ELDORADO GOLD CORP /FI
Form 6-K
March 22, 2005

FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of **March, 2005**

Commission File Number **001-31522**

Eldorado Gold Corporation
(Translation of registrant's name into English)
1188-550 Burrard Street

Bentall 5

Vancouver, B.C.

Canada V6C 2B5
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F....[ ]..... Form 40-F...[.**X**.]...

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [ ] No [**X**]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELDORADO GOLD CORPORATION

/s/ Earl W. Price

Date: March 21, 2005

Earl W. Price, Chief Financial Officer

December 31, 2004 **Report to Shareholders**

Suite 1188, Bentall 5

550 Burrard Street

Vancouver, British Columbia

V6C 2B5

Phone: (604) 687-4018

Fax: (604) 687-4026

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Management's Responsibility for Financial Reporting

The financial statements and the information contained in the annual report have been prepared by and are the responsibility of Management of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in note 14 and, where appropriate, reflect management's best estimates and judgements based on currently available information.

The Audit Committee of the Board of Directors, consisting of three members, meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company has developed and maintains a system of internal control to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP were appointed by the shareholders and they have conducted an audit in accordance with Canadian generally accepted auditing standards and their report follows.

Earl W. Price

Paul N. Wright

Chief Financial Officer

President and Chief Executive Officer

March 17, 2005

AUDITORS' REPORT

To the Shareholders of Eldorado Gold Corporation

We have audited the consolidated balance sheets of Eldorado Gold Corporation as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years ended December 31, 2004, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years ended December 31, 2004, 2003 and 2002 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, BC

Canada

February 11, 2005

Eldorado Gold Corporation
Consolidated Balance Sheets
As At December 31
(Expressed in thousands of U.S. dollars)

		2004		2003
ASSETS				
Current Assets				
Cash and cash equivalents	$	135,390	$	105,465
Accounts and other receivables		8,705		3,213
Inventories (Note 3)				
				5,927
				5,623
				150,022
				114,301
Property, plant and equipment (Note 4)				
				52,337
				23,784
Mineral properties and deferred development (Note 4)				
				22,676
				32,287
Investments and advances (Note 8)				
				1,224
				1,258
Deferred loss (Note 6)				

-

329

$

226,259

$

171,959

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities

$

6,005

$

7,164

6,005

7,164

Asset retirement obligation (Note 5)

8,059

7,172

Contractual severance obligation

636

	318	
Future income taxes (Note 9)	4,598	3,830
	19,298	18,484
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	508,373	444,665
Contributed surplus	1,094	1,094
Stock based compensation (Note 7)	5,138	1,418
Deficit	(307,644)	(293,702)

206,961

153,475

$

226,259

$

171,959

Commitments and Contingencies (Note 10)

Approved by the Board

"Robert Gilmore"

"Paul Wright"

Director

Director

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Eldorado Gold Corporation
Consolidated Statements of Operations and Deficit
For The Years Ended December 31
(Expressed in thousands of U.S. dollars except per share amounts)

		2004		2003		2002
Revenue						
Gold sales	$	33,153	$	36,814	$	34,051
Interest and other income		2,762		1,415		5,245
		35,915		38,229		39,296
Expenses						
Operating costs		32,459		22,604		19,027
Depletion, depreciation and amortization		4,431		10,321		10,699
General and administrative		5,531		4,961		3,238
Exploration expense		4,136		1,956		1,078
Interest and financing costs		25		569		1,156
Loss (gain) on settlement of convertible debenture		-		227		(463)
Stock based compensation expense		3,720		1,418		-
Accretion of asset retirement obligation		430		406		383
Foreign exchange (gain) loss		(196)		(6,494)		1,046
		50,536		35,968		36,164
(Loss) profit before the undernoted items		(14,621)		2,261		3,132
Writedown of assets		-		(44,645)		(415)
Gain (loss) on disposals of property, plant and equipment		30		(186)		(205)
(Loss) profit before income taxes		(14,591)		(42,570)		2,512
Tax recovery (expense) (Note 9)						
Current		1,406		1,107		(1,121)
Future		(757)		(3,570)		387
Net (loss) income for the year	$	(13,942)	$	(45,033)	$	1,778
Deficit at the beginning of the year:						
As previously reported		(293,702)		(247,649)		(249,785)
Change in accounting policy		-		(1,020)		(662)
As restated	$	(293,702)	$	(248,669)	$	(250,447)
Deficit at the end of the year	$	(307,644)	$	(293,702)	$	(248,669)
Weighted average number of shares outstanding						

