploration Activities

A comprehensive assessment of all results is currently in progress with the objective of rating targets and establishing priorities for future work. Eldorado is currently soliciting joint venture partners for the Sapucaí Project.

Cuiabá Project, Mato Grosso State

Ownership Interest

Eldorado owns a 50% interest in the Cuiabá Project through Aurizona Goldfields. The Cuiabá Project consists of 18 exploration permits covering approximately 174,589 hectares.

Location and Access

The Cuiabá project is located in Mato Grosso State in the central-western region of Brazil, near Cuiabá, the state capital. Access is by asphalt highways and a series of gravel and dirt roads that cover most of the project area.

Geology and Mineralization

The area is underlain by late Proterozoic rocks of the Paraguay Fold Belt. This north-east south-west trending thrust-fold belt is situated at the southern margin of the Amazon Craton. The main stratigraphic unit is the Cuiabá Group, a sedimentary accretionary wedge, which includes minor volcanic and volcanoclastic strata and was deposited on granitic gneiss basement. During the Brasiliano Orogeny, greenschist grade metamorphism and granitic intrusions affected the Cuiabá Group. The predominant rock types are graphitic phyllites (black shales), sericitic phyllites (greywacke), conglomeratic phyllite (volcanoclastic) and kaolin-rich units (arkose and intermediate volcanics). Rocks of this group are usually deeply weathered and lateritic and saprolitic zones are developed.

A large number of gold prospects and garimpeiro workings occur in the Cuiabá area. Garimpos are located predominantly south-east of the capital. Major gold prospects and garimpos known in the Cuiabá area have been worked mainly in the saprolite and laterite zones.

Previous Exploration

In initiating exploration in the Cuiabá Slate Belt, a photo-geological study was conducted in order to determine major structural trends which appear to control gold mineralization. Government regional geochemical survey data covering 90% of the western property block were acquired and evaluated on 1:100,000 scale government geological maps.

In 1997, exploration activities focused on geological mapping as well as integrating the geological, geochemical and litho-structural data. This work has identified 16 extensional zones and dilational jogs representing high priority targets for detailed follow-up work. Targets are low-grade bulk-tonnage open-pittable deposits in saprolite as well as high-grade deposits in fresh bedrock.

Current Exploration Activities

Eldorado is presently soliciting joint venture participants for the Cuiabá Project.

Bonsucesso Project, Goias State

Ownership Interest

Eldorado owns a 100% interest in the Bonsucesso Project through Unamgen. The Bonsucesso Project consists of 16 exploration permits covering approximately 15,832 hectares, 3 applications for exploration permits, with priority confirmed status, covering approximately 5,000 hectares and 21 applications for exploration permits, with priority not confirmed status, covering approximately 25,900 hectares.

Location and Access

The Bonsucesso Project lies about 170 kilometres south of Brasilia. Access is by main asphalt highways connecting Brasilia to Belo Horizonte and São Paulo followed by 20 kilometres of well maintained gravel roads and a network of unpaved tracks.

Geology and Mineralization

The Bonsucesso Project area is underlain by an Archean to Proterozoic volcanosedimentary sequence locally represented by quartz-sericite-chlorite schist, quartz-sericite schist and quartzite. Metatuff, metachert and banded ironstones have been also identified. The formations have a general northerly strike on the property, but local fold closures indicate a complex deformation history.

Bonsucesso represents a true discovery of previously unknown gold mineralization, associated with sulphide-bearing quartz veins in an area with some 25 kilometres of strike extent. Anomalous gold values were obtained from banded iron stones and metachert samples. These lithologies suggest the presence of a tectonic window of an older (possibly Archean) volcano-sedimentary sequence, not previously known within the Brasilia Fold Belt. In the southern portion of the prospect area, the mineralized quartz veins, oriented in a north-south direction, occur in an area approximately 2,000 metres in strike extent. Gold grades are associated with oxidized sulphides (pyrite, chalcopyrite, galena and sphalerite). The geological setting of Bonsucesso is thought to have some similarities with the Crixas gold deposit.

Exploration activities in 1997 consisted of a magnetic and radiometric airborne survey, stream sediment geochemistry and geological mapping. On a local scale, an induced polarization/resistivity survey was undertaken. Trenching and auger drilling were carried out across high-grade quartz-sulphide-gold veins.

Current Exploration Activities

A comprehensive assessment of all results is currently in progress with the objective of rating targets and establishing priorities for future work. Eldorado is presently soliciting joint venture participants to further advance this project.

Pedra Branca Gold Project, Ceara State

Ownership Interest

Eldorado owns a 100% interest in the Pedra Branca Project through Unamgen. The Pedra Branca Project consists of 36 exploration permits covering approximately 36,790 hectares and two applications for exploration permits, with priority confirmed status, covering 1,913 hectares.

Location and Access

The project is located in the - north east region of Brazil, about 260 kilometres to the south-west of Fortaleza, the Ceara State capital. The area is accessed from asphalt road which connects Fortaleza with the central-west region of the country.

Geology and Mineralization

The area is located in amphibole grade metamorphic rock assemblages currently interpreted as high-grade metamorphosed equivalents of Archean greenstone belt sequences. This volcano-sedimentary sequence is known as the Pedra Branca Complex.

Previous Exploration

Intermittent exploration between 1986 and 1991 included a stream sediment geochemical sampling program over an initial evaluation area totalling 220,000 hectares and an airborne geophysical survey (magnetic and radiometric) over part of this area. Eldorado commenced fieldwork in September 1996 with regional stream sediment and soil sampling and soil gridding of known anomalies

As a result of this regional investigation, several gold anomalies within a newly recognized mineralized belt in the northwestern part of the complex were identified and followed up with limited soil sampling and trenching. In addition to gold in the quartz veins, low-grade mineralization also occurs in country rocks adjacent to the veined sections. At Mirador, several north-east trending anomalies were detected with the main one about 500 metres in length and 150 metres in width. Visible gold is commonly found in this area. Trenching exposed several stockwork-like quartz veins. Mapping in and around the gridded areas revealed other quartz veins, some of which were associated with lower level geochemical anomalies.

Eldorado's exploration work to date has located gold mineralization associated with sulphide-bearing stockwork, quartz veins and disseminated mineralization hosted by sheared biotite gneisses and schists. These rocks commonly contain oxidized sulphide-bearing quartz veins and veinlets which are conformable with the foliation.

The geology and geochemical results on the Pedra Branca Project area suggest the presence of structurally controlled gold mineralization within a north-east trending foliated zone, with potential for bulk-tonnage, oxidized, open-pittable, as well as underground primary sulphide-associated deposits.

Recent work on the project has included follow-up of previous airborne geophysical and photo-geological surveys. Soil geochemistry and geological mapping have identified a number of additional targets within the northeast-southwest trending gold zone that now has a strike extent of some 20 kilometres. Preliminary trenching on two gold prospects has returned encouraging results, confirming the potential for open-pittable oxide ore gold deposits.

Current Exploration Activities

In order to advance this project, systematic detailed exploration of the defined gold zone will be required and will include trenching and drilling of targets previously defined. Eldorado is presently seeking a joint venture partner to carry out this work.

b) Argentina Projects

Andes Project, Catamarca, La Rioja and San Juan Provinces

Ownership Interest

Eldorado owns, or has the right to acquire, between 88% and 100% interests in the Andes Project through three wholly-owned Argentinean subsidiaries, Minera Eldorado S.A. ("Minera"), Campo de Oro Andino S.A. and Valle Ancho S.A. The Andes Project consists of an aggregate of 23 exploration concessions covering 105,147 hectares and 92 applications for discovery statements covering 236,751 hectares.

