

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

The following management discussion and analysis of the financial position and results of operations for the nine months ended September 30, 2010 and includes information up to and including November 26, 2010 and should be read in conjunction with the unaudited interim financial statements for the nine months ended September 30, 2010 and the audited financial statements for the years ended December 31, 2009 and December 31, 2008 of Candorado Operating Company Ltd. (the "Company" or "Candorado") with the related notes thereto.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following management discussion and analysis ("MD&A") are in Canadian dollars except where noted.

Throughout the report we refer to Candorado, the "Company", "we", "us", "our" or "its". All these terms are used in respect of Candorado Operating Company Ltd. Additional information on the Company can be found on SEDAR at www.sedar.com and on the Company's website a www.candorado.com.

Cautionary Statement on Forward-Looking Information

This report contains "forward-looking statements", including, the Company's expectations as to but not limited to, comments regarding the timing and content of upcoming work programs and exploration budgets, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and Candorado assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, economic and political events affecting metal supply and demand, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, and other risks. Actual results may differ materially from those currently anticipated in such statements.

The forward-looking information in this MD&A is based on management's current expectations and Candorado assumes no obligations to update such information to reflect later events or developments, except as required by law.

Description of Business and Summary of Recent Events

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 a large mineral rights holder with its copper/gold porphyry targets within the Quesnel Trough in Central British Columbia. These properties include the Eldorado property next to the Imperial Metals' Red Chris copper/gold porphyry project, the Man-Prime property located 35 km north of Princeton, and the Murphy Lake property east of Williams Lake. The Company also has 5 lithium properties in the Val d'Or region of Quebec. Subsequent to September 30, the Company has purchased a property in British Columbia and one in Quebec for rare earth element exploration..

EXPLORATION

Eldorado Property

The Company is currently pursuing joint venture opportunities on its Eldorado property and during the period carried out a minimum amount of exploration of \$3,216 and paid \$7,691 in cash in lieu to maintain the property

Man-Prime Property

A thorough review and interpretation of the induced polarization and resistivity geophysical survey, completed in 2007, was undertaken by Fritz Geophysics of Boulder, Colorado. The interpretation has allowed a much better understanding of the structures and mineralized zones at the Man-Prime Property which will assist in identifying drill targets and in determining orientation of drill holes. A preliminary 4-hole drill program was commenced in June.

Drilling tested geophysical anomalies, copper-gold soil anomalies and an area of copper mineralization exposed in a trench at the Prime Zone. During the period \$215,193 was expended on the Man-Prime and primarily included drilling, fieldwork and geological consulting.

Murphy Lake Property

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

At Murphy Lake the Company completed the installation of 58 km of cut lines in preparation for a reconnaissance induced polarization and resistivity geophysical survey, which started in June. A report by Peter E. Walcott & Associates states that the survey found a large zone of complex IP response (anomalous chargeability readings) trending across the grid. In addition, magnetic anomalies appear to be related to the IP anomalies. Further IP and magnetic survey work is necessary to properly delineate the anomaly or anomalies, in advance of drilling. The exploration targets are similar to alkali copper-gold porphyry Takom, Megabuck and Deerhorn Zones on the adjacent Gold Field Woodjam property to the north, which are well delineated by IP and magnetic surveys. During the period the Company expended \$269,101 in carrying out the exploration work program.

This property includes the Timothy Lake, Summer Lake, Bluff Lake, Mac and Spout, and the Tillicum Lake properties.

Quebec Lithium Properties

The Company recorded exploration costs of \$133,393 as at September 30, 2010 with respect to its Quebec Lithium Project which comprises five properties in the La Corne - La Motte Lithium District and has completed the Phase I of exploration which began on April 27, 2010 with a 4-man crew. The exploration program comprised mapping, prospecting, and sampling of lithium-bearing pegmatites. Highlights of the exploration program include rock sampling on the Landrienne Property that has defined an area of spodumene-bearing pegmatites of about 55 m in length, before it disappears under overburden in both directions. Lithium and rubidium values are high in both grab and channel samples within a series of pegmatites up to 5 metres in width. An orientation soil survey has been carried out to determine the ability to trace the pegmatites in areas of overburden. All samples have been submitted to Actlabs in Val D'Or for 62 element analyses, including rare earth element analysis. A Phase II will be carried out on the property once analytical results from the Phase I program have been received and compiled. To date the Company has reported:

Landrienne Property

In the area of an east-west trending topographic ridge, a north-south trending pegmatite was channel sampled at four locations over a distance of approximately 55 metres. The following table summarizes the lithium and rubidium results, from south to north.