257,643,212

221,770,349

						147,597,481
Basic (loss) income per share - U.S.$	$	(0.05)	$	(0.20)	$	0.01
Basic (loss) income per share - CDN.$ - (yearly avg. rate)	$	(0.07)	$	(0.28)	$	0.02
Diluted (loss) income per share - U.S.$	$	(0.05)	$	(0.20)	$	0.01

Eldorado Gold Corporation
Consolidated Statements of Cash Flows
For The Years Ended December 31
(Expressed in thousands of U.S. dollars)

	2004	2003	2002
Cash flows from operating activities			
Net (loss) income for the year	$ (13,942)	$ (45,033)	$ 1,778
Items not affecting cash			
Depletion, depreciation and amortization	4,431	10,321	10,699
Future income taxes	757	3,570	(387)
Writedown of assets	28	44,929	415
Loss on disposals of property, plant and equipment	8	-	205
Loss (gain) on settlement of convertible debenture	-	227	(463)
Interest and financing costs	-	127	249
Amortization of hedging gain	329	(2,286)	(3,550)
Stock based compensation expense	3,720	1,418	-
Contractual severance expense	318	318	-
Accretion of asset retirement obligation	430	406	383
Foreign exchange loss (gain)	450	(6,850)	1,784
	(3,471)	7,147	11,113
(Increase) decrease in accounts and other receivable	(5,492)	(1,833)	1,585
(Increase) decrease in inventories	(304)	(607)	(425)
(Decrease) increase in accounts payable and accrued liabilities	(1,159)	(1,061)	(2,985)
	(10,426)	3,646	9,288
Cash flow from investing activities			
Property, plant and equipment	(22,772)	(9,391)	(5,334)
Proceeds from disposals of property, plant and equipment	357	-	64
Mineral properties and deferred development	(573)	(3,604)	(2,285)
Investments and advances	-	(1,196)	37
Proceeds from disposals of investments and advances	70	-	-
Restricted cash	-	-	475
	(22,918)	(14,191)	(7,043)
Cash flow from financing activities			
Repayment of long-term debt	-	-	(15,476)
Repayment of convertible debentures	-	(7,150)	-
Issue of common shares:			
Voting - for cash	63,708	78,619	47,966
Other assets and deferred charges	-	-	(95)
	63,708	71,469	32,395

Foreign exchange gain (loss) on cash held in foreign currency	(439)	6,914	(1,765)
Net increase (decrease) in cash and cash equivalents	29,925	67,838	32,875
Cash and cash equivalents at beginning of the year	105,465	37,627	4,752
Cash and cash equivalents at end of the year	$ 135,390	$ 105,465	$ 37,627
Supplemental cash flow information			
Interest paid			

	$ -	$ 541	$ 937
Income tax paid	$ 166	$ 242	$ 382

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

1.

Nature of operations

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

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

2.

Significant accounting policies

Basis of consolidation

The consolidated financial statements include the accounts of Eldorado and its subsidiaries. The consolidated financial statements have been prepared using accounting principles generally accepted in Canada. As described in note 14, these principles differ in certain material respects from accounting principles generally accepted in the United States.

Foreign currency translation

Eldorado's subsidiaries are integrated operations. The financial statements and other transactions stated in foreign currencies are translated into U.S. dollars using the temporal method, as noted below:

- Monetary assets and liabilities are translated at the exchange rate at the balance sheet dates;
- Non-monetary assets are translated at historical rates;

- Revenue and expense items are translated at the average rate for the year except for depletion,
- depreciation and amortization of property, plant and equipment which are translated at the same rate as the assets to which they relate; and
- Translation gains and losses are included in operations.

