

Financial Statements of:
CANDORADO OPERATING COMPANY LTD.

June 30, 2010
(un-audited prepared by management)

NOTICE TO READERS

BALANCE SHEETS

STATEMENTS OF LOSS AND DEFICIT

STATEMENTS OF COMPREHENSIVE LOSS

STATEMENTS OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of Candorado Operating Company Ltd. for the six months ended June 30, 2010 have been prepared by and are the responsibility of the Company's management.

These interim consolidated financial statements have not been reviewed by Candorado Operating Company Ltd's. external auditors.

CANDORADO OPERATING COMPANY LIMITED**BALANCE SHEETS**

As at June 30, 2010 and December 31, 2009

(un-audited prepared by management)

	June 30	December 31
	2010	2009
ASSETS		
CURRENT		
Cash	\$ 304,476	\$ 796,155
Marketable securities (Note 5)	8,000	25,500
Taxes recoverable and other receivables	44,228	163,042
Prepaid and advances	42,019	14,041
	398,722	998,738
RECLAMATION BOND	36,500	26,500
EQUIPMENT (Note 6)	15,004	19,037
MINERAL PROPERTIES (Note 4)	3,894,518	3,348,700
	\$ 4,344,745	\$ 4,392,975
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 263,146	\$ 165,571
Notes payable, net of unamortized discount of \$4,388 (Note 7)	—	100,000
	263,146	265,571
Contingencies and Commitments (Note 12)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9 (b))	9,788,779	9,638,009
CONTRIBUTED SURPLUS (Note 9(e))	1,346,399	1,346,399
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(13,255)	(8,750)
DEFICIT	(7,040,324)	(6,848,254)
	4,081,599	4,127,404
	\$ 4,344,746	\$ 4,392,975

Nature of Operations – (Note 1)

Approved on behalf of the Board:

/s/ Kirk Reed

Kirk Reed – Director

/s/ Rene Bernard

Rene Bernard – Director

CANDORADO OPERATING COMPANY LIMITED
STATEMENTS OF LOSS AND DEFICIT
(un-audited prepared by management)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
ADMINISTRATIVE EXPENSES				
Consulting fees	\$ 26,448	\$ 12,788	\$ 45,355	\$ 27,275
Depreciation	2,198	2,549	4,374	5,100
Insurance	7,834	6,450	7,834	17,250
Investor relations	2,500	0	22,500	1,800
Listing and filing fees	3,749	2,739	8,792	8,239
Management fees	15,000	15,000	30,000	30,000
Office and general	7,193	4,410	13,919	8,945
Professional fees	0	5,000	316	5,910
Property evaluation	14,027	2,630	29,979	6,090
Shareholder communication	1,513	435	4,870	1,345
Stockbased compensations	0	1,333	0	2,002
Transfer agent fees	1,873	1,858	5,642	6,089
Travel	7,460	989	20,179	6,824
Loss for the year before other items and income taxes	(89,795)	(56,181)	(193,760)	(126,868)
OTHER ITEMS				
Interest income	—	—	1,690	—
Net loss for the period	(89,795)	(56,181)	(192,070)	(126,868)
Deficit, beginning of period	\$ (6,950,529)	\$ (5,338,669)	\$ (6,848,254)	\$ (5,267,981)
Deficit, end of period	\$ (7,040,324)	\$ (5,394,849)	\$ (7,040,324)	\$ (5,394,849)
Loss per common share - Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares	80,156,056	47,992,895	79,316,277	47,992,895

CANDORADO OPERATING COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
(un-audited prepared by management)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Net Loss for the period	\$ (89,795)	\$ (56,181)	\$ (192,070)	\$ (126,868)
Unrealized gain on available for sale investments	(5,000)	3,750	(4,505)	8,500
Comprehensive income loss for the period	\$ (94,795)	\$ (52,431)	\$ (196,575)	\$ (118,368)

