



2007 Annual General Meeting

CANDORADO OPERATING COMPANY LD.

**NOTICE OF ANNUAL GENERAL MEETING
OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of Candorado Operating Company Ltd. (the "Company") will be held at Suite 305 - 478 Bernard Avenue, Kelowna BC V1Y 6N7 on Friday, the 6th day of July, 2007 at the hour of 10:00 a.m. (local time), for the following purposes:

1. To receive and consider the report of the Directors and the financial statements of the Company, together with the auditor's report thereon, for the financial year ended December 31, 2006;
2. To determine the number of directors at 3 and to elect directors for the ensuing year;
3. To appoint Auditors for the Company for the ensuing year and to authorize the Directors to fix their remuneration to be paid to the Auditor;
4. To consider and if thought fit to pass an ordinary resolution re-adopting and re-approving the current stock option plan for the Company;
5. To ratify, confirm and approve of the acts, deeds and things done by the proceedings of directors and officers of the Company on its behalf since the last annual general meeting of the Company;
6. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

The accompanying information circular provides additional information relating to the matters to be dealt with at the meeting and is deemed to form part of this Notice.

Members of record at the close of business on June 6, 2007 will be entitled to receive notice, attend and vote at the meeting.

If you are unable to attend the meeting in person, please read the instructions for Completion of Proxy (the "Instructions") on the reverse side of the Instrument of Proxy enclosed herewith and then complete and return the Instructions of Proxy within the time set out in the Instructions. As set out in the Instructions, the enclosed Instrument of Proxy is solicited by management of the Company but you may amend it if you so desire by striking out the names listed in and inserting in the space provided the name of the person you wish to represent you at the meeting.

DATED at Kelowna, British Columbia, this 6th day of June, 2007

BY ORDER OF THE BOARD

Signed:

"Rene Bernard"

Rene Bernard
President

CANDORADO OPERATING COMPANY LTD.

208 – 478 Bernard Avenue
Kelowna, B.C. V1Y 6N7

MANAGEMENT INFORMATION CIRCULAR

(As at June 6, 2007 unless otherwise noted)

PROXIES

SOLICITATION OF PROXIES

This management information circular is furnished in connection with the solicitation of proxies by the management of Candorado Operating Company Ltd. (the "Company") for use, and to be voted at, the Annual General Meeting of shareholders of the Company to be held on Friday, July 6, 2007, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Pacific Corporate Trust Company, 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the Chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

APPOINTMENT OF PROXYHOLDERS

A duly completed form of proxy will constitute the person(s) named in the enclosed form of proxy as the shareholder's proxyholder. The person(s) whose name(s) are printed in the enclosed Instrument of Proxy for the Meeting are officers or directors of the Company (the "Management Proxyholders").

VOTING OF SHARES – ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to you if you do not hold your shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in your account statement provided by your broker, then in almost all cases those shares will not be registered in your name. Such shares will likely be registered under the name of your broker. Shares held by your broker can only be voted upon your instructions. Without specific instructions, your broker is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Each broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP mails a Voting Information Form ("VIF") instead of a form of proxy. You are asked to complete and return this VIF to them by mail or facsimile. Alternatively, you can call their toll-free telephone number or use their internet voting procedure to vote your shares.

If you receive a VIF from ADP it cannot be used as a proxy to vote shares directly at the Meeting as the proxy must be returned to ADP in advance of the Meeting in order to have the shares voted.

REVOCABILITY OF PROXY

Any shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

EXERCISE OF DISCRETION BY PROXY

The person named as proxy holder in the enclosed form of proxy will vote the shares in respect of which they are so appointed in accordance with the direction of the shareholder appointing them. **In absence of any such direction such shares will be voted in favour of the matters described on the proxy.** The persons appointed under the form of proxy are conferred with discretionary authority with respect to amendments of the matters specified in the proxy and with respect to any other matters, which may be properly brought before the Meeting, or any adjournment. At any time of printing this management information circular, management is not aware of any amendments.

REQUEST FOR FINANCIAL STATEMENTS

National Instrument 51-102 "Continuous Disclosure Obligations" sets out procedures for a shareholder to receive financial statements. If you wish to receive financial statements, you may use the enclosed form or provide instructions in any other written format.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issue 100,000,000 common shares without par value (the "Company Shares"), of which 40,627,974 are issued and outstanding as fully paid and non-assessable as at June 6, 2007. Holders of common shares are entitled to one vote for each common share held. Holders of common shares of record as at the close of business on June 6, 2007 will be entitled to receive notice of and vote at the Meeting.

The Directors have set close of business on June 6, 2007 as the record date to determine eligibility of the holder of Common Shares to vote their Common Shares of the Company at the Meeting. Only holders of common shares (the "shareholders") of record at the close of business on June 6, 2007 will be entitled to vote at the Meeting, unless the shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the Meeting, establishes ownership of the shares and requests that the transferee's name be included on the list of shareholders.

To the knowledge of the Directors and Senior Officers of the Company, no person beneficially owns, directly or indirectly, or exercises control or direction, voting securities carrying more than 10% of the voting rights attached to the voting securities of the Company that are issued as of the record date other than:

<u>Name</u>	<u>No. of Shares</u>	<u>Percentage</u>
Rene Bernard	4,330,000	10%

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the commencement of the Company's last completed financial year, other than as disclosed elsewhere herein (see Related Party Transactions), no informed person of the Company, any proposed director of the Company or any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries. The term "informed person" as defined in National Instrument 51-102, *Continuous Disclosure Obligations*, means:

- (a) a director or executive officer of a reporting issuer;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer;
- (c) any person or company who beneficially owns, directly or indirectly, voting securities of a reporting issuer or who exercises control or direction over voting securities of a reporting issuer or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the reporting issuer other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

However, reference is made to the heading "Options to Purchase Securities of the Company".

NUMBER OF DIRECTORS

The Board of Directors of the Company presently consists of three directors. It is proposed to fix the number of directors for the following year at the same number. This requires the approval of the shareholders of the Company by an ordinary resolution, which approval will be sought at the Meeting.

ELECTION OF DIRECTORS

The term of office of each of the present directors expires at the Meeting. **The persons named below will be presented for election at the Meeting as management's nominees for election as directors.** Management does not contemplate that any of these nominees will be unable to serve as a director. Each director elected will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the Articles of the Company, or with the provisions of the *Business Corporations Act* (British Columbia) (the "**Corporations Act**").

Name, Position and Country of Residence	Principal Occupation and, if not at present an Elected Director, Occupation during past 5 years	Director Since	Number of Shares
Rene Bernard ¹ Kelowna, B.C. President, CEO and Director	President and CEO of the Company; Real Estate Investor	August 27, 2003	4,330,000
Kirk Reed ¹ Calgary, Alberta Director	Director of the Company; Director of New Shoshoni Ventures Ltd.	Nov 30, 2001	0
Mark Naylor ¹ Calgary, Alberta Director	Director of the Company; businessman currently serving as president and director of Kootenay Energy Inc., and as director of E3 Energie Inc.	October 25, 2004	1,788,471

¹ Members of the Audit Committee

To the knowledge of the Company, no proposed director:

- (a) is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity,
- (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
 - (iv) has, within the 10 years before the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

To the knowledge of the Company, other than set forth in the paragraph directly below, no proposed director is, as at the date of the Information Circular, or has been, within 10 years before the date of the Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

STATEMENT OF EXECUTIVE COMPENSATION

For the purposes of this Information Circular:

- (a) "Chief Executive Officer" or "CEO" means each individual who served as chief executive officer of the Company or acted in a similar capacity during the most recently completed financial year;
- (b) "Chief Financial Officer" or "CFO" means each individual who served as chief financial officer of the Company or acted in a similar capacity during the most recently completed financial year;
- (c) "long-term incentive plan" or "LTIP" means a plan providing compensation intended to motivate performance over a period greater than one financial year. LTIPs do not include option or SAR plans or plans for compensation through shares or units that are subject to restrictions on resale;
- (d) "measurement period" means the period beginning at the "measurement point" which is established by the market close on the last trading day before the beginning of the Company's fifth preceding financial year, through and including the end of the company's most recently completed financial year. If the class or series of securities has been publicly traded for a shorter period of time, the period covered by the comparison may correspond to that time period;
- (e) "Named Executive Officers" or "NEOs" means the following individuals:
 - (i) each CEO;
 - (ii) each CFO;
 - (iii) each of the Company's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$150,000; and
 - (iv) any additional individuals for whom disclosure would have been provided under (iii) but for the fact that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year end.
- (f) "normal retirement age" means normal retirement age as defined in a pension plan or, if not defined, the earliest time at which a plan participant may retire without any benefit reduction due to age;
- (g) "options" includes all options, share purchase warrants and rights granted by a company or its subsidiaries as compensation for employment services or office. An extension of an option or replacement grant is a grant of a new option. Also, options include any grants made to an NEO by a third party or a non-subsidiary affiliate of the Company in respect of services to the Company or a subsidiary of the Company.
- (h) "plan" includes, but is not limited to, any arrangement, whether or not set forth in any formal document and whether or not applicable to only one individual, under which cash, securities, options, SARs, phantom stock, warrants, convertible securities, shares or units that are subject to restriction on resale, performance units and performance shares, or similar instruments may be received or purchased. It excludes the Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation plans that are available generally to all salaried employees (for example, does not discriminate in scope, terms or operation in favour of executive officers or directors);
- (i) "replacement grant" means the grant of an option or SAR reasonably related to any prior or potential cancellation of an option or SAR;
- (j) "repricing" of an option or SAR means the adjustment or amendment of the exercise of base price of a previously awarded option or SAR. Any repricing occurring through the operation of a formula or mechanism in, or applicable to, the previously awarded option or SAR equally affecting all holders of the class of securities underlying the option or SAR is excluded; and
- (k) "stock appreciation right" or "SAR" means a right, granted by the Company or any of its subsidiaries as compensation for employment services or office to receive cash or an issue or transfer of securities based wholly or in part on changes in the trading price of public traded securities.