Cash and cash equivalents

Cash and cash equivalents include those short-term money market instruments which on acquisition have a term to maturity of three months or less. The Company limits its exposure to credit loss by placing its cash with institutions which are believed to be credit-worthy.

Inventories

In-process inventories, including ore stockpiles when applicable, are valued at the lower of average production costs and net realizable value, after a reasonable allowance for further processing costs. Materials and supplies are valued at average cost and where appropriate less a provision for obsolescence.

Investments

Investments in shares of other companies are carried at cost or at cost less amounts written off to reflect an impairment in value that is other than temporary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

Property, plant and equipment

Property, plant and equipment are carried at cost, including costs associated with properties under development. Assets used in commercial production are subject to depreciation and depletion over their estimated useful lives, on the basis described below:

Mineral properties and capitalized development costs for an underground operation - where the mine operating plan calls for production from well defined ore reserves, the life of mine method is applied.

Buildings, machinery, mobile and other equipment - depreciated on a straight-line basis over the life of the mine.

Management of the Company regularly reviews the carrying value of each mineral property. Where information is available and conditions suggest impairment of long lived assets, estimated future net cash flows from each property are calculated using estimated future gold prices, proven and probable reserves, value beyond proven and probable reserves, operating, capital and reclamation costs and estimated proceeds from the disposition of assets on an undiscounted basis. If it is determined that the future cash flows are less than the carrying value and the fair value is less than the carrying value, a write-down to the estimated fair value is made with a charge to operations. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Management's estimates of mineral prices, recoverable proven and probable reserves, resources, operating capital and reclamation costs are subject to risks and uncertainties, which may affect the assessment of recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect management's estimate of the net cash flow to be generated from its properties.

Exploration and development

Exploration costs are charged against operations as incurred until a mineral resource is established on a property, from which time exploration expenditures are capitalized.

Deferred financing charges

Deferred financing charges consist of commissions and expenses related to establishing the related indebtedness and have been amortized to operations over the life of such indebtedness.

Asset Retirement Obligation

The fair value of liabilities for asset retirement obligations is recognized in the period they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The amount of the liability is subject to re-measurement at each reporting period.

Revenue recognition

Revenues from the sale of bullion are recognized when the goods have been delivered and title passes to the purchaser.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Financial statement items subject to significant estimates include property, plant and equipment and related depletion, depreciation and amortization, the recoverability of mineral properties and deferred development costs, asset retirement obligations and stock based compensation. Actual results could differ from those estimates.

Share option plan

The Company uses fair-value accounting for awards of stock options to employees, officers and directors under the share option plans. Consideration paid for shares on exercise of the share options is credited to share capital.

Income taxes

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

Earnings (loss) per share

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

3.

Inventories

	2004	2003
In process inventory	$1,913	$1,584
Materials and Supplies	4,014	4,039
	$5,927	$5,623

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

4. Property, Plant and Equipment and Mineral Properties

	2004	**2003**
Property, plant and equipment		
São Bento mine	$88,688	$122,461
Accumulated depreciation and depletion	(63,998)	(59,665)
	$24,690	$62,796
Write downs	-	(39,758)
	$24,690	$23,038
Kisladag project, under construction	$26,353	$ -
Office furniture and equipment	$3,076	$2,430
Accumulated depreciation	(1,782)	(1,684)
	$1,294	$746
Total property, plant and equipment	$52,337	$23,784
Mineral properties and deferred development	$22,676	$36,562
Write downs	-	(4,275)
Total mineral properties and deferred development	$22,676	$32,287
	$75,013	$56,071

In 2004 the Kisladag project costs incurred to December 31, 2003 of $10,120 were transferred from mineral properties and deferred development to property, plant and equipment.

5.

Asset Retirement Obligation

In 2003, the Company obtained an independent study to evaluate the fair value of the expected closure costs of the Company's São Bento mine. The total undiscounted amount of the estimated closure costs as determined by the study total $9,822. In assessing the carrying amount for the asset retirement obligation management used the following key assumptions in deriving our reported figures.