<u>Location</u>	<u>Width</u>	<u>Lithium and Rubidium Values</u>
A	5.3 m Including 1.3 m	1757 ppm Rb 0.37% Li ₂ O
B	3.0 m	2310 ppm Rb, 0.58% Li ₂ O
C	4.0 m Including 3.0 m	2028 ppm Rb 0.93% Li ₂ O
D	2.0 m	2580 ppm Rb, 0.32% Li ₂ O

Channel samples are rock samples cut with a diamond blade rock saw into the outcrop, making a "channel" about 6 cm wide. The rock is chiselled out, typically along 1.0 m intervals to give a representative grade across a zone.

Within the area of the pegmatite and between the above sample locations, grab samples of pegmatite returned the following values:

0.45% Li ₂ O	3220 ppm Rb
0.82% Li ₂ O	5070 ppm Rb
2.09% Li ₂ O	1730 ppm Rb
1.49% Li ₂ O	4720 ppm Rb

Rock sample preparation and analysis were carried out by Activation Laboratory Ltd.

An orientation soil survey indicates that the lithium-bearing pegmatite continues under overburden to the south. A review of historical reports indicates that the pegmatite has not been drilled.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

Lac La Motte South Property

Six grab samples from outcrop or angular float contain >0.25% Li₂O, as follows from west to east.

0.28% Li₂O
2.41% Li₂O (float)
1.14% Li₂O, > 1000 ppm beryllium (float)
0.30% Li₂O, 1970 ppm Rb
0.43% Li₂O
1.16% Li₂O
1.70% Li₂O, 2020 ppm Rb

La Corne Valor Property

Two grab samples from outcrop contain >0.25% Li₂O, as follows.

0.71% Li₂O, 3.3% beryllium, 2970 ppm cesium
0.34% Li₂O, 1570 ppm Rb

Other Exploration

In addition to the exploration activities described herein, the Company entered into the following:

- subject to TSX Venture Exchange (the "Exchange") approval, has entered into an agreement with a private vendor to earn a 100% interest in certain mineral claims, approximately 1,370 hectares in size, situated in the vicinity of the Canadian International Minerals Ltd. ("CIN") (V-CIN) Carbo rare earth elements (REEs) prospect located in the Wicheeda Carbonatite Belt, north of Prince George, BC.

Candorado can earn a 100% interest by way of making payment of five thousand dollar cash payment and issuing four million common shares of the Company upon the Exchange's approval. In addition, CIN will receive one million common shares of the Company on the first anniversary date of the agreement's acceptance by the Exchange.

- subject to Exchange approval, has entered into an agreement with a private vendor to earn a 100% interest in property located adjacent to Commerce Resources Corp.'s Eldor rare earth element ("REE") project in Quebec.

Candorado can earn a 100% interest by way of making a one-time payment of \$20,000 upon the Exchange's approval, issuing 3,000,000 common shares of the Company within 5 days of approval from the Exchange and is subject to a 2% net smelter return ("NSR"). The NSR may be reduced to 1% at the Company's discretion for \$1,000,000.

Results of Operations

a) Loss for the Nine Month Period:

During the period ended September 30, 2010 the Company recorded a net loss of \$263,778 (\$0.00 loss per share compared to a net loss of \$253,079 (\$0.00 loss per share) for the comparative September 30, 2009 period.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

Significant variance details are outlined in the table below:

	September 30 2010	September 30 2,009	Increase/ (Decrease)
ADMINISTRATIVE EXPENSES			
Consulting fees	\$ 72,494	\$ 35,602	36,892
Depreciation	6,550	7,276	(726)
Insurance	20,778	17,250	3,528
Investor relations	22,500	3,209	19,291
Listing and filing fees	8,882	11,981	(3,099)
Management fees	45,000	40,000	5,000
Office and general	20,683	15,570	5,113
Professional fees	2,316	6,761	(4,446)
Property evaluation	30,734	14,474	16,260
Shareholder communication	5,161	1,835	3,326
Transfer agent fees	7,374	3,211	4,163
Travel	22,997	19,928	3,069
	(265,468)	(177,097)	(88,371)
OTHER ITEMS			
Interest income	1,690	—	1,690
Loss on sale of capital assets	—	(1,703)	1,703
Impairment of mineral properties	—	(74,279)	74,279
Net loss for the period	(263,778)	(253,079)	(10,699)

Consulting fees – the increase was a result of additional consulting fees for corporate development.

Investor relations – the Company recorded additional costs for data base and general investor relations and marketing activities.

Property evaluation – property evaluation costs primarily consisted of, site management of \$9,297 in geological consulting fees 15,218, maps and miscellaneous of \$6,645 and cash in lieu of \$2,689 to hold the Deer Lake mineral claims in good standing. In addition the Company recorded the amending costs to the Serb Creek agreement of \$15,000 offset by \$10,000 from the sale of 3 Serb Creek mineral tenures. These costs were expensed as the Serb Creek Property had been written off in 2009.