CANDORADO OPERATING COMPANY LIMITED

STATEMENTS OF CASH FLOWS

(un-audited prepared by management)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
OPERATING ACTIVITIES				
Net loss for the year	\$ (89,795)	\$ (56,181)	\$ (192,070)	\$ (126,868)
Adjust for item not affecting cash:				
Accretion of discount on notes receivables and payable, net	—	128	—	(609)
Depreciation	2,198	2,549	4,374	5,100
Net changes in non-cash working capital items:				
Accounts payable and accrued liabilities	218,115	2,148	97,575	2,305
Due to related parties	—	3,414	—	—
Prepays and advances	(15,450)	3,603	(27,978)	4,245
Notes payable	—	—	(100,000)	(100,000)
Notes receivable	—	—	—	139,391
Taxes recoverable and receivables	(20,401)	1,321	118,814	15,455
Net Cash Used in Operating Activities	94,668	(43,018)	(99,284)	(60,983)
INVESTING ACTIVITIES				
Mineral property acquisition and exploration, net of recoveries	(428,510)	(23,303)	(485,818)	(47,713)
Payment of reclamation bond, net of reimbursements	(10,000)	—	(10,000)	2,500
Purchase of equipment	—	—	(341)	—
Proceeds from the sale of marketable securities	—	—	12,995	—
Net Cash provided by (used in) investing activities	(438,510)	(23,303)	(483,165)	(45,213)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares	—	40,000	100,000	40,000
Subscriptions received	—	50,000	—	50,000
Share issue costs	—	—	(9,230)	—
Net Cash Provided from Financing Activities	—	90,000	90,770	90,000
INCREASE (DECREASE) IN CASH & CASH	\$ (343,842)	\$ 23,678	\$ (491,679)	\$ (16,196)
CASH beginning of period	\$ 648,318	\$ 12,493	\$ 796,155	\$ 52,367
CASH end of period	\$ 304,476	\$ 36,171	\$ 304,476	\$ 36,171
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	\$ —	\$ —	\$ —	\$ —
Income taxes paid	\$ —	\$ —	\$ —	\$ —
NON-CASH FINANCING ACTIVITIES				
Shares issued for mineral properties	\$ —	\$ —	\$ 60,000	\$ —

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

The Company is incorporated under the Company Act of British Columbia, is in the exploration stage and its shares are publicly traded on the TSX Venture Exchange.

The Company's resource properties are without a known body of commercial ore. The business of exploring for resources and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amount shown for resource properties is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, discovery of economically recoverable reserves and future profitable production. There is no assurance that the Company will be successful in recovering the amounts shown for resource properties.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities and commitments in the ordinary course of business. At June 30, 2010, the Company has recurring losses, has an accumulated deficit of \$7,040,324 and has not generated cash from operating since inception. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the continued support of its related parties, the ability of the Company to continue to obtain equity financing and, ultimately, on locating economically recoverable ore reserves in its resource properties and attaining and maintaining profitable operations. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These unaudited interim consolidated financial statements do not contain all of the information required for annual financial statements and they should be read in conjunction with the Company's annual audited financial statements for the fiscal year ended December 31, 2009. All material adjustments, which in the opinion of management are necessary for a fair presentation of the results of the interim periods, have been reflected.

3. SIGNIFICANT ACCOUNTING POLICIES

The results for the six months ended June 30, 2010 are stated utilizing the same accounting policies and methods of application as the most recent annual audited financial statements, but are not necessarily indicative of the results to be expected for the full year.

New Accounting Pronouncements

International financial reporting standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued Section 1582 "Business Combinations", which replaces Section 1581 "Business Combinations", and Section 1601 "Consolidated Financial Statements" and Section 1602 "Non Controlling Interests", which replace Section 1600 "Consolidated Financial Statements". These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expenses when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