Mine closure date:	December 31, 2007
Credit adjusted risk-free rate:	6%

At the present time, the Company has concluded that there are no asset retirement obligations associated with the Turkish properties.

6.

Deferred Loss

The deferred loss is a result of liquidating the Company's hedge position and was accounted for as an adjustment to revenue in 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

7.

Share Capital

(a) Authorized and Issued Share Capital

Eldorado's authorized share capital consists of an unlimited number of voting and non-voting common shares with no par value. At December 31, 2004 the Company has nil non voting shares outstanding. The details of the voting common shares issued and outstanding are as follows:

2003	**Shares Issued**	**Amount**
Shares at beginning of the year	206,204,010	$366,046
Shares for exercised stock options	3,189,500	1,301
Shares for cash consideration - Financing	25,000,000	52,822
Shares for cash consideration - Warrants	19,567,666	24,496
Shares at December 31, 2003	253,961,176	$444,665
2004		
Shares at beginning of the year	253,961,176	$444,665
Shares for exercised stock options	1,592,500	1,536
Shares for cash consideration - Financing	20,700,000	62,140
Shares for cash consideration - Warrants	10,100	32
Shares at December 31, 2004	276,263,776	$508,373

On August 25, 2003, the Company completed a financing of 25,000,000 units at a price of Cdn$3.10 per unit with a syndicate of underwriters for gross proceeds of Cdn$77,500,000 ($55,320). Net proceeds after payments of all expenses relating to the offering were Cdn$73,999,000 ($52,822). Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of Cdn$4.10 until August 25, 2004. On August 16, 2004 the warrants were extended to expire on August 25, 2005.

During 2003 a total of 19,567,666 shares were issued for the exercise of warrants. A total of 19,520,416 shares were issued for the exercise of warrants from the December 23, 2002 financing. Proceeds of $24,352 were received and 65,950 warrants expired unexercised. A total of 47,250 shares were issued upon exercise of the warrants issued with the August 25, 2003 financing and proceeds of $144 were received, 12,452,750 warrants remain outstanding at December 31, 2003.

During 2004 an additional 10,100 shares were issued for the above warrants and proceeds of $32 were received, 12,442,650 warrants remain outstanding at December 31, 2004.

On November 12, 2004, the Company completed a financing of 20,700,000 shares at a price of Cdn$3.75 per share with a syndicate of underwrites for gross proceeds of Cdn$77,625,000 ($65,083). Net proceeds after payments of all expenses relating to the offering were Cdn$74,103,000 ($62,140).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

7.

Share Capital (continued)

(b) Share option plan

As at December 31, 2004, the Company has a share option plan as described below. The Company accounts for its grants under those plans in accordance with the fair value based method of accounting for stock based compensation. Compensation costs charged against net income in 2004 for the plans were $3,720.

The Company established a share option plan (the Plan) in June 1994. Amendments to the Plan were approved in June 1995, June 1996, May 2000 and May 2004. The Board of Directors administered the Plan whereby from time to time, share option grants were provided for up to a total of 12,741,463 share options to directors, officers, employees, consultants or advisors.

At the Annual Meeting of Shareholders held on April 30, 2003, the Company received approval from the shareholders for the implementation of a share option plan to provide for grants of options to officers and directors of the Company separate from the Plan.

The shareholders resolved that the Plan be amended to remove the eligibility of directors and officers of the Company for grants of share options under the Plan. A separate share option plan for Officers and Directors was established (the D & O Plan).

The Plan

The Board of Directors administers the Plan, whereby it may from time to time grant share options to employees, consultants or advisors of the Company. Under the Plan 12,741,463 Common Shares (the Optioned Shares) are reserved, set aside and made available for issue provided that in no event shall options be granted entitling any single individual to purchase in excess of one half of one percent (0.5%) of the then outstanding common shares. All share options granted under the Plan shall expire not later than tenth anniversary of the date the options were granted. The exercise price of an option is determined by the Board of Directors, but shall not be less than the quoted price of the common shares of the Company on the Toronto Stock Exchange on the last business day before the date on which the option is granted.