With respect to 10 of the exploration concessions covering approximately 38,000 hectares located in the Provinces of La Rioja and San Juan, Minera must complete a feasibility study on or before September 22, 1999 and must pay an amount equal to 2,600 troy ounces of gold within 30 days of the completion of such a feasibility study, together with a royalty of 5% of net operating profits.

Minera has the exclusive exploration rights for a period of 5 years commencing November 20, 1995 with respect to 3 of the exploration concessions covering approximately 19,700 hectares located in the Province of La Rioja in consideration of paying $1,075,000 on or before July 1, 2001. In addition, Minera has the right to acquire an 88% interest in such exploration concessions in consideration for the payment of $3,000,000 on or before July 1, 2001.

Minera also has the exclusive exploration rights for a period of 5 years commencing October 13, 1995 with respect to 4 of the exploration concessions covering approximately 12,600 hectares located in the Province of La Rioja in consideration of paying an aggregate of $975,000 on or before July 1, 2001. Minera has the right to acquire an 88% interest in of such exploration concessions in consideration of the payment of $3,000,000 on or before July 1, 2001.

Minera has been granted the exclusive right for a period of 4 years commencing May 4, 1995 to prospect, explore for and exploit any mines discovered with respect to the Laguna Verde Provincial Reserve in Catamarca. Minera must expend an aggregate of $1.5 million in exploration expenditures on or before May 4, 1999, which amount has been expended. Once Minera has made the necessary expenditures on exploration and development, Minera must complete a bankable feasibility study on or before the second anniversary of the completion of the initial 4 year term, provided that Minera may postpone the preparation of such feasibility study for an additional 2 years upon the payment of $80,000 for each year of delay. Upon completing a bankable feasibility study and making a positive production decision, Minera must pay the Province of Catamarca $150,000 and may then exercise an option to acquire a 100% undivided interest in the reserve in consideration of the payment of $500,000 to the Province of Catamarca.

Location and Access

The Andes Project is located in north-western Argentina and covers an area approximately 3,100 square kilometres in size and stretches for approximately 200 kilometres along the Argentina-Chile border, straddling the Provinces of Catamarca, La Rioja and San Juan. The Andes Project area is up to 80 kilometres wide and lies approximately 1,300 kilometres north-west of Buenos Aires and 625 kilometres north northeast of Santiago, Chile. Access to the Andes Project is limited. One road, currently under construction north of Laguna Brava, Argentina, crosses the Andes Project into Chile 130 kilometres southeast of Copiapo, Chile. Another road from Tinogasta, Argentina crosses the northern part of the Andes Project and also reaches Copiapo. Access within the Andes Project is by four wheel drive vehicles. Rough tractor roads have been completed into all main work areas. Elevations at the Andes Project are greater than 4,000 metres as the project area lies within the Andean mountain chain.

History

The recorded history of exploration for gold and other precious metals in the Andes Project area is scant and little information has been published for this part of Argentina. The only documented exploration work in the Andes Project area is a joint Argentine-French geological study of La Rioja Province conducted from 1966 to 1985, covering only part of the Andes Project. In addition, Norwest Mine Services, Inc. of Salt Lake City, Utah completed a remote sensing investigation as part of a study undertaken in 1992 and 1993 on behalf of the Government of Argentina, which included a regional analysis of Landsat thematic mapper ("Landsat") satellite photographs.

Geology and Mineralization

The Andes Project is underlain by Cenozoic intrusives, subvolcanics and volcanics. The same sequence of volcanic rocks hosts epithermal and porphyry gold mineralization along the Maricunga and El Indio metallogenic belts of neighbouring Chile. Miocene stratavolcanoes, which have a close spatial relationship to gold in both the Maricunga and El Indio Belts, are also known to be present in the Andes Project area.

The Maricunga Belt, immediately north of the southern claim group of the Andes Project, hosts several major gold and silver deposits, including La Coipa, Lobo, Refugio and Aldebaran. The El Indio Belt lies approximately 120 kilometres south-southwest of the Andes Project area and hosts the El Indio and other high grade deposits.

Previous Exploration

The Chilean portion of the Maricunga Gold Belt to the west of the Andes Project area has had significant exploration since the early 1980s. No such activity occurred in Argentina until Landsat image interpretation and follow-up led to the identification of extensive district scale argillically altered zones manifested as colour anomalies. Earlier regional reconnaissance geologic mapping, prospecting and geochemical surveys led to the identification of 5 priority alteration areas with precious metal anomalies out of seventeen “false colour” anomalies originally examined. The Andes Project has been divided into three project areas, Laguna Verde in the north, Rio Salado in the centre and Peña Negra in the south.

At Laguna Verde gridded magnetic and IP/resistivity geophysical and geochemical soil surveys have outlined potential mineralized areas which were subsequently trenched and drilled with sixteen reverse circulation drill holes. This work helped define an elongate gold-bearing stockwork zone. Phase two reverse circulation drilling was able to considerably extend the mineralization to the southeast.

In the Peña Negra District, geochemical and similar geophysical surveys were carried out. These delineated an exposed high-level precious-metal epithermal system and a buried porphyry system. Diamond core and reverse circulation drilling confirmed the presence of gold-copper porphyry styles of mineralization and alteration at Peña Negra.

Exploration at the Andes Project in 1997 was focused on the Peña Negra District where diamond and reverse circulation drilling continued to identify gold-copper and gold mineralization associated with anomalous geophysical and/or geochemical targets. The area contains the "blind" Peña Negra porphyry which has the signature of a large gold-rich copper porphyry system as well as higher level epithermal gold targets.

At Rio Salado, geophysical, geochemical and geologic mapping and trenching were completed. Several zones similar to Bema Gold Corporation's Marisella project two kilometres across the border in Chile were identified and sampled. Eldorado has recently been granted access to the project from Chile, the preferred shorter route from established roads and services to the Rio Salado Project area. At Laguna Verde, reverse circulation drilling continued to test anomalies and mineralized zones.

Current Exploration Activities

Eldorado presently has no plans to undertake additional exploration on the Andes Project in 1998 and is currently soliciting joint venture partners for the continued exploration of the Andes Project.

(c) Other Projects

In addition to the mineral resource properties described in this AIF, Eldorado has holdings of additional mineral resource properties in Brazil, Argentina, Turkey, Mexico, and other locations worldwide. The majority of these holdings are not currently being actively explored or funded, however they are all being maintained in good standing. Depending on their strategic importance to Eldorado or their prospective nature, and the future availability of exploration funds, exploration programs may be funded on certain of these properties in the future. A number of these properties may also be joint ventured or optioned to other mineral exploration companies, or disposed of.

4. JOINT VENTURES

(a) Aurizona Goldfields Joint Venture

Eldorado and Cesbra are each 50% participants in an incorporated joint venture formed to pursue the exploration and development of a series of mineral resource properties in northern Brazil, including the Piaba and Aurizona Regional Projects. The joint venture corporation, Aurizona Goldfields Corporation, holds its mineral interests through a wholly owned Brazilian subsidiary, Mineração Aurizona, S.A. For 1998, Aurizona Goldfields Corporation has an exploration program scheduled for the Piaba and Aurizona Regional Projects at an estimated cost of approximately $1,100,000, of which each of Eldorado and Cesbra must fund 50%.