Executive Compensation

During the fiscal year ended December 31, 2006, the Company had two Named Executive Officer (for the purposes of applicable securities legislation), namely:

- (a) Rene Bernard, President, Chief Executive Officer
- (b) Mark Naylor, Chief Financial Officer

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	All Other Compensation (\$)
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Rene Bernard President & C.E.O.	2006	Nil	Nil	60,000	800,000	Nil	Nil	Nil
	2005	Nil	Nil	75,000	450,000	Nil	Nil	Nil
	2004	Nil	Nil	60,000	415,000	Nil	Nil	Nil
Kirk Reed Former President & C.E.O.	2006	Nil	Nil	Nil	350,000	Nil	Nil	Nil;
	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mark Naylor CFO	2006	Nil	Nil	Nil	250,000	Nil	Nil	Nil
	2005	Nil	Nil	Nil	200,000	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Long Term Incentive Plan (LTIP) Awards

The Company does not have a LTIP, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities) was paid or distributed to the Named Executive Officer during the most recently completed financial year.

Option/Stock Appreciation Rights ("SAR") Grants During the Most Recently Completed Financial Year

The following table sets forth particulars concerning individual grants of options to purchase or acquire securities of the Corporation and its subsidiaries, if any, and stock appreciation rights ("SARs") Form 51-102F6 prescribed by the National Instrument 51-102 - Continuous Disclosure Obligations under the *Securities Act* of the Province of British Columbia, made to each Named Executive Officer during the financial year ended December 31, 2006:

Name	Date of Grant in 2006	Securities Under Options/SARs Granted (#) ¹	% of Total Options Granted to Employees in Financial Year ²	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Rene Bernard, President and CEO	Feb. 9, 2006	350,000	0.23%	\$0.125	\$0	Feb. 9, 2011
	Mar. 9, 2006	450,000	0.30%	\$0.125	\$0	Mar. 9, 2011
Mark Naylor CFO	Feb. 9, 2006	250,000	0.17%	\$0.125	\$0	Feb. 9, 2011

¹ common shares of the Company

² includes employee, consultant and director stock options

Aggregated Options/SAR Exercises in the Last Financial Year and Financial Year-End Option/SAR Values

The following table (presented in accordance with the Rules) sets forth details of all exercises of stock options during the most recently completed financial year and the number of unexercised options held by the Named Executive Officers:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (\$) Exercisable/ Unexercisable ¹
Rene Bernard	Nil	Nil	1,350,000	\$168,750
Mark Naylor	Nil	Nil	450,000	\$56,250

¹ Value of unexercised in-the-money options calculated using the closing price of common shares of the Company on the TSX Venture Exchange, on December 29, 2006 of \$0.25 per share.

Defined Benefit or Actuarial Plan Disclosure

There is no pension plan or retirement benefit plan that has been instituted by the Corporation and none are proposed at this time.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Company and its subsidiaries have not compensatory plan, contract or arrangement where any of the Named Executive Officers are entitled to receive more than \$100,000 to compensate such executive officers in the event of resignation, retirement or other termination, a change of control of the Company or a change in responsibilities following a change of control.

Compensation of Directors

The Company does not currently pay compensation to non-management directors nor are they paid for attendance at board meetings. The directors are reimbursed for expenses occurred in carrying out their duties as directors and are granted stock options.

The Company has formalized stock option plan for the granting of incentive stock options to the officers, employees and Directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the Directors of the Company and to closely align the personal interests of such persons to that of the shareholders.

The following table sets forth details of all exercises of stock options and the fiscal year-end value of unexercised options on an aggregated basis during the fiscal year ended December 31, 2006 by directors who are not Named Executive Officers of the Company, as a group:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised But Exercisable Options at Fiscal Year-End (#)	Value of Unexercised but Exercisable Options at Fiscal Year-End (\$)¹
Kirk Reed	Nil	Nil	350,000	\$43,750

1 Value of unexercised in-the-money options calculated using the closing price of common shares of the Company on the TSX Venture Exchange, on December 29, 2006 of \$0.25 per share.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth as at the year ended December 31, 2006, the number of securities authorized for issuance under the Company's Stock Plan (the "Plan") which was approved by the shareholders of the Company on January 4, 2007:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)
Equity compensation plans approved by security holders	2,100,000	.125	928,672
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	2,100,000	.125	928,672

RELATED PARTY TRANSACTIONS

The Company has conducted transactions with officers, directors and persons or companies related to directors, as follows:

	2006	2005	2004
Management Fees	\$ 60,000	\$ 75,000	\$ 103,500
Rent	\$ 6,000	\$ 6,000	\$ 6,000
Consulting fees	\$ —	\$ —	\$ 21,000
Legal fees	\$ —	\$ —	\$ 12,300
	\$ 66,000	\$ 81,000	\$ 142,800

At December 31, 2006, the Company was indebted to the President of the Company in the amount of \$90,138 for management fees, legal fees, mineral property payments and reimbursement of office expenses.

INDEBTEDNESS TO COMPANY OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

There is no indebtedness of any Director, executive officer, senior officer, proposed nominee for election as a Director or associate of them, to or guaranteed or supported by the Company or any of its subsidiaries either pursuant to an employee stock purchase program of the Company or otherwise, during the most recently completed financial year.

APPOINTMENT OF AUDITOR

Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the appointment of Lancaster & David, Chartered Accountants, of Vancouver, British Columbia, as the auditor of the Company to hold office for the ensuing year at a remuneration to be fixed by the Directors.

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Company's audit committee is attached as Appendix 1 of the attached Schedule "A" to this Information Circular.

Composition of the Audit Committee:

The following are the members of the Committee:

Kirk Reed	Dependant ¹	Financially literate ¹
Rene Bernard	Dependant ¹	Financially literate ¹
Mark Naylor	Dependant ¹	Financially literate ¹

¹ As defined by Multilateral Instrument 52-110 ("MI 52-110").

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Auditors".

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2006	\$21,200	Nil	Nil	Nil
2005	\$12,000	Nil	Nil	Nil

Exemption

The Company is entitled to rely on the exemption in section 6.1 of MI 52-110 with respect to compliance with the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-101.

CORPORATE GOVERNANCE DISCLOSURE

National Instrument 58-201 ("NI 58-201") establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. National Instrument 58-101 mandates disclosure of corporate governance practices which disclosure is set out below.

Independence of Members of Board

As at the date hereof, the Company's Board consists of 3 directors, none of whom are independent based upon the tests for independence set forth in Multilateral Instrument 52-110. Kirk Reed is not independent as he was the former President in 2004. Rene Bernard is not independent as he is the President of the Company and Mark Naylor is not independent as he is the Chief Financial Officer of the Company.

Management Supervision by Board

The operations of the Company do not support a large Board of Directors and the Board has determined that the current constitution of the Board does not meet the independence requirement and will be seeking to add to its board in the ensuing year.

Participation of Directors in Other Reporting Issuers

The participation of the directors in other reporting issuers is as follows:

Name of Director	Other Reporting Issuers of which the Director is also a Director
Rene Bernard	Nil
Kirk Reed	Nil
Mark Naylor	Nil

Orientation and Continuing Education

While the Company does not have formal orientation and training programs, new Board members are provided with:

1. access to recent, publicly filed documents of the Company; and
2. access to management, auditors and consultants.

Board members are encouraged to communicate with management, auditors and consultants and to keep themselves current with industry trends and developments and changes in legislation. Board members have full access to the Company's records.

Ethical Business Conduct

The Board views good corporate governance as an integral component to the success of the Company and to meet its responsibilities to shareholders. The Board has not adopted a formal code of conduct but encourages all directors and officers to comply with corporate governance principles. The Board requires that any director or executive officer disclose any material interest that they have in any voting on any such transaction or agreement to be entered into by the Company and, in the case of directors, abstain from voting on any such transaction or agreement..

Nomination of Directors

The Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the mineral exploration and mining industry are consulted for possible candidates.

Compensation of Directors and the CEO

The Company currently does not have a compensation committee. To determine compensation payable, the directors review compensation paid for directors and CEOs of companies of similar size and stage of development in the mineral exploration and mining industry and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. Currently only the President is compensated \$5,000 per month for

management fees. The CFO is not compensated by fees for his position. There are no other fees or compensation paid to the board members.

Board Committees

The Board has determined that additional committees are not necessary at this stage of the Company's development.

Assessments

The Board does not consider that formal assessments would be useful at this stage of the Company's development.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the directors or officers of the Company, no management nominee for election as a director of the Company, none of the persons who have been directors or officers of the Company since the commencement of the Company's last completed financial year and no associate or affiliate of any of the foregoing has any substantial interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than as disclosed under the heading "Particulars of Matters to be Acted Upon".

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Stock Option Plan

The Company adopted a "rolling" stock option plan under which options may be granted equal in number to 10% of the issued and outstanding capital of the Company at the time of grant of the stock option and has been previously approved by the shareholders. Under the policies of the TSX Venture Exchange ("Exchange"), "rolling" stock option plans are required to be approved by the shareholders at each annual meeting and submitted to the Exchange thereafter for acceptance.