4. MINERAL PROPERTIES

	<u>British Columbia properties</u>					
	<u>Murphy</u>	<u>Eldorado</u>	<u>Man</u>	<u>Other</u>	<u>Lithium</u>	<u>June 30</u>
	<u>Lake</u>		<u>Prime</u>		<u>Property</u>	<u>2010</u>
<i>Exploration and development costs beginning of period</i>	\$1,057,541	\$19,523	\$1,422,810	\$249,481	\$938	\$2,750,293
Incurring during the year:						
Cash in lieu, assessment work reports	471	2,000	—	1,022	—	—
Drilling	—	—	91,620	—	—	—
Sampling and assaying	—	—	—	—	6,560	—
Helicopter, transport and rentals	18,977	—	4,308	—	6,103	—
Field work	116,573	—	11,005	—	30,915	—
Geophysical work	—	—	—	—	—	—
Site Costs, management fees	25,444	—	11,228	—	29,217	65,889
Maps, field supplies and misc	3,465	576	2,917	—	21,113	28,072
Geological consulting and reports	3,610	2,465	20,960	—	35,268	62,303
Deferred exploration, end of period	1,226,081	24,565	1,564,848	250,503	130,114	2,906,557
<i>Acquisition costs, beginning of period</i>	116,239	47,930	455,234	—	139,600	759,003
Additions during the period						
Capital stock issued	—	—	—	—	60,000	60,000
Finders fees	—	—	—	—	—	—
Staking fees	—	—	—	—	—	—
Property payments	—	—	—	—	40,000	40,000
Reimbursement of staking costs	—	—	—	—	—	—
Property payments cash received	—	—	—	—	—	—
Property payments shares received	—	—	—	—	—	—
Acquisition costs, end of period	116,239	47,930	455,234	—	239,600	859,003
Mining tax recoveries						(160,596)
Total Mineral Properties	\$1,342,320	\$72,495	\$2,020,082	\$250,503	\$369,714	3,894,518

CANDORADO OPERATING COMPANY LTD.
Notes to Financial Statements

June 30, 2010

4. MINERAL PROPERTIES

2009	British Columbia properties						Ontario	Quebec	December 31 2009
	Serb Creek	Murphy Lake	Eldorado	Man Prime	Deer Lake	Other	Aurora Extension	Lithium Property	
<i>Exploration costs beginning of year</i>	\$14,666	\$1,055,756	\$19,523	\$1,414,751	\$686,577	\$454,116	\$130,160	\$ —	\$3,775,549
Incurring during the year:									
Cash in lieu, assessment work reports	—	4,726	—	418	—	12	—	—	5,156
Drilling	—	—	—	—	36,840	—	—	—	36,840
Sampling and assaying	—	—	—	—	3,626	—	—	—	3,626
Helicopter, transport and rentals	—	—	—	—	3,753	—	—	—	3,753
Field work	—	—	—	—	2,200	—	—	—	2,200
Geophysical work	—	—	—	—	—	6,310	—	—	6,310
Site Costs, management fees	—	77	—	5,841	3,476	714	—	221	10,329
Maps, field supplies and misc	—	—	—	—	—	1,669	—	267	1,936
Geological consulting and reports	—	(3,018)	—	1,800	8,676	—	—	450	7,908
Exploration costs, end of year	14,666	1,057,541	19,523	1,422,810	745,148	462,821	130,160	938	3,853,607
<i>Acquisition costs, beginning of year</i>	59,504	82,275	47,806	455,234	85,506	(90,867)	63,000	—	702,458
Additions during the year:									
Common shares issued	—	30,000	—	—	4,000	—	—	60,000	94,000
Finders' fees	—	—	—	—	—	—	—	19,600	19,600
Staking fees	110	3,964	124	—	—	990	—	—	5,188
Property payments	—	—	—	—	20,000	—	—	60,000	80,000
Acquisition costs, end of year	59,614	116,239	47,930	455,234	109,506	(89,877)	63,000	139,600	901,246
Write off of resource properties	(74,280)	—	—	—	(854,654)	(123,463)	(193,160)	—	(1,245,557)
Mining tax recoveries	—	—	—	—	—	—	—	—	(160,596)
Total Mineral Properties	\$ —	\$1,173,780	\$67,453	\$1,878,044	\$ —	\$249,481	\$ —	\$140,538	\$3,348,700

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

4. MINERAL PROPERTIES (Cont'd)

British Columbia

a) **Serb Creek Property**

The Company entered into an option agreement dated April 25, 2006 to acquire a 100% interest, subject to a 2% NSR 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 (issued). In December 2006 the Company entered into an agreement with Georgia Ventures Inc. ("GVI") wherein GVI can earn a 50% 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 (not completed). The NSR can be purchased by either party from the original vendor for \$1,500,000. During February 2008, GVI gave notice and the Company accepted the termination of the Option Agreement between the parties. During the year ended December 31, 2008, the Company impaired approximately one-half of the capitalized costs related to the property, which resulted in an impairment charge of \$74,169. As at December 31, 2009 the core claims for Serb Creek lapsed, and as such the Company wrote off the remaining mineral expenditures of \$74,280.