The D & O Plan

The Board of Directors administers the D & O Plan, whereby it may from time to time grant share options to directors & officers of the Company. Under the D & O Plan 7,000,000 common shares are reserved, set aside and made available for issue. The total number of shares that may be reserved for issuance to any one optionee pursuant to options shall not exceed 1% of the shares of the Company outstanding on a non-diluted basis on the grant date of the options. All share options granted under the D & O Plan shall expire not later than tenth anniversary of the date the options were granted. The exercise price of an option is determined by the Board of Directors, but shall not be less than the quoted price of the common shares of the Company on the Toronto Stock Exchange on the last business day before the date on which the option is granted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

7.

Share Capital (continued)

A summary of the terms and status of Company's outstanding options at December 31, 2004 and 2003 and the changes for the years ending on those dates is presented below:

Options (Cdn$)	**Outstanding Options**	**Weighted Average Exercise Price**
2003		
Outstanding options as at January 1, 2003	4,425,000	$0.58
Granted	2,120,000	2.58
Exercised	(3,189,500)	0.58
Outstanding options as at December 31, 2003	3,355,500	$1.82
Exercisable options as at December 31, 2003	2,593,833	$1.47
2004		
Outstanding options as at January 1, 2004	3,355,500	$1.82
Granted	3,875,000	3.67
Exercised	(1,592,500)	1.25
Outstanding options as at December 31, 2004	5,638,000	$3.25
Exercisable options as at December 31, 2004	4,729,666	$3.21

The following table summarises information about share options granted during the twelve months ended December 31, 2004:

Shares	**Weighted average exercise price Cdn$**

3,390,000	3.70
120,000	3.75

175,000

3.05

190,000

3.74

3,875,000

3.67

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

7.

Share Capital (continued)

As at December 31, 2004, options to purchase up to 4,831,821 (December 31, 2003 6,165,358) shares remained available to be granted under both Plans. Summaries of the Company's options outstanding, exercise prices and expiry dates are presented below.

Stock Options (Cdn$)

Range of Exercise Prices ($)	Number Outstanding at December 31, 2004	Weighted-Average Life Remaining	Weighted Average Exercise Price ($)
			(years)
Less than 0.41			
			45,000
			1.74
			0.25
0.51 to 0.60			
			50,000
			1.41

	0.51
0.61 to 0.70	
	100,000
	2.15
	0.70
0.71 to 0.80	
	79,000
	1.84
	0.72
1.21 to 1.80	
	195,000
	2.73
	1.43
1.81 to 2.70	
	669,000
	3.19

1.99

2.71 to 4.05

4,325,000

4.10

3.67

Greater than 4.05

175,000

3.84

4.43

Total

5,638,000

3.82

3.25

Stock Options (Cdn$)

Range of Exercise Prices ($)	Number Outstanding at December 31, 2003	Weighted-Average Life Remaining (years)	Weighted Average Exercise Price ($)

Less than 0.41	160,000	2.77	0.26
0.41 to 0.50	208,000	0.28	0.50
0.51 to 0.60	50,000	2.77	0.51
0.61 to 0.70	205,000	2.43	0.69
0.71 to 0.80	547,500	3.07	0.71
1.21 to 1.80	255,000	3.73	1.43
1.81 to 2.70	1,270,000	4.14	2.02
2.71 to 4.05	485,000	4.75	3.60
Greater than 4.05	175,000	4.84	3.60
Total	3,355,500	3.62	1.82

Prior to 2003 the Company did not recognize expense for the fair value of options granted to employees and directors. Had the Company determined compensation costs based on the fair value at the grant dates for those share options consistent with the fair value method of accounting for stock-based compensation, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

7.

Share Capital (continued)

			December 31, 2002
Net earnings for the period	As reported	$	1,778
	Pro forma	$	1,302
Basic and diluted earnings per share			
	As reported	$	0.01
	Pro forma	$	0.01

The fair values of options included in the pro forma amounts presented above and used in the determination of compensation cost for 2003 and 2004 have been estimated using an option-pricing model. Assumptions used in the pricing model are as follows:

	December 31, 2004	December 31, 2003	December 31, 2002
	Ranging from	Ranging from	Ranging from
Average risk-free interest rate	2.5% to 3.5%	3.76% to 4.32%	4.24% to 4.71%
Expected life	3 years	5 years	5 years
Expected volatility	0.500000	0.500000	0.500000
Expected dividends	nil	nil	nil

The following table summarizes information about the warrants outstanding as at December 31, 2004 and 2003.