As of June 6, 2007 the Company had 3,675,000 stock options outstanding. Options will be exercisable over periods of up to five years as determined by the Board of Directors of the Company and are required to have an exercise price no less than the Market Price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the Exchanges and approved by the Board. Market Price means the last closing price per share on the trading day immediately preceding the day on which the Company announces the grant of the option or, if the grant is not announced, on the Grant Date. Pursuant to the Stock Option Plan, the Board of Directors may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The number of common shares which may be reserved for issuance to the insiders of the Company, within a one year period, may not exceed 10% of the outstanding common shares of the Company; and the number of common shares which may be issued to any one insider of the Company or to such insider's associates, within a one year period, may not exceed 5% of the outstanding common shares of the Company. The Stock Option Plan does not contain any vesting requirements.

A copy of the Stock Option Plan may be obtained upon request from the Company at 208 - 478 Bernard Avenue, Kelowna, B.C. V1Y 6N7.

Management of the Company will ask the Shareholders to approve the following resolution at the Meeting:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION that subject to regulatory approval:

- (i) the Company's stock option plan (the "Stock Option Plan") be and is hereby re-adopted and re-approved;
- (ii) the Company be authorized to grant stock option pursuant and subject to the terms and conditions of the Stock Option Plan, entitling the option holders to purchase up to that number of Shares that is equal to 10% of the issued and outstanding Shares of the Company as at the time of the grant; and
- (iii) the directors and officers of the Company be authorized and directed to perform all such acts and deeds and things and execute, under the seal of the Company or otherwise, all such documents, agreements and other writings as may be required to give effect to the true intent of these resolutions."

OTHER MATTERS

Company management is not aware of any other matter to come before the Meeting other than as set out in the notice of Meeting. If any other matter properly comes before the Meeting, or any adjournment thereof, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. A security holder may contact the Company to request copies of the Company's Financial Statements and Management's Discussion and Analysis ("MD&A"). Financial information is provided in the Company's comparative Financial Statements and MD&A for its most recently completed financial year which have been filed on SEDAR.

CERTIFICATE

The undersigned hereby certifies that the foregoing constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the shareholders. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not mistaking in light of the circumstances in which it was made.

Dated at Kelowna, British Columbia, this 6th day of June, 2007.

BY ORDER OF THE BOARD OF DIRECTORS

"Rene Bernard"

Rene Bernard, President

Schedule "A"

AUDIT COMMITTEE CHARTER

**CANDORADO OPERATING COMPANY LTD.
(the "Company")**

December 2006

(Implemented pursuant to Multilateral Instrument 52-110)

Instrument 52-110 (the "Instrument") relating to the composition and function of audit committees was implemented for Alberta reporting companies effective March 30, 2004 and, accordingly, applies to the first annual meeting of every TSX Venture Exchange listed company that is held after July 1, 2004. The Instrument requires all affected issuers to have a written audit committee Charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the Board.

This Charter has been adopted by the Board in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument and applicable corporate laws, as implemented and amended from time to time.

PART I

Purpose:

The purpose of the Committee is to:

- a) ensure the quality of the Company's financial reporting;
- b) assist the Board to discharge its financial responsibilities;
- c) provide an avenue of direct communication between the Board and the external auditors;
- d) ensure the external auditor's independence;
- e) ensure the objectivity of financial reports; and
- f) strengthen the role of the outside members of the Board by facilitating in depth discussions between Members, management and external auditors.

1.1 Definitions

"accounting principles" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

"Affiliate" means a company that is a subsidiary of another company or companies that are controlled by the same entity.

"audit services" means the professional services rendered by the Company's external auditor for the audit and review of the Company's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

"Board" means the board of directors of the Company.

"Charter" means this audit committee charter.

"Company" means Candorado Operating Company Ltd.

"Committee" means the committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

"Control Person" means any person that holds or is one of a combination persons that holds a sufficient number of any of the securities of the Company so as to affect materially the control of the Company, or that holds more than 20% of the outstanding voting shares of the Company, except where there is evidence showing that the holder of those securities does not materially affect control of the Company.

"executive officer" means an individual who is:

- a) the chair of the Company;
- b) the vice-chair of the Company;
- c) the President of the Company;
- d) the vice-president in charge of a principal business unit, division or function including sales, finance or production;
- e) an officer of the Company or any of its subsidiary entities who performs a policy-making function in respect of the Company; or
- f) any other individual who performs a policy-making function in respect of the Company.

"financially literate" has the meaning set forth in Section 1.3.

"immediate family member" means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home.

"independent" has the meaning set forth in Section 1.2.

"Instrument" means Multilateral Instrument 52-110.

"MD&A" has the meaning ascribed to it in National Instrument 51-102.

"Member" means a member of the Committee.

"National Instrument 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*.

"non-audit services" means services other than audit services.

1.2 Meaning of Independence

1. A Member is independent if the Member has no direct or indirect material relationship with the Company.
2. For the purposes of subsection 1, a material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member's independent judgement.
3. Despite subsection 2 and without limitation, the following individuals are considered to have a material relationship with the Company:
 - a) a Control Person of the Company;
 - b) an Affiliate of the Company;
 - c) an employee of the Company; and
 - d) an officer of the Company.

- 1.3 Meaning of Financial Literacy** -- For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

PART 2

2.1 Audit Committee – The Board has hereby established the Committee for, among other purposes, compliance with Instrument.

2.2 Relationship with External Auditors – The Company will require its external auditor to report directly to the Committee and the Members will ensure that such is the case.

2.3 Committee Responsibilities

1. The Committee will be responsible for making the following recommendations to the Board:
 - a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and

- b) the compensation of the external auditor.
2. The Committee will be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility will include:
- a) reviewing the audit plan with management and the external auditor;
 - b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
 - c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtain an explanation from management of all significant variances between comparative reporting periods;
 - f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
 - g) reviewing interim unaudited financial statements before release to the public;
 - h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management's discussion and analysis;
 - i) reviewing the evaluation of internal controls by the external auditor, together with management's response;
 - j) reviewing the terms of reference of the internal auditor, if any;
 - k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.
3. The Committee will approve all non-audit services to be provided to the Company or its subsidiary entities by the issuer's external auditor.
4. The Committee will review the Company's financial statements, MD&A and annual and interim earnings press releases before the Company publicly discloses this information.
5. The Committee will ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and will periodically assess the adequacy of those procedures.
6. When there is to be a change of auditor, the Committee will review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31, and the planned steps for an orderly transition.
7. The Committee will review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Policy 31, on a routine basis, whether or not there is to be a change of auditor.
6. The Committee will, as applicable, establish procedures for:
- a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
7. As applicable, the Committee will establish, periodically review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former

external auditor of the issuer, as applicable.

8. The responsibilities outlined in this Charter are not intended to be exhaustive. Members will consider any additional areas which may require oversight when discharging their responsibilities.

2.4 De Minimis Non-Audit Services – The Committee will satisfy the pre-approval requirement in subsection 2.3(3) if:

- a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;
- b) the Company or the subsidiary of the Company, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).
2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 1 must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee will be composed of a minimum of three Members.
2. Every Member will be a director of the issuer.
3. The majority of Members will be independent.
4. Every audit committee member will be financially literate.

PART 4

4.1 Authority – Until the replacement of this Charter, the Committee will have the authority to:

- a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,
- b) to set and pay the compensation for any advisors employed by the Committee,
- c) to communicate directly with the internal and external auditors; and
- d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular -- If management of the Company solicits proxies from the security holders of the Company for the purpose of electing directors to the Board, the Company will include in its management information circular the disclosure required by Form 52-110F2 (*Disclosure by Venture Issuers*).

PART 6

6.1 Meetings

1. Meetings of the Committee will be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities will be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes will be kept of all meetings of the Committee.

Financial Statements of:
CANDORADO OPERATING COMPANY LTD.

December 31, 2006

AUDITORS' REPORT

BALANCE SHEET

STATEMENTS OF LOSS AND DEFICIT

STATEMENTS OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Shareholders of Candorado Operating Company Ltd.:

We have audited the balance sheets of Candorado Operating Company Ltd. as at December 31, 2006 and 2005 and the statements of loss and deficit and cash flows for the years then ended. These 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
April 25, 2007

**CANDORADO OPERATING COMPANY LTD.
BALANCE SHEETS**

	December 31, 2006	December 31, 2005
ASSETS		
CURRENT		
Cash	\$ 314,132	\$ 55
Marketable Securities (Note 4)	—	32,000
Advances	247,439	—
Taxes recoverable and other receivables	40,477	5,774
	602,048	37,829
RESTRICTED SHARES (Note 5(i))	192,000	288,000
EQUIPMENT (Note 6)	735	956
MINERAL PROPERTIES (Note 5)	1,206,888	627,480
	\$ 2,001,671	\$ 954,265
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 44,738	\$ 63,022
Due to related parties (Note 7)	90,138	78,092
	134,876	141,114
Continued Operations (Note 1)		
Contingent Liabilities (Note 9)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8 (b))	5,025,086	3,779,400
CONTRIBUTED SURPLUS (Note 8(e))	447,388	277,673
DEFICIT	(3,605,679)	(3,243,922)
	1,866,795	813,151
	\$ 2,001,671	\$ 954,265

Approved on behalf of the Board:

/s/ Kirk Reed
Kirk Reed – Director

/s/ Rene Bernard
Rene Bernard – Director

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LTD.
STATEMENTS OF LOSS AND DEFICIT