(b) GENEL Joint Venture

Eldorado and Gold Fields Limited are each 50% participants in an unincorporated joint venture created to pursue the acquisition of an interest in the Pueblo Viejo Mine located in the Dominican Republic and owned by Rosario Dominicana S.A., a state-owned Dominican corporation. At the present time, the joint venture is awaiting receipt of revised terms of reference for a previously announced public tender process for acquisition of an interest in the Pueblo Viejo Mine.

(c) Longyear Joint Venture

Eldorado and Energold Mining Ltd. ("Energold") have entered into an incorporated joint venture with respect to FMI Technologies Inc. ("FMI"), with Eldorado holding a 51% interest in FMI and Energold holding a 49% interest in FMI. FMI holds title, through its wholly owned Dominican subsidiary Casa Real S.A., to the Longyear exploration concession which is continguous to the Pueblo Viejo Mine. An initial exploration program is planned for the Longyear exploration concession in 1998 at an estimated cost of approximately $150,000.

5. SHARE INVESTMENTS

As at December 31, 1997, Eldorado held interests in three public mineral resource companies: (1) Croesus Mining N.L. (approximately 18%), which operates the Binduli Gold Mine near Kalgoorlie, Western Australia and whose shares are listed on the Australian Stock Exchange; (2) Energold Mining Ltd. (approximately 37%), which is exploring a portfolio of properties in the Dominican Republic and whose shares are listed on the Vancouver Stock Exchange; and (3) Treminco Resources Ltd. (approximately 19%), which holds interests in mineral exploration properties in Canada, Mexico and the Dominican Republic and whose shares are listed on The Toronto Stock Exchange. Eldorado's interest in Croesus Mining N.L. was disposed of in April 1998 and substantially all of Eldorado's interest in Energold Mining Ltd. was disposed of in May, 1998.

6. TECHNOLOGY AGREEMENTS

Pursuant to a license agreement dated July 4, 1996 (the "BIOX® License") between Biomin Technologies S.A. ("Biomin"), a wholly-owned subsidiary of Billiton Plc, and Eldorado, Biomin granted to Eldorado the sole license to use and sublicense the use of Biomin's BIOX® proprietary bacterial oxidation technology for treating refractory sulphide ores, in Canada, the continental United States and Mexico for a period of five years. Biomin will retain the right to license the use of the BIOX® process in North America directly to third parties who approach Biomin, however, Biomin will not actively market the BIOX® process in North America.

The BIOX® License gives Eldorado the right either to sublicense the use of the BIOX® technology to a third party or to establish processing plants using the BIOX® process either on a contract basis or as principal. The BIOX® License provides for a set fee or royalty structure in relation to any sublicense or construction agreement Eldorado may enter into. To date no licences or sublicenses have been negotiated. Oxidor Gold Corporation Inc., a wholly-owned subsidiary of Eldorado, has been given the mandate to market the BIOX® process in North America.

7. GOLD MARKET AND PRICE

Gold is used primarily for product fabrication and bullion investment. Gold is traded on international markets and individual buyers and sellers generally are unable to influence the price of gold. The London price fixing for gold on December 31, 1997 was $289 per ounce.

8. REFINING, SALES AND HEDGING ACTIVITIES

Eldorado's gold is currently being refined to market delivery standards by Handy and Harman in Phoenix, Arizona for all Mexican production, and by a local refinery in Brazil for all Brazilian production. The availability of alternate refiners of gold causes Eldorado to believe that no adverse effect would result if it lost the services of any of its current refiners. Eldorado has employed a variety of hedging techniques with the objective of mitigating the impact of downturns in the gold market and providing adequate cash flow for operations while maintaining significant upside potential in a market upswing. Eldorado sells its gold production to bullion dealers on a spot market basis and through forward sales and other hedging agreements.

The extent of future hedging activities will depend upon Eldorado's assessment of the gold market, its hedging strategy, financing restrictions and other factors. For a summary of Eldorado's future gold sale and delivery commitments under its hedging arrangements, reference is made to the Consolidated Financial Statements of Eldorado incorporated by reference into this AIF.

9. ENVIRONMENTAL MATTERS

Eldorado conducts mining operations in Brazil and Mexico and exploration and development activities in Argentina, Brazil, Mexico, Turkey and elsewhere worldwide. Such operations are subject to various laws, rules and regulations governing the protection of the environment. Eldorado has adopted an environmental policy designed to ensure that it continues to comply with, or exceeds, all environment regulations currently applicable to it. All of Eldorado's operations are in compliance in all material respects with applicable environmental legislation. The Corporation is required to accrue certain amounts for reclamation and reference is made to the Consolidated Financial Statements incorporated by reference into this AIF for further details of these costs.

10. EMPLOYEE RELATIONS

As at December 31, 1997 Eldorado and its subsidiaries had approximately 1,045 employees worldwide. Eldorado also engages a number of contractors to supply work on specific projects. None of Eldorado's employees are organized, except for the hourly workers at the São Bento mine in Brazil. The current labour agreement with the Santa Barbara Gold and Precious Metals Extraction Industry Workers Union expires in July 1998. Eldorado considers its employee relations to be good.

11. COMPETITION

Eldorado competes with other mining companies for the acquisition of mineral claims, permits, concessions and other mineral interests as well as for the recruitment and retention of qualified employees. There is significant and increasing competition for the limited number of gold acquisition opportunities and, as a result, Eldorado may be unable to acquire attractive gold mining properties on terms it considers acceptable. Eldorado competes with many international companies that have substantially greater financial resources than Eldorado.

12. RISK FACTORS

The following risk factors apply to Eldorado's business:

Gold Price Volatility

The profitability of Eldorado's operations is significantly affected by changes in the market price of gold. Market gold prices can fluctuate widely and are affected by numerous factors beyond Eldorado's control, including industrial and jewellery demand, expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or economical events, and production and cost levels in major gold producing regions such as South Africa. In addition, the price of gold sometimes is subject to rapid short term changes because of speculative activities. The current demand for, and supply of, gold affects gold prices, but not necessarily in the same manner as current supply and demand affects the prices of other commodities. The supply of gold consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. As the amounts produced in any single year constitute a very small portion of the total potential supply of gold, normal variations in current production do not necessarily have a significant impact on the supply of gold or its price.

Impact of Hedging Activities

Hedging activities are intended to minimize the effect of declines in gold prices on results of operations for a period of time. Although hedging activities may protect a company against low gold prices, it may also limit the price that can be received on hedged ounces which are subject to forward sales and call options, resulting in such company foregoing the realization of revenues to the extent that the market price of gold exceeds the gold price in a forward sale or call option contract.

Production Estimates

Estimates of future production for particular properties of Eldorado as a whole are derived from annual mining plans prepared by Eldorado. Such plans have been developed based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risk and hazards of the types discussed, actual ore mined varying from estimates in grade and metallurgical and other characteristics, mining dilution, pit wall failures or cave-ins, strikes and other actions by labour at unionized locations, restrictions imposed by government agencies and other factors. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors (including, in some instances, feasibility studies prepared by company personnel and/or outside consultants) but, as such estimates do not have the benefit of actual experience, there is a greater likelihood that actual results will vary from the estimates.

Ore Reserve Estimates

The proven and probable reserve figures set forth in this Annual Information Form are estimates, and no assurance can be given that the indicated levels of recovery of gold will be realized. Reserve estimates may require revision based on actual production experience. Market price fluctuations of gold, as well as increased production costs or reduced recovery rates, may render Eldorado's proven and probable gold reserves containing relatively lower grades of mineralization uneconomic to exploit and may ultimately result in a restatement of reserves.