During the period ended June 30, 2010 the Company entered into an amendment agreement with the original vendor of the property. Under the terms of the amended agreement, the Company agreed to pay \$15,000 (paid) in consideration for the vendor relinquishing any interest in the property, specifically the 2% net smelter return royalty. In addition the Company sold 3 mineral tenures for \$10,000. The net cost of \$5,000 was expensed to property evaluation as the property has been written off during the prior year ended December 31, 2009.

b) **Murphy Lake Property**

The Company entered into an option agreement dated February 11, 2004 (the "Option Agreement") 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 also includes an additional 111 claim units. The Company must make staged cash payments totaling \$700,000 over a ten-year period (\$75,000 paid) and thereafter successive payments of \$100,000 on the anniversary date of the agreement. On June 3, 2009, the Company and the original vendors agreed to amend the terms of the Option Agreement wherein the Company was granted an option to acquire the 100% interest in the 24 mineral claim units, for consideration of 1,000,000 shares of the Company (issued). The amended agreement still retains the 2% net smelter return royalty payable to the Vendors.

During December 2007, pursuant to a joint venture staking agreement, GWR Resources Inc. purchased from the Company two mineral tenures (known as the Rail JV and forming part of the Murphy Lake property) and reimbursed the Company for JV expenditures of \$100,000 (received). In August 2008, the Company purchased the two mineral tenures and GWR's 50% interest in the JV for a cash payment of \$4,000 (received). Although encouraged by the work completed to date, the Company does not anticipate expending funds in the near future to further explore the area of the Rail JV. Accordingly, acquisition and deferred exploration costs of \$70,456 have been impaired as at December 31, 2009.

Mac and Spout Property (collectively included in the Murphy Lake Property)

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 claims 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.

Tillicum Lake (collectively included in the Mac and Spout Property)

The Company entered into an option agreement dated July 29, 2008 with Christopher James Gold Corp. ("CJGC"), where CJGC has the option to earn a 60% interest in the Tillicum Creek Au-Cu Project consisting of 5 mineral tenures located within the Mac and Spout area for a cash payment of \$50,000 upon signing the agreement (received), and a commitment to spend \$200,000 and \$250,000 on exploration by July 31, 2009 and July 31, 2010, respectively. During the year ended December 31, 2009, the option agreement was terminated.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

4. MINERAL PROPERTIES (Cont'd)

British Columbia (Cont'd)

c) **Eldorado Property**

The Company entered into an option agreement dated November 21, 2003 to acquire a 100% interest, subject to a 2% net smelter returns royalty, in the Eldorado Gold Project. The Company was required to make cash payments of \$100,000 (paid) and issue 500,000 common shares (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. On February 16, 2007 the Company entered into an option agreement with Gravity West Corp. ("GWC") to acquire a 60% interest in the property. GWC is required to make a cash payment of \$50,000 (received) and issue 200,000 shares to the Company (received) and 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 (not received). 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. During February 2008, GWC gave notice and the Company accepted the termination of the Option Agreement between the parties. The Company is actively pursuing a joint venture partner on this property to further develop its merits. The Company has acquired other claims (100% owned) in the area and they are not subject to any NSR. During the year ended December 31, 2008, the Company recognized an impairment charge of \$62,904 on the property.

d) **Man/Prime Property**

The Company entered into an option agreement with Bearclaw Capital Corp. ("Bearclaw"), dated January 4, 2007 to acquire an 80% interest in the Man/Prime property located 35 km north of Princeton British Columbia. Under the terms of the agreement, the Company may earn a 51% interest by making a cash payment of \$50,000 (paid), incurring \$800,000 in exploration expenditures (completed) and issuing 700,000 shares (issued) 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.