	Year Ended December 31, 2006	Year Ended December 31, 2005
EXPENSES		
Consulting fees	51,021	19,289
Depletion and depreciation	222	151
Investor relations	47,412	20,250
Listing fees and filing fees	28,405	32,815
Management fees	61,260	75,000
Office and general	18,763	16,975
Professional fees	30,556	18,819
Shareholder communications	34,175	12,703
Stock based compensation	175,560	53,030
Transfer agent	7,377	8,846
Travel	12,189	13,089
Wages	20,778	—
LOSS BEFORE OTHER ITEMS	(487,718)	(270,967)
OTHER ITEMS		
Gain on sale of marketable securities	103,000	—
Gain on sale of mineral properties	46,416	278,533
Property evaluation	(23,456)	360
Write-off of mineral properties	—	(7,525)
INCOME (LOSS) FOR THE YEAR	\$ (361,758)	\$ 401
DEFICIT, BEGINNING OF YEAR	\$ (3,243,921)	\$ (3,244,323)
DEFICIT, END OF YEAR	\$ (3,605,679)	\$ (3,243,922)
LOSS PER SHARE	\$ (0.01)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	26,592,000	21,433,000

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LTD.
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2006	Year Ended December 31, 2005
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (361,757)	\$ 401
Adjust for item not affecting cash:		
Depreciation	222	151
Gain on sale of marketable securities	(103,000)	—
Gain on sale of mineral properties	(46,416)	(278,533)
Stock based compensation	175,560	53,030
Write-off of mineral properties	—	7,525
Net changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(23,284)	(2,651)
Due to related parties	17,046	68,877
Advances	(247,439)	—
Receivables	(34,703)	—
Taxes recoverable	—	(473)
Net Cash Used in Operating Activities	(623,771)	(151,673)
INVESTING ACTIVITIES		
Proceeds from the sale of marketable securities	231,000	—
Proceeds from the sale of mineral properties	50,000	—
Purchase of equipment	—	(1,107)
Mineral property exploration	(440,043)	(117,440)
Net Cash Used in Investing Activities	(159,043)	(118,547)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	1,170,310	250,000
Share issue costs	(73,419)	—
Net Cash Used in Financing Activities	1,096,891	250,000
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 314,077	\$ (20,220)
CASH & CASH EQUIVALENTS, beginning of year	\$ 55	\$ 20,275
CASH & CASH EQUIVALENTS, end of year	\$ 314,132	\$ 55
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ —	\$ —
Income taxes paid	\$ —	\$ —
NON-CASH FINANCING ACTIVITIES		
Shares issued for mineral properties	\$ 139,750	\$ 54,500
Shares issued for finders' fees	\$ 3,200	\$ —

The accompanying notes are an integral part of these financial statements

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company's primary business is the acquisition, exploration and development of mineral properties and has not yet determined whether properties held contain reserves that are economically recoverable. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has experienced recurring losses, has not generated profitable operations since inception and at December 31, 2006 has accumulated losses of \$3,605,679. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying values. The continuation of the Company as a going concern is dependant on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Mineral properties

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

Equipment

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

Estimates and assumptions

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired. As at December 31, 2006 and December 31, 2005, there were no cash equivalents.

Financial instruments

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

Loss per share

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

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Comparative figures

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

Foreign exchange translation

The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which is translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

Stock-based compensation plan

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

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. Refer to Note 10.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The adoption of this accounting policy has not affected the Company's financial statements.

4. MARKETABLE SECURITIES

Details are as follows:

	Market Value	December 31 2006	December 31 2005
New Cantech Ventures Inc. (Note 5 (i))	\$ —	\$ —	\$ 32,000
	\$ —	\$ —	\$ 32,000

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

5. MINERAL PROPERTIES

2006	British Columbia properties					Ontario		December 31
	Serb Creek	Quesnel Trough	Murphy Lake	Eldorado Gold	Pitt Island	Aurora Extension	Other	2006
<i>Exploration and development costs beginning of year</i>	\$ —	\$ —	\$ 347,472	\$ 18,517	\$ 12,366	\$ 49,507	\$ 2,663	\$ 430,525
Incurred during the year:								
Sampling and assaying	—	—	1,500	—	—	4,290	—	5,790
Drilling	—	—	—	—	—	66,218	—	66,218
Helicopter, transport and rentals	—	—	747	—	—	—	65	812
Surveys	—	—	86,000	—	—	—	—	86,000
Field work	800	—	8,575	—	—	—	1,200	10,575
Site Costs	637	—	6,887	—	—	—	703	8,227
Maps, field supplies and misc	871	—	7,376	—	59	—	156	8,462
Geological consulting and reports	1,935	—	30,003	—	—	5,648	272	37,858
Deferred exploration, end of year	4,243	—	488,560	18,517	12,425	125,663	5,059	654,467
<i>Acquisition costs, beginning of year</i>	—	—	96,014	41,500	47,440	12,000	—	196,954
Additions during the year:								
Capital stock issued	24,000	45,000	19,200	22,500	32,250	—	—	142,950
Filing fees	1,038	1,212	—	—	—	—	—	2,250
Staking fees	2,378	—	54,622	678	5,469	—	109,051	172,198
Option payments	60,000	—	19,000	25,000	—	6,000	—	110,000
Reimbursement of staking costs	—	—	(3,347)	—	—	—	—	(3,347)
Option payments received	(60,000)	—	(5,000)	—	—	—	—	(65,000)
Acquisition costs, end of year	27,416	46,212	180,489	89,678	85,159	18,000	109,051	556,005
<i>Amounts written off</i>	—	—	—	—	—	—	(3,584)	(3,584)
Total Mineral Properties	\$ 31,659	\$ 46,212	\$ 669,049	\$ 108,195	\$ 97,584	\$143,663	\$110,526	\$1,206,888

2005	British Columbia properties				Ontario		December 31
	Lucky Ship	Murphy Lake	Eldorado Gold	Pitt Island	Aurora Extension	Other	2005
<i>Exploration and development costs beginning of year</i>	\$ 5,712	\$ 320,920	\$ 18,167	\$ —	\$ 49,507	\$ 12,372	\$ 406,678
Incurred during the year:							
Helicopter, transport and rentals	—	—	—	5,347	—	—	5,347
Sampling and assaying	—	—	—	129	—	—	129
Maps, field supplies and misc	—	486	350	402	—	—	1,238
Geological consulting and reports	2,755	26,067	—	6,488	—	2,662	37,972
Deferred exploration, end of year	8,467	347,473	18,517	12,366	49,507	15,034	451,364
<i>Acquisition costs, beginning of year</i>	30,000	62,200	9,500	—	6,000	(9,846)	97,854
Additions during the year:							
Capital stock issued	—	16,000	17,000	21,500	—	—	54,500
Finders' fees	3,000	—	—	—	—	—	3,000
Staking fees	—	2,814	—	10,940	—	—	13,754
Option payments	—	15,000	15,000	15,000	6,000	5,000	56,000
Acquisition costs, end of year	33,000	96,014	41,500	47,440	12,000	(4,846)	225,108
Properties sold	(41,467)	—	—	—	—	—	(41,467)
<i>Amounts written off</i>	—	—	—	—	—	(7,525)	(7,525)
Total Mineral Properties	\$ —	\$443,487	\$ 60,017	\$ 59,806	\$61,507	\$2,663	\$627,480

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

5. MINERAL PROPERTIES (Cont'd)

a) Mac and Spout Property, British Columbia, Canada

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

b) Murphy Lake Property, British Columbia, Canada

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

c) Aurora Extension Property, Ontario, Canada

The Company entered into an option agreement dated February 11, 2004 to acquire a 100% interest, subject to a 2% NSR, in 26 mineral claim units located in the Porcupine Mining Division. Consideration for the Option was staged cash payments totaling \$500,000 (\$12,000 paid) and work commitments of \$30,000 by September 15, 2004 (incurred). Subsequent to December 31, 2006 the Company and Mr. McMillan agreed on an early buyout of the option for a one time cash payment of \$65,000 for a 100% interest in the Aurora Extension property subject to the 2% NSR payable to Mr. McMillan. See Note 11(c).

d) Eldorado Property, British Columbia, Canada

The Company entered into an option agreement dated November 21, 2003 to acquire a 100% interest, subject to a 2% net smelter returns royalty, in the Eldorado Gold Project. The Company was required to make cash payments of \$100,000 (\$47,500 paid) and issue 500,000 common shares (300,000 issued) to the optionors in stages over a three-year period. The 2% NSR may be purchased for \$2,000,000 subsequent to making a production decision on the project. During the year, the Company elected to buyout its option early and issued 200,000 shares and made aggregate payments of \$52,500 to the vendors of the Eldorado Gold property to earn 100% interest subject to a 2% NSR. Subsequent to December 31, 2006, the Company entered into an option agreement with a third party to acquire a 60% interest in the property. The Company's interest remains subject to the 2% NSR. See Note 11(h).

e) Pitt Island Property, British Columbia Canada

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

f) Serb Creek property, British Columbia

The Company entered into an option agreement in April 25, 2006, to acquire a 100% interest in 63 mineral claims totaling 6,466 hectares located within the Omenica Mining Division, collectively referred to as the Serb Creek property. Consideration for the option was total cash payments of \$60,000 over four years (paid), an aggregate of 400,000 common shares (100,000 issued). In November 2006, the Company elected to exercise its option early and subsequent to December 31, 2006 paid \$50,000 and issued 300,000 common shares to the vendors to earn a 100% interest subject to a 2% NSR in the property. In December 2006 the Company entered into an agreement with Georgia Ventures Inc. ("GVI") wherein GVI can earn a 60% interest in the property for consideration of a cash payment of \$60,000 (received) and must incur exploration expenditures of \$600,000 over a two year period. The NSR can be purchased by either party from the original vender for \$1,500,000.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

5. MINERAL PROPERTIES (Cont'd)

g) Quesnel Trough property, British Columbia

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

h) Other

The Company acquired through staking an additional 100,000 plus acres in the Canim Lake area.