Regulatory Requirements

Domestic and foreign mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, protection of endangered and protected species, mine safety, toxic substances and other matters. Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production.

Risk of Foreign Investments

The majority of Eldorado's activities are located in foreign countries. Eldorado's foreign investments include operations in Brazil and Mexico and exploration and development projects in Brazil, Argentina, Mexico, Turkey, the Dominican Republic and certain other countries worldwide.

Foreign mining investments are subject to the risks normally associated with conducting business in foreign countries which are less developed or have an emerging economy, including uncertain political and economical environments, as well as risks of war and civil disturbances or other risks which may limit or disrupt a project, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or appropriation without fair compensation, risk of adverse changes in laws or policies of particular countries, increases in foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, limitations on ownership and non-repatriation of earnings and foreign exchange controls and currency devaluations. Although Eldorado is not currently experiencing any significant problems in foreign countries arising from such risks, there can be no assurance that such problems will not arise in the future.

In certain of the countries where Eldorado has operations or conducts exploration activities, the mineral rights or certain portions of such rights are owned by the relevant governments. Such governments have entered into contracts with, or granted permits or concessions that enable Eldorado and its subsidiaries to conduct operations or development and exploration activities on such lands. Notwithstanding such arrangements, Eldorado's ability to conduct its operations or development and exploration activities on such lands is subject to changes in government policy over which Eldorado has no control. If such a change were to occur that affected the right of Eldorado or any of its subsidiaries to conduct operations or development and exploration activities, it could have a material adverse effect on the results of operations.

Speculative Nature of Gold Exploration and Uncertainty of Development Projects

Gold exploration is highly speculative in nature, involves many risks and frequently is not productive. There can be no assurance that Eldorado's gold exploration efforts will be successful. Success in increasing reserves is a result of a number of factors, including the quality of Eldorado's management, its level of geological and technical expertise, the quality of land available for exploration and other factors. Once gold mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling to determine the metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that Eldorado's exploration programmes will result in the expansion or replacement of current production with new proven and probable reserves.

Development projects have no operating history upon which to base estimates of future cash operating costs. Particularly for development projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of gold from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated. It is not unusual in new mining operations to experience unexpected problems during the start-up phase. Delays often can occur in the commencement of production.

Mining Risks and Risks of Non-Availability of Insurance

The business of gold mining is subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions or unfavourable operating conditions and other acts of God and bullion losses. Such risks could result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

Eldorado maintains insurance against risks that are typical in the operation of its business and in amounts which it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability.

Additional Funding Requirements

Although Eldorado currently has sufficient financial resources to undertake all of its presently planned exploration programs, the development of new mines together with further exploration on, and development of, Eldorado's mineral resource properties in Brazil, Argentina, Mexico and Turkey will require additional capital. Accordingly, the continuing development of Eldorado's properties will depend upon Eldorado's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. There is no assurance that Eldorado will be successful in obtaining the required financing.

High Altitude and Remote Locations

Certain of Eldorado's properties are located in remote areas and at high altitudes. Conducting exploration programs in such areas involves additional risks and Eldorado's ability to conduct or complete such programs may be hampered by weather conditions, access, light air, flooding and landslides. Eldorado has limited experience in high altitude exploration of mineral properties.

Title Matters

While Eldorado has diligently investigated title to all of its mineral claims and to the best of its knowledge, title to all properties is in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial information of Eldorado for, and as of the end of, each of the last five fiscal years for the period ended December 31, 1997. This financial information is derived from the Consolidated Financial Statements of Eldorado which have been audited by Price Waterhouse.

Selected consolidated financial information
(thousands of United States dollars except per share amounts)

	December 31				
	1997	**1996**	**1995**	**1994**	**1993**
Income statement data					
Revenues	68,497	41,158	11,617	7,858	55
Net income (loss)	(111,129)	(11,711)	(4,376)	1,120	(595)
Balance sheet data					
Working capital	13,475	41,018	1,076	8,203	1,559
Total assets	247,740	357,218	40,991	28,015	6,970
Long-term debt	45,186	10,601	5,136	5,418	—
Shareholders' equity	183,101	293,298	29,487	20,808	6,552
Income (loss) per share	(1.52)	(0.34)	(0.28)	0.08	(0.08)

In addition, the following table sets out selected quarterly information of Eldorado, derived from the Consolidated Financial Statements of Eldorado.

	1997				**1996**			
	(Expressed in thousands of U.S. dollars, except per share amounts)`							
	Dec. 31	**Sept. 30**	**June 30**	**Mar. 31**	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**
Revenues	$16,714	$16,528	$18,497	$16,758	$17,820	$13,479	$5,289	$4,570
Net Income (loss)	($95,258)	($9,094)	($4,559)	($2,218)	$(11,197)	$(1,971)	$1,089	$368
Income (loss) per share[(1)]	($1.30)	($0.13)	($0.06)	($0.03)	($0.35)	($0.07)	$0.06	$0.02

(1) Fully diluted income (loss) per share has not been presented in the Company's quarterly financial statements as amounts are anti-dilutive.

ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Expressed in thousands of U.S. dollars except where noted otherwise)

Overview

Eldorado and the gold industry faced a difficult year in 1997. Gold spot prices fell 15% from an average of $388 per ounce in 1996 to $331 per ounce in 1997. At the end of 1997, gold was priced at $290 per ounce, 25% below the 1996 average.

In 1997, Eldorado recorded a net loss of $111.1 million or $1.52 per common share, including the effect of write-downs and a change in accounting policy amounting to $94.7 million. Without this amount, the Corporation would have recorded a net loss of $16.1 million or 22 cents per share, which compares with a net loss of $1.6 million or $0.05 cents per share in 1996.

Despite the fall in gold prices, by some measures 1997 was a successful year for Eldorado.

Gold Production Increased

Eldorado wholly owns three mines, one in Brazil and two in Mexico. The production from these mines in the last two years was as follows.

	Production (ounces)	
Mine	**1997**	**1996**
São Bento mine, Brazil	105,907	52,370
La Colorada mine, Mexico	53,235	47,219
La Trinidad mine, Mexico	29,810	6,927 (1)
Total	188,952	106,516

Notes:
(1) Represents 100% of production.

In 1996, the figures for São Bento only reflect the last six months of the year when owned by Eldorado, and only the Corporation's 51% ownership of the La Trinidad mine in that year.

In 1997, Eldorado increased its equity gold production by 85,830 ounces to 188,952 ounces. The primary portion of this increase resulted from the acquisition of the São Bento mine in Brazil and the startup of the La Trinidad mine in Mexico in July of 1996. In 1996, Eldorado could only record production from these two mines during the second half of the year and owned only 51% of the La Trinidad mine.

In 1997, Eldorado was able to record a full year of production at all of its mines, as the Corporation assumed full ownership of the La Trinidad mine effective January 1 of that year.

At the La Colorada mine, production increased by over 6,000 ounces or 12.7% from 1996 levels to 53,235 ounces in 1997.

Gold Resources Increased

During 1997, the Corporation carried out an extensive exploration program. The most significant impact of this program was the increase of resources at the São Bento mine in Brazil. Management at this mine has improved every aspect of the operation in 1997. A total of 347,000 ounces was added to resources to bring the total resource to 1.8 million ounces.