The Company entered into a purchase agreement with Bearclaw dated August 11, 2008 to acquire the remaining 49% interest of the Man/Prime property. Under the terms of the agreement, the Company is required to pay \$100,000 upon execution of the agreement (paid), 150,000 shares upon Exchange approval (issued), \$100,000 (paid) and 150,000 shares (issued) on December 31, 2008, and \$100,000 (paid on February 12, 2010) and 150,000 shares (issued) on July 31, 2009. To secure the deferred payment of the cash and shares, the Company issued a non-interest bearing promissory note to Bearclaw in the amount of \$200,000 and 300,000 shares with a repayment schedule in accordance with the schedule of payments outlined above (Note 8). A 1.25% NSR was negotiated which may be purchased by the Company for \$1,250,000 at any time. This purchase agreement replaces the remaining terms of the option agreement between the parties dated January 4, 2007. The Company now owns a 100% interest in the property.

e) **Deer Lake and Friendly Lake Properties**

The Company entered into an option agreement on April 15, 2007 with Electrum Resource Corp. ('Electrum') whereby the Company has been granted an option to acquire a 100% interest in the Deer Lake and Friendly Lake properties located near Kamloops, British Columbia. Consideration of \$825,000 (\$120,000 paid) and 860,000 common shares (285,000 issued) payable over four years. The Company must incur \$1,350,000 in exploration and development expenditures over a five year period of which \$350,000 is due on or before April 15, 2009 (completed). The properties are subject to a 2% net smelter return royalty of which 1% may be purchased by the Company of \$1,000,000 subject to further Exchange acceptance. During the year ended December 31, 2009, the Company elected not to proceed with the Deer and Friendly Lake property and accordingly impaired acquisition and deferred exploration costs of \$854,654.

f) **Other**

i) **Central BC**

As at December 31, 2009 the Company had staked various mineral concessions collectively referred to as Central BC claim block for staking fees of \$52,975. The Company does not anticipate expending funds in the near future to further develop the properties, accordingly, staking fees of \$52,975 have been impaired as at December 31, 2009.

ii) **Willow Creek (formerly referred to as IOCG claim block)**

As at December 31, 2009 the Company staked various claims and completed exploration work programs for total acquisition and exploration costs of \$249,442 (2008 - \$248,009).

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

4. MINERAL PROPERTIES (Cont'd)

Ontario

g) Aurora Extension Property

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

On October 14, 2008 the Company entered into an option agreement with Orsa Ventures Corp. ("Orsa"), whereby Orsa can acquire a 70% interest in the Aurora Extension. Consideration for the option is cash payments of \$95,000 over two years (\$20,000 received) and minimum of \$500,000 in exploration expenditures over three years. Orsa may earn a further 10% interest by completing an industry standard feasibility study. The claims are subject to a 2% net smelter return royalty payable to the original vendor. During the year ended December 31, 2009, Orsa elected not to proceed under the terms of the option agreement. Therefore, the Company recognized an impairment charge of \$193,160 during the year ended December 31, 2009.

Quebec

h) Lithium Property

On August 22, 2009 the Company entered into an option agreement to acquire a 100% interest in 15 claims collectively referred to as the Lake La Motte South Property; 4 claims collectively referred to as the Lake La Motte East Property; 3 claims collectively referred to as the Landrienne South Property; 4 claims collectively referred to as the La Corne Valor East property and 2 claims collectively referred to as the La Corne Valor West Property, located in Quebec. The Company will pay aggregate cash payments of \$360,000 with \$20,000 due on signing (paid), \$40,000 (paid) and 1,000,000 shares (issued) due within 5 days of TSX Venture Exchange ("Exchange") approval, \$40,000 (paid) and 1,000,000 (issued) shares due within 6 months of Exchange acceptance (Note 16(e)), 1,000,000 shares within 1 year of Exchange acceptance, 1,000,000 within 2 years of Exchange acceptance, and \$260,000 due upon receipt of a feasibility study or before the fourth anniversary of the Exchange acceptance date. The Company must also incur exploration and development expenditures totaling \$300,000 within 18 months of Exchange approval. The properties are subject to a net smelter return ("NSR") royalty of 2% to the vendor. The Company has the right to acquire one-half of 1% of the NSR by paying the vendor \$1,000,000 at any time. A finder's fee of \$7,000 in cash and 210,000 shares was issued in connection with the option agreement.