During the year ended December 31, 2006 the Company staked 19 mineral claims for a total of 9214 hectares in the Clinton mining district, collectively referred to as the Lucky Strike property. On September 20, 2006 the Company entered into a purchase agreement with a private company and sold the minerals claims for a cash purchase price of \$50,000.

During the year ended the Company staked various mineral concessions collectively referred to as Central BC claim block for staking fees of \$52,975, various mineral concessions collectively referred to as the Rayfield Property for staking fees of \$5,987; various mineral concessions collectively referred to as the Bonaparte Property for staking fees of \$25,979 and the IO CG Claim block for staking fees of \$776 all located in Central British Columbia.

i) Lucky Ship Property, British Columbia, Canada

The Company entered into an option agreement dated November 5, 2004 to earn a 100% interest in 46 mineral claim units located in the Omineca Mining Division, BC, subject to a 2% net smelter returns royalty ("NSR"). The Company must pay a total of \$1,000,000 (\$30,000 paid) over seven years. The Company may purchase, at any time, one half of the 2% NSR royalty for a one-time payment of \$1,000,000.

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

On June 16, 2005, New Cantech acquired the remaining 50% interest in the option to purchase a 100% interest, for a purchase price of 2,000,000 common shares of New Cantech at a deemed price of \$0.16 per share. The shares are subject to the Exchange Escrow Agreement under Form 5D and will be released on the basis of 10% upon the issuance of the Exchange bulletin (released), and an additional 15% will be released every six months thereafter. The Company has received 800,000 common shares to date.

j) Constitution and International Property, British Columbia, Canada

The Company entered into an option agreement dated November 15, 2004 to earn a 100% interest in the Crown granted mineral property known as the Constitution and International Property located in the Princeton Mining Division, subject to a 2% NSR. The Company was required to pay \$105,000 (\$5,000 paid) over six years, and fund exploration and development work totaling at least \$100,000 by October 31, 2005. As at October 31, 2005, the Company cancelled the option agreement and accordingly, has written off all acquisition and deferred exploration costs as at December 31, 2005 in the amount of \$7,525.

k) The Company must make the following option payments towards the acquisition of its mineral properties over the next five years: (Refer to Note 8)

	Cash	Expenditure Commitments	Shares
2007	\$ 186,500	350,000	425,000
2008	\$ 50,000	850,000	925,000
2009	\$ 120,000	550,000	325,000
2010	\$ 20,000	—	—
2011	\$ 20,000	—	—
2012 – beyond	\$ 400,000	—	—

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

Years ended December 31, 2006 and December 31, 2005

6. EQUIPMENT

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Furniture and equipment	\$ 1,107	\$ 372	\$ 735	\$ 956

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, the Company incurred the following to directors, officers and private companies controlled by them: management fees - \$60,000 (2005 - \$75,000); rent - \$6,000 (2005 - \$6,000). These transactions were recorded at exchange value, which was the amount of consideration established and agreed to by the related parties.

At December 31, 2006, the Company was indebted to the President of the Company in the amount of \$90,138 (2005 - \$78,092) for management fees, legal fees, mineral property payments and reimbursement of office expenses.

8. SHARE CAPITAL

(a) **Authorized**
Unlimited common shares without par value.

(b) **Issued and outstanding**

	Shares	Amount	Share Subscriptions received	Total
Balance at December 31, 2004	20,484,815	\$ 3,433,298	\$ 41,600	\$ 3,474,898
Issued for property	300,000	54,500	—	54,500
Private Placements	1,463,333	291,602	(41,600)	250,002
Balance at December 31, 2005	22,248,148	\$ 3,779,400	\$ —	\$3,779,400
Private Placements	7,143,576	1,151,560	—	1,151,560
Share issue costs	—	(73,419)	—	(73,419)
Exercise of stock options	50,000	6,250	—	6,250
Exercise of warrants	125,000	12,500	—	12,500
Issued for finders fees	20,000	3,200	—	3,200
Issued for property	700,000	139,750	—	139,750
Fair value of options exercised	—	5,845	—	5,845
Balance at December 31, 2006	30,286,724	\$ 5,025,086	\$ —	\$ 5,025,086

During the year ended December 31, 2006, the Company:

- (i) Completed a non-brokered private placement for 2,300,000 units at \$0.08 per unit for gross proceeds of \$184,000. Each unit consists of one common share and one non-transferable warrant. Each warrant is exercisable to purchase one common share at \$0.10 for two years;

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

8. SHARE CAPITAL (Cont'd)

(b) Issued and outstanding (Cont'd)

- (ii) Completed a non-brokered private placement for 380,000 units at \$0.125 per unit for gross proceeds of \$47,500. Each unit consists of one common share and one non-transferable warrant. Each warrant is exercisable to purchase one common share at \$0.15 for two years;
- (iii) Completed a non-brokered private placement for 1,200,000 units at \$0.125 per unit for gross proceeds of \$150,000. Each unit consists of one flow through common share and one half of one non-transferable non flow through warrant. One full warrant is exercisable to purchase one non flow through common share at \$0.20 for one year;
- (iv) Completed a non-brokered private placement for 400,000 units at \$0.175 per unit for gross proceeds of \$70,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant is exercisable to purchase one common share at \$0.20 in the first year and \$0.25 in the second year;
- (v) Completed a non-brokered private placement for 555,888 Units at a price of \$0.18 per Unit for total proceeds of \$100,060. Each Unit consists of one common share and one common share purchase warrant exercisable for two years at a price of \$0.20 per warrant; and
- (vi) Completed a non-brokered private placement for 2,307,688 Units at a price of \$0.26 per Unit for total proceeds of \$600,000. Each Unit consists of one flow through common share and one non flow through purchase warrant. Each warrant is exercisable for two years at a price of \$0.50 per warrant. A cash finder's fee of 4% was paid to Limited Market Dealer Inc. as well as 207,692 options were granted. Each option is exercisable for two years at a price of \$0.26 for one unit with the same terms as above.

Aggregate share issue costs for the financings were \$73,419.

- (vii) Issued 150,000 commons shares pursuant to the option agreement to acquire the Eldorado Property (see Note 5(d));
- (viii) Issued 100,000 common shares pursuant to the option agreement to acquire the Mac and Spout Property (see Note 5 (a));
- (ix) Issued 200,000 common shares pursuant to the option agreement to acquire the Quesnel Trough Property (see Note 5 (g));
- (x) Issued 100,000 common shares pursuant to the option agreement to acquire the Serb Creek Property (see Note 5 (f)); and
- (xi) Issued 150,000 common shares pursuant to the option agreement to acquire the Pitt Island Property (see Note 5 (e)).

During the year ended December 31, 2005, the Company:

- (i) Issued 130,000 common shares pursuant to the subscriptions received for the private placement completed on November 22, 2004 as described hereinabove;
- (ii) Completed a non-brokered private placement for 833,333 units at \$0.18 per unit for gross proceeds of \$150,000. Each unit consists of one common and one non-transferable warrant. Each warrant is exercisable to purchase one common share at \$0.20 for one year to April 8, 2006;
- (iii) Completed a non-brokered private placement for 500,000 units at \$0.20 per unit for gross proceeds of \$100,000. Each unit consists of one common and one non-transferable warrant. Each warrant is exercisable to purchase one common share at \$0.25 for two years to June 28, 2007;
- (iv) Issued 100,000 commons shares pursuant to the option agreement to acquire the Eldorado Property (see Note 5 (d));

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

Years ended December 31, 2006 and December 31, 2005

8. SHARE CAPITAL (Cont'd)**(b) Issued and outstanding (Cont'd)**

- (v) Issued 100,000 common shares pursuant to the option agreement to acquire the Pitt Island Property (see Note 5 (e)); and
- (vi) Issued 100,000 common shares pursuant to the option agreement to acquire the Mac and Spout Property (see Note 5 (a)).

(c) Stock options

The Company's Board of Directors approved a stock option plan dated August 27, 2003 and approved at the Company's annual general meeting on December 19, 2005, in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares from time to time. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options granted under this plan are exercisable over a period not exceeding five years.