	Outstanding	Weighted

	Warrants	Average Exercise Price (Cdn$)
Warrants outstanding at January 1, 2003	19,586,368	1.68
Granted during - 2003	12,500,000	4.10
Exercised	(19,567,668)	1.69
Expired	(65,950)	2.00
Warrants outstanding and exercisable at December 31, 2003	12,452,750	4.10
Warrants outstanding at January 1, 2004	12,452,750	4.10
Granted during - 2004	-	-
Exercised	(10,100)	4.10
Expired	-	-
Warrants outstanding and exercisable at December 31, 2004	12,442,650	4.10

At December 31, 2004 there were 12,442,650 outstanding and exercisable warrants with a weighted average remaining contractual life of 0.65 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

7.

Share Capital (continued)

(c) Shareholder rights plan

On March 8, 1995, the Board of Directors of Eldorado adopted a Shareholder Rights Plan, which was approved by the shareholders at the Annual General meeting on June 5, 1995. Under the terms of the plan, rights are attached to the common shares. The rights become marketable and exercisable only upon the occurrence of certain specified events. If a person or group acting in concert acquires or announces its intention to acquire 20% or more of the outstanding common shares in a non-permitted bid, each right, on exercise, entitles the holders (other than the acquiring person or group) to purchase common shares of Eldorado at half the current market price per common share.

The rights are not triggered by a permitted bid which is, in effect, a bid made to all shareholders for all of the voting shares by way of a bid circular. Such an offer must remain outstanding for at least 75 days and must be accepted by shareholders holding at least 50% of the outstanding shares that are not held by the bidder. At any time prior to the rights becoming exercisable, the Board of Directors may redeem all the rights at $.00001 per right.

(d) Net income (loss) per share

Net income (loss) per share was calculated on the basis of the weighted average number of shares outstanding for the year which amounted to 257,643,212 (2003 221,770,349, 2002 147,597,481). Diluted net income (loss) per share reflects the dilutive effect of the exercise of stock options and warrants outstanding as at year-end using the treasury stock method. The effect of common stock options and warrants on the net loss per share in 2004 and 2003 was not reflected as to do so would be anti dilutive. The number of shares for the diluted net income per share calculation for 2002 was 149,395,784.

8.

Financial Instruments

Fair value of financial instruments

At December 31, 2004 and 2003, the fair value of cash, and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values.

The aggregate estimated fair value of the Company's investments at December 31, 2004 was $987 (2003 - $1,817).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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9.

Taxes

Details of income tax expense related to operations are as follows:

			2004	**2003**	**2002**
Income Taxes					
Recovery (Expense)					
	Current				
		Canada	$(26)	$(41)	$45
		Foreign	1,432	1,148	(1,166)
	Future				
		Canada	-	-	-
		Foreign	(757)	(3,570)	387
			$649	$(2,463)	$(734)

The reconciliation of the combined Canadian federal and provincial statutory income tax rates to the effective tax rate on earnings before taxes and other items is as follows:

	2004	**2003**	**2002**
	%	%	%

Statutory Rate	(35.62)	(37.62)	39.62
Losses not recognized	27.75	45.79	142.43
Foreign income subject to different tax rates	(8.71)	(17.70)	(218.25)
Foreign exchange	26.15	21.37	16.50
Loss not previously recognized	(8.61)	(3.72)	-
Non-deductible expense and other items	(5.41)	(2.33)	48.93
Effective income tax rate	(4.45)	5.79	29.23

Eldorado and its subsidiaries have tax losses from prior years, which are available to offset taxable income of future years. These tax losses expire as follows:

Year of expiry	**2008**	**2009**	**2010**	**2011**
Amount	$4,010	$6,725	$5,792	$4,958

In addition, the Brazilian subsidiaries have losses of $135,602 which can be used to offset taxable income and $120,511 which can be used to offset income for social contribution tax. These losses have no expiry date and can be used to offset 30% of income in any one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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9.