Commitments

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

June 30, 2010

		Cash	Expenditure Commitments	Shares
2010	\$	—	\$ 30,000	1,000,000
2011	\$	—	\$ 326,400	1,000,000
2012	\$	—	—	—
2013	\$	—	—	—
2014	\$	—	—	—
2015 & beyond	\$	—	\$ 356,400	2,000,000

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

June 30, 2010

5. MARKETABLE SECURITIES

	June 30, 2010			December 31, 2009		
	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value
Nanika Resources Inc. (formerly New Cantech Ventures Inc.)						
- Shares available for sale	200,000	\$48,000	\$8,000	200,000	\$48,000	\$17,000
Happy Creek Minerals						
- Shares available for sale				50,000	\$2,250	\$8,500
Total	200,000	\$48,000	\$8,000	250,000	\$50,250	\$25,500

6. EQUIPMENT

	June 30, 2010			December 31, 2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Furniture and equipment	\$ 13,063	\$ 8,349	\$ 4,714	\$ 5,662	
Computer	2,250	1,522	728	953	
Vehicle	28,688	19,126	9,562	12,422	
Total	\$ 44,001	28,997	\$ 15,004	\$ 19,037	

7. NOTES PAYABLE

This note payable was issued as consideration for acquiring the remaining 49% interest in the Man/Prime property (Note 4 (d)). During the period ended June 30, 2010, the Company paid the remaining \$100,000 due on the note payable.

During the year ended December 31, 2009, the Company recorded accretion expense of \$4,388 increasing the carrying value of the note payable to \$100,000 as at December 31, 2009. The amount was non-interest bearing, unsecured and payable in accordance with the payment schedule set out in the mineral property purchase agreement dated August 11, 2008. In accordance with the agreement, during the year ended December 31, 2009 the Company was required to make principal payments of \$100,000 and 150,000 shares (issued) on July 31, 2009.

8. RELATED PARTY TRANSACTIONS

During the period ended June 30, 2010, the Company incurred the following to directors, officers and private companies controlled by them: management fees - \$30,000 (2009 - \$30,000), rent \$3,350 (2009 - 10,050), and deferred exploration costs - \$372,065 (2009 - \$Nil). These transactions were recorded at exchange value, which was the amount of consideration established and agreed to by the related parties.

As at June 30, 2010, the Company was owed an advance of \$16,920 (2009 - \$4,114) from the President of the Company, which is included in prepaids and advances and \$5,000 for management fees.

As at June 30, 2010, the Company was indebted to a private company controlled by a director of the Company in the amount of \$189,613 (December 31, 2009 - \$32,334) representing deferred exploration costs. This amount is included with accounts payable.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

9. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Issued and outstanding

	Shares	Amount
Balance at December 31, 2008	47,965,056	\$ 8,299,003
Issued for property	2,250,000	111,250
Issued pursuant to finders' fees for property	210,000	12,600
Issued pursuant to private placement	26,740,000	1,327,000
Return to treasury	(9,000)	(900)
Share issue costs	—	(110,944)
Balance at December 31, 2009	77,156,056	\$ 9,638,009
Issued for property	1,000,000	60,000
Issued pursuant to private placement	2,000,000	100,000
Share issue costs	—	(9,230)
Balance at June 30, 2010	80,156,056	9,788,779

During the period ended June 30, 2010 the Company:

- i) completed a non-brokered private placement for 2,000,000 units at a price of \$0.05 per unit ("Unit"). Each Unit will consist of common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.10 per share for a period of 24 months. Finder's fees in accordance with the Policies of the TSX Venture Exchange (the "Exchange") of \$4,000 cash were paid; and
- ii) 1,000,000 common shares with a fair value of \$60,000 pursuant to the Lithium Property (See note 4(h)).

During the year ended December 31, 2009 the Company:

- i) Issued 100,000 common shares with a fair value of \$4,000 pursuant to the Deer property (See note 4(e));
- ii) Issued 1,000,000 common shares pursuant to a private placement for 1,000,000 units at a price of \$0.04 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.10 for two years;
- iii) Issued 1,600,000 flow-through common shares pursuant to a non-brokered private placement for 1,600,000 units at a price of \$0.05 per unit. Each unit consists of one flow through common share and one non flow through share purchase warrant. Each warrant entitles the holder to purchase an additional non flow through common share at a price of \$0.10 for a period of two years. Cash payments of \$1,550 for share issue cost were paid on the transaction;
- iv) 9,000 common shares were returned to treasury that were issued in error pursuant to the exercise of warrants in the prior year;
- v) Issued 1,000,000 common shares with a fair value of \$30,000 pursuant to the Murphy Lake Property (See Note 4(b));
- vi) Issued 4,500,000 common shares pursuant to a non-brokered private placement for 4,500,000 units at a price of \$0.05 per unit for total proceeds of up to \$225,000. Each Unit consists of one common share plus one warrant entitling the investor to purchase one common share for a period of 24 months at a price of \$0.10 per share. A cash finder's fee was paid in the amount of \$2,000. Cash payments of \$2,095 for share issue cost were paid on the transaction;
- vii) Issued 150,000 common shares pursuant to the Man/Prime Property with a fair value of \$17,250 (See note 4(d));
- viii) Issued 1,000,000 common shares with a fair value of \$60,000 pursuant to the Lithium Property (See note 4(h));
- ix) Issued 210,000 common shares with a fair value of \$12,600 as a finder's fee pursuant to the Lithium Property (See note 4(h));
- x) Issued 7,000,000 flow-through common shares pursuant to a non-brokered private placement for 7,000,000 units at a price of \$0.05 per unit for total proceeds of \$350,000. Each unit consists of one flow through common share plus one non flow through warrant entitling the investor to purchase one common share for a period of 24 months at a price of \$0.10 per share. Finder's fee of \$14,000 cash and 630,000 finder's options exercisable into \$0.05 per unit for 2 years was paid to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.10 per share for two years. The agent's options have a fair value of \$20,965. Cash commission of \$24,055 and share issue cost of \$3,000 was paid on the transaction;

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

9. SHARE CAPITAL (Continued)

b) Issued and outstanding (Continued)

- xi) Issued 8,100,000 flow-through common shares pursuant to a non-brokered private placement for 8,100,000 units at a price of \$0.05 per unit for total proceeds of up to \$405,000. Each unit consists of one flow through common share plus one half of one non flow through warrant. Each full warrant entitles the investor to purchase one common share for a period of 12 months at a price of \$0.20 per share. Finder's fee of \$17,500 cash and 350,000 finder's warrants exercisable into \$0.20 per unit for one year was paid to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.20 per share for 1 year. The agent's options have a fair value of \$5,226. Cash commission of \$2,240 and share issue cost of \$7,690 was paid on the transaction;
- xii) Issued 3,740,000 common shares pursuant to a non-brokered private placement for 3,740,000 units at a price of \$0.05 per unit for total proceeds of \$187,000. Each unit consists of one common share plus one warrant entitling the investor to purchase one common share for a period of 12 months at a price of \$0.10 per share. Finder's fee of 28,000 finder's warrants exercisable into \$0.10 per unit for one year was issued to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.10 per share for 1 year. The agent's options have a fair value of \$618. Cash share issue cost of \$935 was paid on the transaction;
- xiii) Issued 800,000 common shares pursuant to a non-brokered private placement for 800,000 units at a price of \$0.05 per unit for total proceeds of \$40,000. Each unit consists of one common share plus one warrant entitling the investor to purchase one common share for a period of 12 months at a price of \$0.10 per share. Finder's fee of \$2,800 cash and 56,000 finder's warrants exercisable into \$0.10 per unit for one year was issued to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.10 per share for 1 year. The agent's options have a fair value of \$1,205. Cash share issue cost of \$200 was paid on the transaction;
- xiv) The Company paid \$4,865 for other share issue costs during the year.

c) Stock options

The Company's Board of Directors approved a stock option plan at the Company's January 15, 2010, 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.

	June 30, 2010		December 31, 2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	7,330,000	\$0.10	4,700,000	\$0.11
Granted	—	—	2,630,000	\$0.10
Exercised	—	—	—	—
Cancelled / Expired	(650,000)	—	—	—
Balance, end of period	6,680,000	\$0.10	7,330,000	\$0.10

Of the 2,630,000 stock options granted during the year ended December 31, 2009 630,000 were related to agents' options granted to agent's as finder's fees on private placements.