	December 31, 2006		December 31, 2005	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of year	735,000	\$0.250	940,000	\$0.19
Granted/Repriced	2,150,000	\$0.125	850,000	\$0.25
Exercised	(50,000)	\$0.125	—	—
Cancelled / Expired	(735,000)	\$0.250	(1,055,000)	\$0.19
Balance, end of year	2,100,000	\$0.125	735,000	\$0.25

Stock options outstanding and exercisable as at December 31, 2006 are as follows:

Expiry Date	Exercise Price	Number of Shares
February 3, 2010	\$ 0.125	650,000
February 19, 2011	\$ 0.125	825,000
March 9, 2011	\$ 0.125	625,000
		2,100,000

(d) Stock based compensation

During the year ended December 31, 2006, the Company issued 1,500,000 options to directors, consultants and employees, with an exercise price of \$0.125 per option. In addition the Company re-priced 650,000 options from \$0.25 per share to \$0.125. The fair value of stock-based compensation in the amount of \$175,560 (2005 - \$112,648) has been recorded in the accounts of the Company as an expense with the offsetting entry to contributed surplus. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2006	2005
Expected life (years)	3	5
Interest rate	4.06% - 4.09%	3.32%
Volatility	152.72% - 153.67%	58.68%
Dividend yield	0.00%	0.00%

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

Years ended December 31, 2006 and December 31, 2005

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

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

Details are as follows:

	December 31 2006	December 31 2005
Balance – Beginning of year	\$ 277,673	\$ 224,643
Current year fair value of stock-based compensation	175,560	112,648
Fair value of stock options exercised during the year and transferred to share capital	(5,845)	—
Fair value of stock options cancelled in the year	—	(59,618)
Balance – End of year	\$ 447,388	\$ 277,673

(f) Share purchase warrants

Details of share purchase warrant activity is as follows:

	December 31 2006 Warrants	December 31 2005 Warrants
Outstanding - Beginning of year	2,425,583	1,862,250
Issued	6,751,268	1,463,333
Expired	(1,092,250)	(900,000)
Exercised	(125,000)	—
Outstanding – End of year	7,959,601	2,425,583

As at December 31, 2006 the following share purchase warrants were outstanding:

Expiry Date	Per Common Share Exercise Price	Warrants Outstanding	Common Share Entitlement
April 8, 2007	\$0.20/.25	833,333	833,333
June 28, 2007	\$0.25	500,000	500,000
March 17, 2007	\$0.20	600,000	600,000
Feb 6, 2008	\$0.10	2,175,000	2,175,000
March 27, 2008	\$0.15	380,000	380,000
July 13, 2008	\$0.20/.25	400,000	400,000
July 13, 2008	\$0.20	555,888	555,888
December 8, 2008	\$0.50	2,307,688	2,307,688
December 8, 2008	\$0.50	207,692	207,692

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

9. CONTINGENCIES

The Company is in receipt of a letter from the British Columbia Ministry of Energy, Mines and Petroleum regarding the old Hedley heap leach operation by the Company's predecessor company, Candorado Mines Ltd. Several environmental issues regarding the site clean up were addressed in the letter dated November 21, 2005 and in an on-site meeting on November 22, 2005. The Company had been given a November 24, 2005 deadline to provide a clean-up plan but has advised the Ministry that in respect to its financial resources, this plan could not have been delivered on time. The Company Ltd. does not admit or deny any liability regarding the responsibility for the clean-up and has engaged Legal Counsel regarding this matter. As indicated, the Ministry of Energy, Mines & Petroleum Resources will now proceed with the required work and may initiate proceedings to recover the costs incurred. The Company is unable to determine the amount of potential cost, if any, and therefore has not recognized any amount related to this matter as at December 31, 2006.

10. INCOME TAXES

The Company has non-capital loss carryforwards of approximately \$1,926,000 that expire in the following years:

2007	\$	111,000
2008		329,000
2009		61,000
2010		225,000
2014		419,000
2015		270,000
2026		<u>511,000</u>
	\$	<u>1,926,000</u>

The Company has mineral resource related deductions of approximately \$1,629,000 that are available to reduce future taxable income.

The tax benefits of these losses and expenditures are not reflected in these financial statements.

The components of the future income tax assets are based on an effective tax rate of 34.12% (2005: 34.90%) and they are as follows:

	<u>2006</u>	<u>2005</u>
Non-capital loss carryforwards	\$ 174,000	\$ 94,000
Unused mineral resource related deductions	150,000	41,000
Subtotal	\$ 324,000	\$ 135,000
Less: valuation allowance	<u>(324,000)</u>	<u>(135,000)</u>
Total future income tax assets	\$ -	\$ -

11. SUBSEQUENT EVENTS

Subsequent to the Company's year ended December 31, 2006, the following transactions have occurred on:

- (a) January 4, 2007 the Company entered into an option agreement with Bearclaw Capital Corp., to acquire an 80% interest in the Man/Prime property located 35 km north of Princeton British Columbia. Under the terms of the agreement, the Company may earn 51% interest by making a cash payment of \$50,000 and incurring \$800,000 in exploration expenditures and issuing 700,000 shares by December 31, 2009. The additional 29% may be obtained by incurring an additional \$2,000,000 in exploration expenditures and issuing an additional 2,000,000 shares by December 31, 2011;
- (b) January 4, 2007, the Company granted 750,000 stock options exercisable at a price of \$0.23;
- (c) January 23, 2007 the Company and Ron McMillan agreed to amend the terms of the mineral property option agreement dated February 11, 2004, wherein the Company was granted an option to acquire a 100% interest in 26 mineral claims located in the Porcupine Mining Division in Ontario, collectively referred to as the Aurora Extension property for cash payments totaling \$500,000 in the first 10 years (\$18,000 paid) with successive payments of \$50,000 on each anniversary thereafter in advance royalty payments, subject to a 2% NSR. The Company and Mr. McMillan have agreed on an early buyout of the option for a one time cash payment of \$65,000 for a 100% interest in the Aurora Extension property subject to a 2% NSR payable to Mr. McMillan;

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2006 and December 31, 2005

11. SUBSEQUENT EVENTS (Cont'd)

- (d) February 6, 2007 the Company entered into a purchase agreement with Craig Lynes dated to acquire eight additional properties within the Quesnel Trough for a cash payment of \$52,500. The properties will be subject to a 2% NSR which can be purchased for \$500,000 for each 1% for a total aggregate payment of \$1,000,000. The properties are located just west of the AXE property near Princeton, British Columbia;
- (e) February 6, 2007 the Company entered into an option agreement to acquire a 100% interest in the Mesabi claims, better known as the "Hefley Lake" property, for consideration of \$500,000 over eight years with first and second year payments of \$10,000 in each year. The property covers two tenures comprised of 58 units for 765.305 hectares. A 2% NSR was negotiated, and the Company has the option to purchase 1% of the NSR for a payment of \$5,000,000.
- (f) February 6, 2007 the Company completed two non brokered private placements for 4,600,000 units at a price of \$0.22 per unit for proceeds of \$1,012,000. Each unit consisted of one non "flow-through" common share and one non "flow-through" purchase warrant exercisable for two years at a price of \$0.30 per warrant. The Company paid a 4% cash finder's fee to Limited Market Dealer Inc and granted options equal to 9% of the purchased units. Each option is exercisable for two years at a price of \$0.26 with the same terms as above. The second private placement was for 1,400,000 "flow-through" units at a price of \$0.25 per unit for proceeds of \$350,000. Each unit comprised of one "flow-through" common share and one non "flow-through" common share purchase warrant exercisable for two years at a price of \$0.40 per warrant.
- (g) February 13, 2007 the Company granted 575,000 stock options exercisable at a price of \$0.30 per share;
- (h) February 16, 2007 the Company entered into an option agreement with Gravity West Corp. ("GRW") acquire a 60% interest in the Company's Eldorado property located in northern British Columbia. GWR is required to make a cash payment of \$50,000 and issue 200,000 shares to the Company (received). GWR are also required to spend a minimum of \$500,000 on exploration on the property and issue a further 700,000 shares to the Company by February 16, 2008. The agreement is subject to a 2% NSR payment to the original vendors of the property. A finder's fee was paid in the amount of \$12,500;
- (i) February 19, 2007 the Company entered an option agreement to earn 100% interest in the Riley and Summer properties. Consideration for the option is aggregate cash payments of \$218,000 (18,000 paid), aggregate exploration and development expenditures of \$900,000 and the issuance of 150,000 common shares (50,000 issued) over two years;
- (j) February 22, 2007 the Company granted 350,000 stock options on at a price of \$0.42 per share;
- (k) March 6, 2007 the Company arranged a non brokered private placement for up to 1,600,000 units ("Units") at a price of \$0.50 per Unit for total proceeds of \$800,000, subject to Exchange approval. Each Unit consists of one common "flow-through" share and one common non "flow-through" purchase warrant exercisable for one year at a price of \$0.65 per warrant; and
- (l) March 6, 2007 the Company arranged a non brokered private placement for up to 1,000,000 "flow-through" units ("FT Units") at a price of \$0.50 per FT Unit for total proceeds of up to \$500,000 subject to Exchange approval. Each FT Unit consists of one "flow-through" common share and one non "flow-through" common share purchase warrant exercisable for one year at a price of \$0.65 per warrant. A 4% cash finders fee will be received by Limited Market Dealer Inc as well as options equal to 9% of the purchased FT Units, each option will be exercisable for two years at a price of \$0.65 with the same terms as above.

**CANDORADO OPERATING COMPANY LTD.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

Annual Management Discussion and Analysis

The following information, prepared as at April 22, 2007, should be read in conjunction with the audited financial statements for the year ended December 31, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

Description of Business and Summary of Recent Events

Candorado Operating Company Ltd. ("Candorado" or the "Company") is a Venture Issuer and Canadian based resource company focused on the acquisition, exploration and development of resource projects primarily in British Columbia. Candorado is one of British Columbia's largest mineral rights land holder with its copper/gold porphyry targets within the Quesnel Trough in Central British Columbia, the Serb Creek molybdenum deposit, the Eldorado property next to the BC Metal's Red Chris copper porphyry deposit and the Pitt Island VMS prospect all located in Northern British Columbia.

EXPLORATION

During May 2006 Discovery Consultants was retained as the Company's geological contractor, to design a trenching program over large gold-in-soil anomaly near English Lake and located within Candorado's 100% owned "South Canim Lake" claim block.

In April 2006, the Company commenced the permitting process for its 2006 drill program near Murphy Lake in Central British Columbia. The Company's consultants prepared a compilation of geo-physical and geo-chemical data within the claim block and initial drilling will test targets within a 1.2km wide potassic alteration zone that has been defined over a 3km length around the eastern margin of the Murphy Lake stock. The area is west of historic drill holes ML95-01 and ML95-03, which have returned results of 0.41% copper across 15 meter and 1.14% copper across 9.3 meter.