Taxes (continued)

Significant components of Eldorado's future income tax assets (liability) at December 31 were as follows:

	2004	**2003**
Tax losses	$53,634	$59,010
Liabilities	(3,062)	(3,840)
Mineral properties	7,705	5,127
Capital assets	9,090	12,671
Undistributed earnings of a subsidiary	(271)	(260)
Other	4,032	2,749
	$71,128	$75,457
Valuation allowance	(75,726)	(79,287)
Future income tax liability	$(4,598)	$(3,830)

10.

Commitments and Contingencies

The Company's contractual obligations at December 31, 2004, including payments due for each of the periods indicated, are summarized as follow:

			Payments due in				
Contractual obligations	**2005**	**2006**	**2007**	**2008**	**2009**	**2010 +**	**Total**

Operating leases	$279	$216	$171	$171	$175	$950	$1,962
Capital expenditures	18,320	-	-	-	-	-	18,320
Purchases obligations	8,082	6,607	6,607	6,209	-	-	27,505
Total	$26,681	$6,823	$6,778	$6,380	$175	$950	$47,787

11.

Guarantee

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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12.

Segmented Information

All of Eldorado's operations are related to the gold mining industry. In 2004, 2003 and 2002 Eldorado had a single producing mine, São Bento, with mining and exploration assets located in South America and Turkey. In 2003, the Company began exploration activities in China.

	Twelve months ended		
	December 31 2004	**December 31 2003**	**December 31 2002**
Gold sales			
São Bento Mine	$ 33,153	$ 36,814	$ 34,051
	33,153	**36,814**	**34,051**
Operating costs			
São Bento Mine	32,459	22,604	19,027
Accretion of asset retirement obligation	430	406	383
	32,889	**23,010**	**19,410**
Depletion, depreciation and amortization			
São Bento Mine	4,333	10,192	9,396
	4,333	**10,192**	**9,396**
Corporate expenses, net of interest and other income	(2,696)	2,250	(1,498)
(Loss) gain on settlement of convertible debenture	-	(227)	463
Stock based compensation expense	(3,720)	(1,418)	-
Exploration expense	(4,136)	(1,956)	(1,078)
Writedown of assets	-	(44,645)	(415)
Gain (loss) on disposals of property, plant and equipment	30	(186)	(205)
(Loss) profit before income taxes	**(14,591)**	**(42,570)**	**2,512**
Tax recovery (expense)			
Current	1,406	1,107	(1,121)

Future		(757)		(3,570)		387
Net (loss) income for the year	**$**	**(13,942)**	**$**	**(45,033)**	**$**	**1,778**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

12.

Segmented Information (continued)

		Year ended December 31, 2004		Year ended December 31, 2003		Year ended December 31, 2002
Segment assets						
São Bento - Consolidated	$	91,877	$	43,408		
Total assets for reportable segments		**91,877**		**43,408**		
Turkey - Consolidated		55,089		37,174		
Canada		79,293		91,377		
	$	**226,259**	$	**171,959**		
Revenues by geographic area						
North America	$	(1,664)	$	1,216	$	108
South America		(34,104)		36,993		39,184
Turkey		(147)		20		4
	$	**(35,915)**	$	**38,229**	$	**39,296**
Net (loss) income by geographic area						
North America	$	(8,031)	$	1,273	$	(4,971)
South America		(4,326)		(40,628)		7,279
Turkey		(1,585)		(5,678)		(530)
	$	**(13,942)**	$	**(45,033)**	$	**1,778**
Assets by geographic area						
North America	$	79,293	$	91,377		
South America		91,877		43,408		
Turkey		55,089		37,174		
	$	**226,259**	$	**171,959**		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2004, 2003 and 2002

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

13. Supplementary cash flow information

The Company conducted non-cash investing and financing activities as follows:

		2004	2003	2002
Financing activities				
Long term debt fee accrual	$	-		