The identified in-situ gold mineral resources for the Corporation as at December 31, 1997 were as follows:

Identified In Situ Mineral Resources, December 31, 1997 (1)

	December 1997				December 1996
Project (equity interest)	**Tonnes (000s)**	**Gold Grade (g/t)**	**Total In-Situ Gold Ounces (000s)**	**Total In-Situ Equity Gold Ounces (000s)**	**Total In-Situ Equity Gold Ounces (000s)**
Brazil					
Sao Bento (100%)	5,243	10.93	1,842	1,842	1,490
Piaba (50%)	21,189	1.27	868	434	335
Mexico					
La Colorada (100%)	32,926	0.97	1,023	1,023	1,147
La Trinidad (100%) (2)	1,921	1.36	84	84	87
Turkey					
Kaymaz (100%)	1,086	6.25	218	218	219
Küçükdere (100%)	1,414	6.43	292	292	292
WT (100%)	2,846	14.06	1,286	1,286	1,469
Total	66,625	2.88	5,613	5,179	5,039

Notes:
(1) Identified in-situ gold resources include mineable reserves.
(2) Eldorado acquired 49% of the La Trinidad mine on January 1, 1997 to hold 100% of the La Trinidad mine.

Gold Reserves Maintained

To ensure a conservative valuation for its proven and probable gold reserves, in 1997 the Corporation recalculated its estimated reserves using a lower gold price of $350 per ounce, compared with $400 per ounce in 1996. Despite this revision and a depletion of reserves by 189,000 ounces of production, Eldorado maintained aggregate gold reserves of 1.5 million ounces.

The following table shows the Corporation's mineable ore reserves as of December 31, 1997:

Mineable Ore Reserves, December 31, 1997

	December 1997			December 1996
Project	**Tonnes (000s)**	**Gold Grade (g/t)**	**Total Mineable Equity Gold Ounces (000s)**	**Total Mineable Equity Gold Ounces (000s)**
Brazil				
São Bento	3,302	9.02	957	910
Mexico				
La Colorada	7,753	1.27	316	330
La Trinidad (1)	656	1.94	41	48
Turkey				
Kaymaz	799	6.77	174	189
Total	12,510	3.70	1,488	1,477

Notes:
(1) Eldorado acquired 49% of the La Trinidad mine on January 1, 1997 to hold 100% of such mine.

In addition, based on shallow drilling and surface trenching results at the Kisladag Project in Turkey, the Corporation delineated a pre-resource bulk tonnage open-pit target of approximately one million ounces contained within 31 million tonnes grading almost one gram of gold per tonne.

Restructuring the Corporation

One-time Charges

Management initiated major steps in 1997 to ensure the Corporation's viability in an environment of depressed gold prices. These steps included the disposal and write-down of exploration properties, a change in accounting policy for expensing exploration costs and re-evaluation of Mexican mine assets. These adjustments did not affect cash flows.

Eldorado re-evaluated its mining assets in accordance with Canadian Generally Accepted Accounting Principles (GAAP) on the assumption that spot prices for gold will average $280 per ounce in 1998 and steadily increase to $370 per ounce by 2002. Based on the Corporation's estimates for the total cash cost of production for each mine, the Corporation has written down its mining assets by $17.3 million.

In reviewing the exploration and development projects, Eldorado concluded that at current gold prices, various projects were uneconomic and would have to be delayed and/or joint venture partners sought. Eldorado wrote down these projects by $50.4 million. A further $3.6 million was written off with the abandonment of certain projects.

In the past, Eldorado had capitalized all exploration expenses. From 1997 onward, the Corporation will expense all exploration costs until a mineral deposit is established on a given property, at which time further exploration costs associated with that deposit will be capitalized.

This new policy resulted in the write-off of $15.7 million in 1997, $10.1 million in 1996 and $2.2 million in 1995 for a total of $28.0 million.

In June of 1997, Eldorado announced a transaction with Gencor Limited ("Gencor") to acquire a portfolio of mining, development and exploration properties in Ghana and South Africa valued at $193.6 million. In August of 1997, Eldorado announced that due to market conditions, Eldorado and Gencor were unable to satisfactorily renegotiate the terms of the proposed transaction and it was terminated. Costs of $3.0 million associated with that transaction were subsequently written off. Gencor, a major gold mining company based in South Africa, remained a 40% shareholder of Eldorado following the termination of the transaction.

Reduction of General & Administrative Costs

Management initiated programs to significantly reduce costs in the second quarter of 1997. To improve cash flow, the Corporation reduced staffing by one third, deferred exploration and development spending and terminated the proposed transaction to acquire certain assets from Gencor.

Eldorado significantly lowered its reliance on contract workers in mining, exploration and development work throughout the Corporation. In addition, Eldorado reduced the number of employees in both operations and administration. In total, 561 positions, representing approximately one third of the work force, were eliminated. Costs incurred in 1997 in connection with this reduction were $1.7 million.

These cost reductions began to take effect in the fourth quarter of 1997. In that period Eldorado recorded a net loss of $95.3 million or $1.30 per common share, including the effect of write-downs and a change in accounting policy amounting to $91.2 million. Excluding these changes, the fourth quarter loss was $4.1 million, compared with a loss of $5.3 million in the third quarter of 1997.

Write-Down of Investments

In 1997 the Corporation examined its portfolio of investments and elected to re-value the Treminco Resources Ltd. and Croesus Mining N.L. investments to market value. This revaluation resulted in an additional write-down of $4.9 million in 1997.

Changes to Financial Structure

In October of 1997 Eldorado entered into an agreement with NM Rothschild & Sons Ltd. to underwrite a $50 million five-year revolving credit facility. The facility replaced the Corporation's existing credit facilities of $40 million. Most significantly, the new facility reduced the current portion of the Corporation's long-term debt from over $32.5 million in 1996 to $0.6 million in 1997.

In addition to increasing the available credit by $10 million, the new facility is on more favorable terms for the Corporation, including a five-year commitment and a reduction of interest rate from 2% above to 1.4% above the London InterBank Offered Rate (LIBOR). The five-year commitment includes no payments of principal over that term.

In October, Eldorado announced that its gold hedging program had been improved. At that time, it consisted of forward sales and puts totaling 536,000 ounces of gold, at an average price of $373 per ounce extending to 2003. Eldorado has hedged approximately 172,000 ounces or 80% of the Corporation's projected 1998 gold production at approximately $345 per ounce. In addition, Eldorado has hedged a minimum of 75,000 ounces in each of the next five years at prices of $375 per ounce or above.

Results of Operations

Production, Revenues and Prices

Revenues from the sale of gold were $67.1 million in 1997, up from $39.9 million in 1996. Gold revenues were higher as additional production from the three mines offset the effects of lower gold prices and higher production costs. The Corporation's acquisition of the outstanding 49% interest in the La Trinidad mine effective January 1, 1997, added an additional 14,607 ounces of production.

As spot prices fell from 1996 levels by 15% to average $331 per ounce in 1997, Eldorado responded by increasing its hedge position. Including the gain from forward sales, Eldorado's averaged realized 1997 gold price was US$358 per ounce compared with US$387 for 1996 and US$385 for 1995.

Operating Costs

Mine operating costs in 1997 were $53.7 million, representing a significant increase compared with $29.4 million in 1996. The principal factor in this increase was the assumption of the first full year of costs at both the São Bento and La Trinidad mines. This resulted from the acquisition of the 49% ownership of the La Trinidad mine in 1997 and startup of that operation in July of 1996, and the concurrent acquisition of the São Bento mine.