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

June 30, 2010

9. SHARE CAPITAL (Continued)**c) Stock options (continued)**

Stock options outstanding and exercisable as at June 30, 2010 are as follows:

Expiry Date	Exercise Price	Number of Options
February 19, 2011	\$ 0.125	775,000
March 9, 2011	\$ 0.125	625,000
November 16, 2011	\$0.05	630,000
January 12, 2012 ⁽¹⁾	\$ 0.10	700,000
February 13, 2012 ⁽¹⁾	\$ 0.10	500,000
February 22, 2012 ⁽¹⁾	\$ 0.10	350,000
August 1, 2012 ⁽¹⁾	\$0.10	50,000
December 12, 2012 ⁽¹⁾	\$0.10	50,000
September 25, 2013	\$0.10	1,000,000
December 23, 2014	\$0.10	2,000,000
		6,680,000

(1) On September 25, 2008, the Company re-priced 1,650,000 stock options with an exercise price between \$0.23 - \$0.42 per share to an exercise price of \$0.10 per share and received shareholder approval at its annual general meeting held on January 10, 2010.

d) Stock based compensation

During the six months ended June 30, 2010 and June 30, 2009 the Company did not issue any stock options

e) Share purchase warrants

Details of share purchase warrant activity during the period ended June 30, 2010 is as follows:

	June 30 2010	December 31 2009
Balance, beginning of period	23,124,000	10,178,164
Issued	2,000,000	23,124,000
Expired	—	(10,178,164)
Balance, end of period	25,124,000	23,124,000

During the year ended December 31, 2009, 10,178,164 share purchase warrants at exercise prices of ranging \$0.30 to \$0.65 per share expired without exercise.

Of the 23,124,000 share purchase warrants outstanding at the year ended December 31, 2009, 1,064,000 was related to share purchase warrants issued to agent's as finder's fees on private placements issued during the year.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

9. SHARE CAPITAL (Continued)

e) Share purchase warrants (continued)

As at June 30, 2010 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants Outstanding
July 6, 2011	\$0.10	1,000,000
September 1, 2011	\$0.10	1,600,000
September 15, 2011	\$0.10	4,500,000
November 16, 2011	\$0.10	7,000,000
December 1, 2010	\$0.10	3,768,000
December 1, 2010	\$0.20	4,400,000
December 21, 2010	\$0.10	856,000
February 16, 2012	\$0.10	2,000,000
		<u>25,124,000</u>

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

	June 30 2010	December 31 2009
Balance, beginning of period	\$ (8,750)	\$ (39,000)
Reclassification of realized gains on marketable securities	—	(2,540)
Change in unrealized gain (loss) on available-for-sale investments, net of income taxes	(4,505)	32,790
Balance, end of period	<u>\$ (13,255)</u>	<u>\$ (8,750)</u>

11. CONTINGENCIES AND COMMITMENTS

- a) 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 cleanup were addressed in a letter dated November 21, 2005 and in an on-site meeting on November 22, 2005. The Company had been given a November 24, 2005 deadline to provide a clean-up plan but has advised the Ministry that in respect to its financial resources, this plan could not have been delivered on time. The Company does not admit or deny any liability regarding the responsibility for the clean-up and has engaged legal counsel regarding this matter. The Ministry of Energy, Mines & Petroleum Resources is proceeding 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 June 30, 2010.
- b) During the year ended December 31, 2008, the Company entered into a two year lease agreement with a private company controlled by a director of the Company for office space commencing September 1, 2008 and ending August 31, 2010. The Company is committed to making lease payments in 2008 through 2010 of \$40,200 per annum.

12. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to cash, taxes recoverable and other receivables. The Company has no material concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to taxes recoverable and other receivables is remote. Management does not believe that such receivables are impaired. Cash consists of bank deposits which are held with a Canadian Chartered Bank, from which management believes the risk of loss is remote.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

June 30, 2010

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2010 the Company had a cash balance of \$304,476 (2009 - \$796,155) and current liabilities of \$263,146 (2009 - \$265,571). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The ability of the Company to continue to pursue its exploration activities and maintain its working capital is dependent on its ability to secure additional equity or other financing.

c) Interest Rate Risk

The Company has cash balances and no interest-bearing debt.

d) Foreign Currency Risk

The Company does not have foreign operations, nor does it have risk arising from changes in foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

e) Equity price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

f) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

g) Sensitivity analysis

As at June 30, 2010 the carrying value amounts of the Company's financial instruments approximates their fair value.

13. CAPITAL DISCLOSURES

The Company's capital currently consists of common shares, options and warrants (see Note 9). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company is currently assessing financing alternatives for its exploration plans and operations through its current operating period.