During the 2006 and 2007 to date the Company has acquired several properties by way of various staking programs, acquisition and or options agreements. The Company also joint ventured certain properties for further exploration and development of these properties as summarized below:

Staking

- a) 56,000 hectare property south east of Prince George, British Columbia referred to as the "I.O." and the "C.G." claims. These claims are considered a target for "sediment-hosted-gold" deposits within the central part of the Quesnel Trough. A gamma-ray/total field magnetic airborne survey is planned for the summer of this year to define targets for ground geophysical follow-up.
- b) 20,000 hectares within the Quesnel Trough of central British Columbia was staked by the Company in January 2007. The area acquired is within the parameters of the 2006 Bonaparte Lake airborne multi-sensor survey conducted as a partnership among the Geological Survey of Canada, Geoscience B.C. and industry partners.
- c) 19 additional mineral tenures in Central British Columbia. The staking covered the southern part of a regional magnetic high signature east of 93 Mile House.
- d) 35,000 hectares in 3 large blocks within the Quesnel copper/gold belt. The Company now holds an interest in mineral rights to over 600,000 acres within the "Quesnel Trough" and its sediments.

**CANDORADO OPERATING COMPANY LTD.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

Description of Business and Summary of Recent Events(Cont'd)

EXPLORATION (Cont'd)

- e) 100,000+ acres southeast of Canim Lake, British Columbia directly east of and adjoining large claim blocks under mineral exploration by Rimfire Minerals and Christopher James Gold. These new staked areas have increased the Company's property interests (owned, optioned and joint ventured) to over 2,450 square km. in the area.

The Company is planning extensive airborne and ground geophysical and geochemical surveys to identify target areas for further ground investigation and drilling.

Acquisitions/Option Agreements

- a) January 4, 2007 the Company entered into an option agreement with Bearclaw Capital Corp., to acquire an 80% interest in the Man/Prime property located 35 km north of Princeton British Columbia. Under the terms of the agreement, the Company may earn 51% interest by making a cash payment of \$50,000 and incurring \$800,000 in exploration expenditures and issuing 700,000 shares by December 31, 2009. The additional 29% may be obtained by incurring an additional \$2,000,000 in exploration expenditures and issuing an additional 2,000,000 shares by December 31, 2011;
- b) January 23, 2007 the Company and Ron McMillan agreed to amend the terms of the mineral property option agreement dated February 11, 2004, wherein the Company was granted an option to acquire a 100% interest in 26 mineral claims located in the Porcupine Mining Division in Ontario, collectively referred to as the Aurora Extension property for cash payments totaling \$500,000 in the first 10 years (\$18,000 paid) with successive payments of \$50,000 on each anniversary thereafter in advance royalty payments, subject to a 2% NSR. The Company and Mr. McMillan have agreed on an early buyout of the option for a one time cash payment of \$65,000 for a 100% interest in the Aurora Extension property subject to a 2% NSR payable to Mr. McMillan;
- c) February 6, 2007 the Company entered into a purchase agreement with Craig Lynes to acquire eight additional properties within the Quesnel Trough for a cash payment of \$52,500. The properties will be subject to a 2% NSR which can be purchased for \$500,000 for each 1% for a total aggregate payment of \$1,000,000. The properties are located just west of the AXE property near Princeton, British Columbia;
- d) February 6, 2007 the Company entered into an option agreement to acquire a 100% interest in the Mesabi claims, better known as the "Hefley Lake" property, for consideration of \$500,000 over eight years with first and second year payments of \$10,000 in each year. The property covers two tenures comprised of 58 units for 765.305 hectares. A 2% NSR was negotiated, and the Company has the option to purchase 1% of the NSR for a payment of \$5,000,000;
- e) February 16, 2007 the Company entered into an option agreement with Gravity West Corp. ("GRW") acquire a 60% interest in the Company's Eldorado property located in northern British Columbia. GWR is required to make a cash payment of \$50,000 and issue 200,000 shares to the Company (received). GWR are also required to spend a minimum of \$500,000 on exploration on the property and issue a further 700,000 shares to the Company by February 16, 2008. The agreement is subject to a 2% NSR payment to the original vendors of the property. A finder's fee was paid in the amount of \$12,500;

**CANDORADO OPERATING COMPANY LTD.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

Description of Business and Summary of Recent Events(Cont'd)

EXPLORATION (Cont'd)

Acquisitions/Option Agreements (Cont'd)

- f) February 19, 2007 the Company entered an option agreement to earn 100% interest in the Riley and Summer properties. Consideration for the option is aggregate cash payments of \$218,000 (\$18,000 paid), aggregate exploration and development expenditures of \$900,000 and the issuance of 150,000 common shares (50,000 issued) over two years;

During February 2007, Robert Shives, President of GamX Inc. signed a geological consultant agreement with the Company to consult on interpretation of existing airborne geophysical data as it relates to the Company's mineral rights holdings in south central British Columbia. In addition, Mr. Shives will design and supervise new airborne gamma-ray surveys over the Company's extensive properties within the Quesnel Trough as well as be involved in the preparation of exploration, budget and onsite geophysical surveys.

Subsequently the Company formed a geological advisory committee comprised of Dr. Vittorio Preto, P. Eng, Dr. Nicholas Carter P. Eng, Dr. Ronald McMillan, P. Geo, and Dr. Rodney Kirkham, P. Eng. The Committee will be responsible for assisting the Company in it's exploration of its many British Columbia properties.

INVESTOR RELATIONS

During late 2006 and 2007 to date the Company has increased its efforts in shareholder communication and has entered into various agreements with consultants, investor relations and marketing groups to achieve a better shareholder awareness for the Company's summarized as follows:

- a) In December 2006, the Company retained Renmark Financial Communications Inc. to handle its investor relations activities. In consideration of the services provided, the Company agreed to pay a monthly retainer of \$6,000 for a one-year contract that commenced on January 1, 2007.
- b) In January 2007, the Company retained AXINO AG ("AXINO") to provide investor relations services. AXINO will present the Company in Germany and other European countries, disseminating investor relations information and creating awareness of the Company in the European financial community. AXINO will also be responsible for activating and leveraging the existing dual listing of the Company's securities on the Frankfurt Stock Exchange in addition to maintaining timely contact with the Company's shareholders, potential investors and investment community professionals. AXINO was paid compensation of EUR \$25,000 for an initial term of twelve months.

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Selected Annual Financial Information

	December 31		
	2006 \$	2005 \$	2004 \$
Revenue	—	—	—
Loss Before Other Items	(487,718) ⁽¹⁾	(270,967) ⁽²⁾	(399,641) ⁽³⁾
Loss per Share	(0.01)	(0.01)	(0.02)
Income (Loss) for the Year	(361,758) ⁽⁴⁾	401 ⁽⁵⁾	(483,364) ⁽⁶⁾
Income (Loss) per share	(0.01)	—	(0.03)
Total Assets	2,001,671 ⁽⁷⁾	954,265 ⁽⁸⁾	530,108 ⁽⁹⁾
Total Shareholders' Equity	1,866,795	813,151	455,220

(1) Includes stock based compensation expense of \$175,560;

(2) Includes stock based compensation of \$53,030;

(3) Includes stock based compensation of \$82,117;

(4) Includes a gain on sale of mineral properties of \$46,416;

(5) Includes a gain on sale of mineral properties of \$278,533 and a write off of mineral properties of \$7,525;

(6) Includes property evaluation costs of \$19,822 and a write off of mineral properties of \$64,401;

(7) Increased from 2005 primarily as a result from an increase in the net capitalization of mineral property costs of \$579,408;

(8) Increased from 2004 primarily as a result from the receipt of marketable securities valued at \$32,000 and an increase in the net capitalization of mineral property costs of \$122,948;

(9) Increased from 2003 primarily as a result in the net capitalization of mineral property costs of \$382,252;

Results of Operations

a) Income for the Year:

During the year ended December 31, 2006 the Company recorded a net loss of \$361,758 (\$0.01 loss per share) compared to a gain of \$401 (\$0.00 loss per share) in 2005. The net loss for the current year was primarily attributable to general and administrative costs of \$487,718 (2005 - \$270,967) which included a stock based compensation expense of \$175,560 (2005 - \$53,030).

"The Loss Before Other Items" in the year ended December 31, 2006 excluding non-cash stock based compensation expenses was \$312,158 compared to \$217,937 for the year ended December 31, 2005. Decrease in expenditures to note were Management fees of \$61,260 (2005 - \$75,000), professional fees of \$9,356 (2005 - \$18,819).

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Results of Operations (Cont'd)

b) Cash Flows:

Cash used in operating activities in the year ended 31 December 2006 was \$623,771 compared to cash used in the year ended December 31, 2005 of \$151,673. The increase was attributed to an increase in accounts payable and accrued liabilities of 23,284 (2005 - \$2,651), advances of \$247,439 (2005 - \$Nil) and receivables of \$34,703 (2005 - \$Nil).

Cash used in investing activities for the year ended December 31, 2006 of \$159,043 (2005 - \$118,547) consisted of \$440,042 (2005 - \$117,440) towards mineral property exploration offset by \$231,000 (2005 - \$Nil) from proceeds on the sale of marketable securities and \$50,000 from the sale of mineral properties (2005 - \$Nil)

Cash received from financing activities for the year ended December 31, 2006 was \$1,096,891 (2005 - \$250,000) from the proceeds of six private placements. Share issue costs for December 31, 2006 were \$73,419 (2005 - \$Nil).