Overall total 1997 production costs rose from 1996 levels by 3.9% to $369 per ounce. Similarly year-over-year total cash costs rose by 3.8% to $301 per ounce and cash operating costs increased by 2.2% to $278 per ounce.

The following table summarizes production statistics from the Corporation's three mines.

Production Highlights

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	1997	1996
Gold Production						
Ounces	48,067	48,727	46,085	46,073	188,952	103,122
Cash Operating Costs ($/oz)	272	279	290	272	278	272
Total Cash Cost ($/oz) (1)	293	309	311	294	301	290
Total Production Cost ($/oz) (2)	359	376	376	364	369	355
Realized Price ($/oz)	365	361	348	358	358	382
São Bento Mine, Brazil (3)						
Ounces	25,689	26,810	27,003	26,405	105,907	52,370
Tonnes to Mill	104,787	106,325	111,443	114,789	437,344	217,000
Grade (grams / tonne)	8.12	8.38	8.40	7.42	8.07	9.3
Cash Operating Costs ($/oz)	299	291	294	266	288	320
Total Cash Cost ($/oz)(1)	313	315	306	281	304	337
Total Production Cost ($/oz) (2)	365	371	363	346	361	395
La Colorada Mine, Mexico						
Ounces	14,551	13,803	12,649	12,232	53,235	47,219
Tonnes to Leach Pad	586,000	600,434	561,120	437,296	2,184,850	1,821,000
Grade (grams / tonne)	0.90	1.00	1.11	1.04	1.01	1.10
Cash Operating Costs ($/oz)	267	307	310	297	294	224
Total Cash Cost ($/oz) (1)	289	342	358	341	331	247
Total Production Cost ($/oz)(2)	360	419	434	411	405	313
La Trinidad Mine, Mexico (4)						
Ounces	7,827	8,114	6,433	7,436	29,810	6,927
Tonnes to Leach Pad	166,964	170,547	185,096	185,907	708,514	164,695
Grade (grams / tonne)	2.20	2.30	1.74	1.73	1.98	2.5
Cash Operating Costs ($/oz)	192	192	234	250	216	212
Total Cash Cost ($/oz)(1)	233	231	236	259	239	231
Total Production Cost ($/oz)(2)	335	318	339	350	335	334

Notes:
(1) Cash Operating Cost plus royalties and the cost of off-site administration.
(2) Total Cash Cost plus depreciation, amortization and reclamation.
(3) São Bento 1996 ounces reflect the six months production after Eldorado acquired 100% ownership.
(4) La Trinidad 1996 ounces reflect six months production at 51% ownership.

The most significant improvement was made at the São Bento mine where cash operating costs fell by 10% to $288 per ounce. Costs in the fourth quarter of 1997 at this mine averaged $266 per ounce, as 90% of the $22.0 million expansion/cost reduction program was completed.

Lower than expected grades early in the year at the La Colorada mine hindered efforts to reduce cash operating costs. However, mine management was able to bring down the average per ounce cost from $310 per ounce in the third quarter to an average of $297 per ounce for the fourth quarter.

Eldorado produces silver at each of its three mines. The total silver produced each year is approximately equal to the Corporation's annual production of gold. In 1997, total silver production was 200,149 ounces compared to 122,713 ounces in 1996. Eldorado records the impact of its silver mining as a reduction of gold production costs. In 1997 this credit amounted to $1.0 million as compared with $0.6 million in 1996.

Other Income

Investments and other income, comprised mostly of interest income and gains on sales of marketable securities, totaled $1.4 million compared with $1.3 million in 1996. Of these amounts, interest income remained unchanged at $1.0 million in 1997 from 1996.

Operating Profit

Operating profit from gold production was $13.4 million or 28% higher compared with operating profit of $10.5 million in 1996. The increase was because of higher gold production more than offsetting higher mining costs and lower realized gold prices.

Depletion, Depreciation and Amortization

Depletion, depreciation and amortization expense increased by $8.1 million to $14.6 million in 1997. Most of the increase was due to Eldorado's assumption of full ownership of the São Bento and La Trinidad mines as previously described.

General Administrative Expenses

General and administrative expenses increased from $4.8 million in 1996 to $9.4 million in 1997. The primary factor in this increase was the establishment of an international network of offices in support of the Corporation's worldwide exploration activities. Offices that support the Corporation's mining, exploration and development activities in Brazil and Turkey were acquired through the acquisition of assets from Gencor in July of 1996.

In addition, the Corporation built up its management and support infrastructure in preparation for the acquisition of properties in Ghana and South Africa from Gencor. Due to the termination of that transaction and declining gold prices, the Corporation initiated steps to significantly reduce its general and administrative costs.

Exploration Expenditures

In 1997, Eldorado changed its accounting policy for the accounting of exploration expenses. In the past, Eldorado had capitalized all exploration expenses. Effective as of 1997, the Corporation will expense all exploration costs until a mineral deposit is established. Upon identification of a mineral deposit, management may elect to capitalize exploration costs if the deposit is deemed to have future recoverable resources.

Exploration costs of $16.3 million were expensed and $16.1 million were capitalized in 1997 compared with expensed exploration costs of $10.4 million and capitalized cost of $9.9 million in 1996. A prior period adjustment of $10.1 million relating to 1996 was expensed and the 1996 results restated accordingly.

In 1997 the Corporation continued to focus on international exploration, with 100% of the total exploration expense being incurred outside of Canada and the United States. Exploration expenses by country are set forth in the following chart.

Country	**Exploration Dollars (millions)**	**% of Total**
Argentina	9.9	30.5
Brazil	11.7	36.1
Mexico	2.6	8.0
Turkey	4.0	12.4
Other	4.2	13.0
Total	32.4	100.0

The Corporation expects to significantly reduce exploration costs in 1998 to approximately $2.0 million.

Interest and Financing Costs

Other Costs and Expenditures

Interest expense of $3.0 million includes interest on $1.3 million of 8.25% Australian dollar denominated convertible debentures, $9.2 million of 8.25% US dollar denominated convertible debentures and interest expense on the $50.0 million corporate credit facility approved in September of 1997. These costs are comprised of interest costs of $2.1 million related to the corporate credit facility, $0.4 million related to the convertible debentures and $0.4 million related to loans associated with the São Bento mine.

Income tax expense of $1.0 million and $0.6 million in 1996 arose principally from income earned in operations of the Corporation's Mexican and Brazilian subsidiaries and British Columbia capital tax.

Loss from Operations

As previously stated the Corporation recorded a loss of $111.1 million for the year, which included the effect of write-downs and a change in accounting policy to $94.7 million.

The operating loss before equity accounting, excluding the effect of write-downs and a change in accounting policy, was $30.0 million as compared with $12.3 million in 1996. As discussed earlier, the reason for this increase in operating loss was the result of lower gold prices, increased administration expenses due to the expansion of international operations and higher exploration expenses, as well as higher interest costs.

Equity (Loss) Earnings

In 1997, the loss from the Corporation's 18% equity holding in Croesus Mining N.L. of Australia was $1.2 million as compared with earnings in 1996 of $0.3 million. To better focus on Eldorado interests, the two directors that represented Eldorado on Croesus' board resigned from that board in August of 1997. With their resignation, Eldorado reduced its influence on Croesus and as of September 1, 1997, the Corporation no longer accounted for Croesus as an equity investment. The Corporation's interest in Croesus was subsequently sold in 1998 for aggregate net proceeds of $3.1 million.

Financial Position and Liquidity

Operating Cash Flow

Cash flow required to fund operations in 1997 was $17.3 million before changes to non-cash working capital items. This compares with a positive cash flow from operations in 1996 of $4.1 million. The most significant factors affecting this change was the drop in gold prices and an increase in production costs, which more than offset the benefit of higher production from the full ownership of the São Bento and La Trinidad mines.

Changes to non-cash working capital totaled $3.2 million, mostly related to an increase in gold inventory at the São Bento mine. With the expansion and modernization program essentially complete at this mine, ore stockpiles for the plant increased. Expansion of the processing plant to handle a greater volume of ore is scheduled for completion in the second quarter of 1998, which will balance the increased production from the mine.

Financing Activities

Eldorado began 1997 with a mission to expand production to 500,000 ounces by the year 2000 and ultimately to one million ounces by the year 2005. The Corporation had an aggressive exploration program and capital expenditure program, but also started the year with $38.7 million of long-term debt of which $32.5 million or 84% was classified as current indebtedness.

Of the $38.7 million of long-term debt:

1. $20.0 million was in the form of a corporate revolving loan facility that was fully drawn at the beginning of the year and payable by July 28, 1997;

2. $10.0 million represented the drawn-down of half of the $20.0 million February 1996 loan arranged to construct, expand and operate the two Mexican mines;

3. $3.4 million was for an Australian loan originating from the acquisition of the 18% interest in Croesus secured by such interest and payable on June 30, 1997;

4. $3.5 million was related to Brazilian lines of credit that were fully drawn and payable in the first half of 1997;

5. $1.8 million was the remaining portion of a loan for the purchase of equipment in use at the São Bento mine due in eight equal payments every six months commencing in March 1997.

The Corporation balanced these approaching debt repayments by raising equity financing at the end of 1996 and had a cash balance of $69.1 million at the beginning of the year.

In 1997, the Corporation paid off the Australian debt, repaid the Mexican loan in full, and paid off 95% of the Brazilian debt.

In September, 1997, the Corporation entered into an agreement with NM Rothschild & Sons Ltd. to underwrite a five-year $50.0 million revolving corporate credit facility, which replaced the combined $40.0 million of corporate and Mexican loan facilities described above. The interest rate for the new credit facility is at 1.4% above LIBOR.

During 1997, the Corporation raised $0.6 million for shares issued on the exercise of stock options and warrants. In addition, the Corporation issued another $0.5 million in consideration of the acquisition of 49% of the La Trinidad mine to assume full ownership of that asset.

The Corporation has two series of convertible debentures. The larger is a $9.1 million US dollar denominated debenture with an interest rate of 8.25% and a conversion price of $3.25 maturing November 1, 2004.

The terms of the smaller debenture were amended. Originally this Australian dollar denominated debenture was to mature on September 29, 1997 and carried an interest rate of 8.5% and a conversion price of A$4.40. This maturity date has been extended to October 31, 1998, with a further extension to January 2000 at the option of the holder. The debenture now carries a lower interest rate of 8.25% and a revised conversion price of A$2.40. As of December 31, 1997 these debentures were valued at $1.3 million.

Investing Activities

During 1997, Eldorado invested, net of depreciation and depletion, $29.8 million in property, plant and equipment at its facilities. Eldorado also determined that the carrying values of those mines exceeded their net recoverable amount due to lower gold prices and subsequently wrote down their value by $17.3 million.

Capital expenditures for property, plant and equipment totaled $29.8 million in 1997. Expenditures at the operating mines were $28.5 million, including $5.1 million for the acquisition of the outstanding 49% of the La Trinidad mine. The Corporation spent $1.3 million for equipment at its exploration sites. As described earlier, under the Corporation's revised accounting policy, $16.3 million for these expenditures in 1997 were expensed and $16.1 million were capitalized.

The breakdown of total capital expenditures in 1997 by mine is shown on the following chart.

Mine	**Capital Expenditures (millions of dollars)**
São Bento, Brazil	13.8
La Colorada, Mexico	6.8
La Trinidad, Mexico	7.9

After an extensive review of its exploration and development mineral properties in 1997, Eldorado wrote down these properties by $50.4 million and abandoned properties worth $3.6 million. Exploration and development expenditures capitalized during the year were $16.1 million as compared with $9.9 million in 1996

At the end of 1997, Eldorado wrote down its investment in Croesus and Treminco by $4.9 million. The Corporation took this action in preparation for its possible need to divest itself of the shares it owned of these two companies, not as a reflection of the market value for their respective shares.

Cash Resources and Liquidity

The Corporation ended the year with approximately the same debt load as at the end of 1996, but with a lower current portion of long-term debt. At December 31, 1997, working capital was $13.5 million compared with $41.0 million at the beginning of the year. Cash and short-term investments were $7.6 million as compared with $69.1 million at the end of 1996. Long-term debt, including the current portion, was $41.8 million on December 31, 1997, compared with $38.7 million a year earlier. The major portions of debt at the end of 1997 were:

- $9.2 million of 8.5% convertible debentures due in 2004;
- corporate credit facility of $50.0 million, of which $40.0 million was drawn as of December 31, 1997.

The major capital expenditure committed to in 1998 is for the completion of the expansion and modernization program at the São Bento mine. The estimated cost remaining for completion is $6.8 million. This will bring the total program cost to $22.0 million; below the original estimate of $28.0 million.

Risks and Uncertainties

The Corporation has made certain forward-looking statements that are subject to risks and uncertainties beyond the Corporation's influence. These include, but are not limited to the price of gold, exchange rates, exploration success, project development, operating costs and grade continuity throughout a defined ore body.

Gold Prices

A focus on a single commodity exposes the Corporation to the risk of changes of the price of that commodity. That has been amply illustrated in 1997. Eldorado believes it to be difficult for anyone to accurately predict the price of gold and will continue to take steps to mitigate the effect of low prices whenever they occur.

The first step to mitigate the effect of low gold prices is the Corporation's continual efforts to lower costs, which the Corporation intends to achieve through a combination of lowering cash operating costs at its mines and to trade for assets with low cash costs when and as appropriate.

Second, Eldorado has taken considerable measures to ensure that general and administration costs are as low as possible. The Corporation expects to reduce its general and administrative costs by almost 50% from a high of approximately $50 per ounce of gold produced in 1997 down to about $28 per ounce in 1998.

Third, the Corporation has extensively sold forward its gold production. The gold hedging program has been designed primarily as a risk management tool to mitigate the impact of an extended period of low gold prices.

Eldorado currently has 190,000 ounces hedged, or 90% of its 1998 estimated gold production, at an average price of approximately $345 per ounce. In addition, it has sold forward at least 75,000 ounces of its production in each of the next five years at a price of at least $375 per ounce. The details of the hedging program are as follows:

Year	Ounces Hedged	Average Price
1998	172,000	$349
1999	80,000	$377
2000	90,000	$379
2001	75,000	$375
2002	75,000	$375
2003	75,000	$375

Currency Exchange

The exposure to exchange rate risk is minimal as compared with the impact of gold price changes.

Most of the Corporation's operating costs are in Mexican Pesos and Brazilian Reais. Eldorado's head office costs are principally in Canadian dollars. These currencies are subject to change at any time. The Corporation believes that there is unlikely to be significant devaluation, or inflation, with respect to the peso and real, and accordingly, the risk is slight.

The Year 2000 Impact

Eldorado has conducted an assessment of its computer and automated systems with respect to any problems arising from the date change on January 1, 2000. The Corporation does not anticipate any problems arising from those of its own systems that have been checked so far.