Total cash for the year ended December 31, 2006 increased by \$314,077 for a balance of \$314,132 compared to the year ended December 31, 2005 where cash decreased \$20,220 to a balance of \$55.

c) *Capital Expenditures*

During the year ended December 31, 2006 the Company capitalized mineral property expenditures of \$440,042 compared to \$117,440 for the year ended December 31, 2005.

Summary of Quarterly Results

The following table sets forth selected unaudited financial information prepared by management of the Company.

Three Months Ended	December 31 2006	Sept 30 2006	June 30 2006	March 31 2006
Total Revenues	\$ —	\$ —	\$ —	\$ —
Loss before Other Items	\$ (213,895)	\$ (39,395)	\$ (66,004)	\$ (168,422)
Net Income (Loss)	\$ (221,841)	\$ 36,818	\$ (18,797)	\$ (157,936)
Income (Loss) per share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

Three Months Ended	December 31 2005	Sept 30 2005	June 30 2005	Mar 31 2005
Total Revenues	\$ —	\$ —	\$ —	\$ —
Income (loss) before Other Items	\$ 4,764	\$ (23,267)	\$ (190,306)	\$ (62,159)
Net income (loss)	\$ (2,459)	\$ 255,324	\$ (190,306)	\$ (62,159)
Loss per share	\$ (0.00)	\$ 0.01	\$ (0.01)	\$ (0.00)

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Results of Operations (Cont'd)

Significant items to report for the quarterly results are as follows:

The Loss before Other Items included stock based compensation expense for the quarters ended:

- 1) March 31, 2006 - \$112,908
- 2) June 30, 2005 - \$112,648;
- 3) March 31, 2004 - \$82,117

During the quarter ended September 30, 2005, the Company recorded a gain of \$278,533 from the sale of its 50% interest in the Lucky Ship property.

Fourth Quarter Results

The Company reported a net loss during the fourth quarter of \$221,841 or \$0.01 per share. The current fourth quarter loss compares to a loss of \$56,357 or \$0.00 per share in the fourth quarter of 2005. The significant variances in the fourth quarter results relates primarily to stock based compensation expense adjustment of \$62,652, (2005 - \$Nil) professional fees of \$25,877 (2005 - \$6,211) and investor relation costs of \$38,291 (2005 -\$20,250).

Financing Activities

During the year ended December 31, 2006 the Company completed six private placements for 555,888 units at a price of \$0.18 for a total proceeds of \$100,060; 1,200,000 units at a price of \$0.125 per unit for total proceeds of \$150,000; 2,300,000 units at a price of \$0.08 per unit for total proceeds of \$184,000; 380,000 units at a price of \$0.125 for total proceeds of \$47,500; 400,000 units at a price of \$0.175 for \$70,000; and 2,307,688 units at a price of \$0.26 per unit for total proceeds of \$600,000. Aggregate share issue costs of \$73,419 were recorded.

Subsequent to the year ended December 31, 2006 the Company:

On February 6, 2007 completed two non brokered private placements for 4,600,000 units at a price of \$0.22 per unit for proceeds of \$1,012,000. Each unit consisted of one non "flow-through" common share and one non "flow-through" purchase warrant exercisable for two years at a price of \$0.30 per warrant. The Company paid a 4% cash finder's fee to Limited Market Dealer Inc and granted options equal to 9% of the purchased units. Each option is exercisable for two years at a price of \$0.26 with the same terms as above. The second private placement was for 1,400,000 "flow-through" units at a price of \$0.25 per unit for proceeds of \$350,000. Each unit comprised of one "flow-through" common share and one non "flow-through" common share purchase warrant exercisable for two years at a price of \$0.40 per warrant.

On March 6, 2007 arranged a non brokered private placement for up to 1,600,000 units ("Units") at a price of \$0.50 per Unit for total proceeds of \$800,000, subject to Exchange approval. Each Unit consists of one common "flow-through" share and one common non "flow-through" purchase warrant exercisable for one year at a price of \$0.65 per warrant; and

On March 6, 2007 arranged a non brokered private placement for up to 1,000,000 "flow-through" units ("FT Units") at a price of \$0.50 per FT Unit for total proceeds of up to \$500,000 subject to Exchange approval. Each FT Unit consists of one "flow-through" common share and one non "flow-through" common share purchase warrant exercisable for one year at a price of \$0.65 per warrant. A 4% cash finders fee will be received by Limited Market Dealer Inc as well as options

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Financing Activities (Cont'd)

equal to 9% of the purchased FT Units, each option will be exercisable for two years at a price of \$0.65 with the same terms as above.

During the comparative year ended December 31, 2005 the Company completed two private placements for 833,000 units at a price of \$0.18 per unit for a total gross proceeds of \$150,000 and 500,000 units at a price of \$0.20 per unit for total gross proceeds of \$100,000.

Liquidity and Capital Resources

As at December 31, 2006 the Company's working capital position increased to \$467,202 from a working capital deficiency of \$103,285 as at December 31, 2005. This was a result from the financings completed and the proceeds received from the sale of marketable securities.

The Company received 2,000,000 shares of New Cantech Ventures Inc. ("New Cantech") at a deemed price of \$0.16 per share for the sale of its remaining interest in the Lucky Ship property. New Cantech is a TSX Venture Exchange ("Exchange") listed company and the shares are escrowed in accordance with the policies of the Exchange under Form 5D. The Company received 800,000 common shares (sold) upon acceptance from the Exchange with the remaining 1,200,000 shares to be released over a 36-month period from Exchange acceptance.

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Related Party Transactions

During the year ended December 31, 2006, the Company incurred the following to directors, officers and private companies controlled by them: management fees - \$60,000 (2005 - \$75,000); rent \$6,000 (2005 - \$6,000). These transactions were recorded at exchange value, which was the amount of consideration established and agreed to by the related parties.

At December 31, 2006, the Company was indebted to the President of the Company in the amount of \$90,138 (2005 - \$78,092) for management fees, legal fees, mineral property payments and reimbursement of office expenses. Expense advance includes an amount of \$17,500 advanced to the President of the Company for staking fees.

Contingencies

The Company is in receipt of a letter from the British Columbia Ministry of Energy, Mines and Petroleum regarding the old Hedley heap leach operation by the Company's predecessor company, Candorado Mines Ltd. Several environmental issues regarding the site clean up were addressed in the letter dated November 21, 2005 and in an on-site meeting on November 22, 2005. The Company had been given a November 24, 2005 deadline to provide a clean-up plan but has advised the Ministry that in respect to its financial resources, this plan could not have been delivered on time. The Company Ltd. does not admit or deny any liability regarding the responsibility for the clean-up and has engaged Legal Counsel regarding this matter. As indicated, the Ministry of Energy, Mines & Petroleum Resources will now proceed with the required work and may initiate proceedings to recover the costs incurred. The Company is unable to determine the amount of potential cost, if any, and therefore has not recognized any amount related to this matter as at December 31, 2006.

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Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value

Issued and outstanding

39,502,974 common shares, as at April 22, 2007 for a recorded value of \$7,151,961.

Outstanding options, warrants and convertible securities as at April 22, 2007:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	358,000	\$0.25	June 28, 2007
Share purchase warrants	1,868,750	\$0.10	February 6, 2008
Share purchase warrants	380,000	\$0.15	March 27, 2008
Share purchase warrants	400,000	\$0.20/\$0.25	May 17, 2008
Share purchase warrants	555,888	\$0.20	July 28, 2008
Share purchase warrants	2,307,688	\$0.50	December 8, 2008
Share purchase warrants	207,692	\$0.50	December 8, 2008
Share purchase warrants	1,400,000	\$0.40	February 6, 2009
Share purchase warrants	4,600,000	\$0.30	February 6, 2009
Share purchase warrants	500,000	\$0.375	March 8, 2009
Stock options	650,000	\$0.125	February 2, 2010
Stock options	575,000	\$0.125	February 9, 2011
Stock options	825,000	\$0.125	March 9, 2010
Stock options	750,000	\$0.23	January 4, 2012
Stock options	575,000	\$0.30	February 13, 2012
Stock options	350,000	\$0.42	February 22, 2012

Forward Looking Statements

This MD&A may contain forward-looking statements including, but not limited to, comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

Changes in Accounting Policies

There were no changes or adoptions of new significant policies in the quarter.

Management's Responsibility for Financial Statements

The information provided in this report including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Company's management, including the chief executive officer and the chief financial officer, are responsible for the establishing and maintaining disclosure controls and procedures for the Company, and have designed such disclosure controls and procedures, or caused them to be designed under the supervision of management, to provide reasonable assurance that material

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Management's Responsibility for Financial Statements

information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared.

As of December 31, 2005, the Company's certifying officers, being the President and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of December 31, 2006, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*) and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the President and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In conducting the evaluation management is aware due to the current small size of the Company that it relies upon certain informal procedures and communication, and upon "hands on" knowledge of senior management. Management intends to formalize certain of its procedures. In the interim, and until such time as the additional staff has been identified, the Company will continue to rely on an active Board Management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. It should be noted that any system of controls whether formal or informal, are based upon certain assumptions designed to obtain reasonable assurances as to the effectiveness, and there can be no assurance that any design will succeed in achieving its stated objectives. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should any such occurrence transpire, the Company will take all reasonable steps necessary to minimize the consequences thereof.

Additional information on the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.candorado.com

CANDORADO OPERATING COMPANY LTD.

CORPORATE DATA

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Listing

TSX Venture Exchange
Symbol "CDO"