In addition, with regard to software systems purchased and in use by the Corporation, Eldorado is contacting the appropriate suppliers to verify their compliance with the year 2000 issue. The Corporation is committed to the discovery, reporting and elimination of any material adverse effect on the business of the Corporation.

Outlook

Operations

Eldorado expects to continue its low-cost operations at the La Trinidad mine for the balance of 1998 and into 1999. After mining is completed in early 1999, the Corporation will continue to operate the leaching pad through 1999 with final disclosure anticipated in 2000.

At the La Colorada mine, a total cash cost of below $250 per ounce is expected for 1998. This represents a significant reduction from the $341 level recorded at the end of 1997. The

Corporation mined 53,235 ounces of gold at this mine in 1997 and started 1998 with 316,000 ounces in reserves, almost 6 times more than its annual production.

At the São Bento mine, an extensive program to modernize and reduce costs will be completed in the second quarter of 1998. As a result, the Corporation expects that this mine will produce approximately 120,000 ounces of gold annually at an average total cash cost of about $250 per ounce.

As of the end of 1997, the Corporation had identified reserves of 957,400 ounces of gold at São Bento, as well as an additional 885,000 ounces of resources. The deposit is still open at depth.

Exploration and Development

While the Corporation expensed and capitalized an aggregate of $32.4 million on exploration and development in 1997, it has only budgeted $2 million for this purpose in 1998. The 1997 expenditures defined a number of targets and in 1998 expenditures will be confined to our main areas of focus in Brazil, Mexico and Turkey. As an example, the Corporation has delineated a pre-resource bulk tonnage target in Kisladag, Turkey, which could contain approximately one million ounces contained within 31 million tonnes grading at almost one gram per tonne.

While many targets have been defined, some are not as promising as others. The Corporation believes that with the right partners, these projects can be advanced in ways that have low impact on our capital but high potential to benefit its shareholders. In Brazil and Argentina, the Corporation will farm out non-core properties.

Reserve and Resources

The Corporation's in-situ gold reserves at the end of 1997 were approximately 1.5 million ounces. At that time, the Corporation had identified an additional 3.7 million ounces of resources for a total of 5.2 million ounces. The Corporation expects to deplete these reserves with annual gold production of approximately 210,000 ounces. However, through focussed use of its exploration and development budget and the possibility of acquiring an interest in properties in Mexico and Brazil, the Corporation is optimistic it can maintain its reserve and resource levels in 1998.

Financing

The Corporation has no plans for undertaking any financing in either the form of equity or debt instruments. However, management would look to raise capital if a specific project could be advanced to the benefit of the Corporation's shareholders.

ITEM 6: MARKET FOR SECURITIES

Eldorado's common shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE") and the Vancouver Stock Exchange (the "VSE"). The common shares of Eldorado were initially listed on the VSE on December 2, 1992 and on the TSE on October 23, 1993.

Eldorado has not paid dividends on the common shares since its incorporation, nor has it any present intention of paying dividends, as it anticipates that the cash resources of Eldorado will be used to undertake exploration, development and expansion programs on its mineral properties as well as the acquisition of additional mineral resource properties.

ITEM 7: DIRECTORS AND OFFICERS

The names and municipalities of residence, offices held with Eldorado and principal occupation of the directors and officers of Eldorado are as follows:

Name	**Office**	**Principal Occupation**
Richard J. H. Barclay (1)(3)(4) White Rock, Canada	President, Chief Executive Officer and Director	Officer of Eldorado
Michael J. G. Beley Langley, Canada	Chief Consultant, Industry Relations and Director	Mining Consultant
Gary D. Nordin (5) North Vancouver, Canada	Chief Consulting Geologist and Director	Mining Consultant
Hugh C. Morris (1)(2)(3)(4) Delta, Canada	Chairman	Independent Mining Consultant
Wayne Lenton (1)(2)(3) Tucson, United States	Director	Independent Mining Consultant
Geoffrey Harden (2)(5) Vancouver, Canada	Director	Independent Mining Consultant
John May (3)(4)(5) Tucson, United States	Director	Independent Mining Consultant
Nicholas J. Holland Roodepoort, South Africa	Director	Chief Financial Officer, Gold Fields Limited
Robert G. Jurd(4) Randburg, South Africa	Director	General Manager, Exploration and Business Development, Gold Fields Limited
Ronald B. Manners Kalgoorlie, Australia	Director	Chairman of Croesus Mining N.L.
Robert G. Elton Vancouver, Canada	Chief Financial Officer	Officer of Eldorado

Frank D. Wheatley North Vancouver, Canada	Vice-President, Legal Affairs and Secretary	Officer of Eldorado
Paul Wright Bowen Island, Canada	Senior Vice President, Operations	Officer of Eldorado
Robert Tait Coquitlam, Canada	Vice President, Investor and Corporate Relations	Officer of Eldorado

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee
(4) Member of Corporate Governance Committee
(5) Member of Environmental Committee

All of the individuals listed above have held the principal occupations indicated above or other positions within the same corporations or their affiliates during the past five years except: Mr. Lenton was the President and Chief Executive Officer of Canada Tungsten Inc. until March, 1995. Mr. Wheatley was a lawyer with Smith Lyons from 1993 to 1996. Mr. Elton was a partner at Price Waterhouse from 1987 to 1996. Mr. Harden was Vice President of Cominco Resources International Ltd. from 1987 to 1993. Mr. Wright was Vice President Mining and Project Development for Granges Inc. from 1991 to 1996. Mr. Jurd was Chief Executive Officer of Gencor International Gold from April, 1996 to 1997, CEO, Business Development of Gencor Limited from August 1995 to March 1996 and General Manager of Business Development of Gencor Limited from April, 1992 to July 1995. Mr. Holland was Senior Manager, Corporate Finance of Gencor Limited from October, 1994 to October 1997, and Financial Director of Gencor Limited from October 1997 to December 12 1997. Mr. Tait was Manager, Investor Relations for Abitibi-Price Inc. from 1990 to September 1997.

Each of the directors of Eldorado has been a director since the last annual meeting of the Corporation, except Mr. Holland and Mr. Jurd who were appointed on December 11, 1997, and each of their respective terms will expire at the next annual meeting of the Corporation.

Directors and officers of Eldorado own or control approximately 4.7% of the Common Shares in the capital of Eldorado.

ITEM 8: ADDITIONAL INFORMATION

Upon request being made by any person to the Secretary of the Corporation, the Corporation shall provide to that person the following:

(a) if the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus which have been filed in respect of the distribution:

    (i) one copy of this Annual Information Form, together with one copy of any document or the pertinent pages of such documents incorporated by reference herein;

    (ii) one copy of the Corporation's comparative financial statements for its most recently completed financial year, together with the accompanying report of the auditor, and one copy of any interim financial statements of the Corporation subsequent to the financial statements for the most recently completed financial year;

    (iii) one copy of the Information Circular of the Corporation in respect of its most recent annual meeting of shareholders that involved the election of directors; and

    (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus that are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in 1(a)(i), (ii) and (iii) above. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the issuer's securities, options to purchase securities, interests of insiders in material transactions, and particulars of the Corporation's Shareholder Rights Plan, is contained in the information circular in respect of its most recent annual meeting of shareholders that involved the election of directors. Additional information is available in the consolidated comparative financial statements of the Corporation for the years ended December 31, 1997 and 1996, together with the auditor's report thereon.

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