Travel – the increase in travel related to the attendance of mining conferences by directors and officers.

b) Loss for the three month period:

During the three month period ended September 30, 2010 the Company recorded a net loss of \$71,708 (\$0.00 loss per share) compared to a loss of \$126,210 (\$0.00 loss per share) for the comparative 2009 period. The net loss for the current period was primarily attributable to consulting fees of \$27,139 (2009 – \$8,327) and management fees of \$15,000 (2009 - \$10,000) Insurance of \$12,994 (2009 - \$Nil). The areas of increase for these amounts are described hereinabove.

Capital Expenditures

Capital expenditures for the period ended September 30, 2010 included \$669,6 on mineral properties. Expenditures related to the Company's Murphy Lake, Eldorado, Man/Prime, and Lithium properties. Expenditures for the September 30, 2009 comparative period included \$125,581 on mineral properties, net of recoveries and related to the Company's Murphy Lake, Man/Prime and Deer Lake properties.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

Summary of Quarterly Results

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

Three Months Ended	September 30 2010	June 30 2010	March 31 2010	December 31 2009
Total Revenues	\$ —	\$ —	\$ —	\$ —
Loss before other items and income taxes	\$ (71,708)	\$ (192,070)	\$ (103,966)	\$ (155,731)
Future income tax recovery	\$ —	\$ —	\$ —	\$ —
Net Loss	\$ (71,708)	\$ (192,070)	\$ (102,276)	\$ (1,401,473)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)

Three Months Ended	September 30 2009	June 30 2009	March 31 2009	December 31 2008
Total Revenues	\$ —	\$ —	\$ —	\$ —
Loss before other items and income taxes	\$ (50,228)	\$ (56,181)	\$ (70,688)	\$ (35,700)
Future income tax recovery *	\$ —	\$ —	\$ —	\$ (7,677)
Net income (loss) *	\$ (51,931)	\$ (56,181)	\$ (70,688)	\$ (1,208,772)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)

* During the year ended December 31, 2008, the Company determined that there are unrecognized future income tax recoveries on 2,200,000 flow-through shares for gross proceeds of \$1,200,000 related to renunciation filings made during the year ended December 31, 2007. The tax effect related to the renounced deductions should be recognized on the date the Company filed the renouncement documents with the tax authorities. The comparative financial statements for the fiscal quarter ended March 31, 2008 were restated to reflect the above changes.

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

The Loss before other items and income taxes included:

- 1) December 31, 2009 - \$74,478 stock based compensation expense;

Net loss included:

- 2) December 31, 2009 - \$1,245,557 impairment of mineral resource properties
- 3) December 31, 2008 - \$1,684,998 impairment of mineral resource properties; and

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

Financing Activities

During the period ended September 30, 2010 the Company received \$131,000 pursuant to the following private placements financings for:

- a) 2,000,000 units at a price of \$0.05 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.
- b) 620,000 units at a price of \$0.05 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.

During the period ended September, 2009 the Company had received \$345,000 pursuant to three private placement financings completed subsequent to that period.

Liquidity and Capital Resources

At September 30, 2010 the Company had a working capital of deficiency of \$88,532 (December 31, 2009-\$733,167 working capital deficiency). The Company will require additional funds in order to meet its payments required under its option agreements, current accounts payable and accrued liabilities and working capital for its overhead for 2010.

As at September 30, 2010 the Company held 200,000 shares of Nanika Resources Inc. at a fair value of \$8,000.

During the period ended September 30, 2010 the Company sold 50,000 shares of Happy Creek Minerals Ltd. ("Happy Creek") for net proceeds of \$12,995.

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 period ended September 30, 2010, the Company incurred the following to directors, officers and private companies controlled by them: management fees - \$45,000 (2009 - \$40,000), rent \$3,350 (2009 - 15,075), and deferred exploration costs - \$429,114 (2009 - \$24,276). These transactions were recorded at exchange value, which was the amount of consideration established and agreed to by the related parties.

As at September 30, 2010, the Company was owed an advance of \$4,268 (2009 - \$4,114) from the President of the Company, which is included in prepaids and advances and \$5,000 for management fees.

As at September 30, 2010, the Company was indebted to a private company controlled by a director of the Company in the amount of \$253,507 (December 31, 2009 - \$32,334) representing deferred exploration costs. This amount is included with accounts payable.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

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. 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 September 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.

Outstanding Share Data

Candorado's authorized capital is unlimited common shares without par value. As of the date of this report hereof 81,776,056 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	775,000	\$0.125	February 19, 2011
Stock options	625,000	\$0.125	March 9, 2011
Stock options	630,000	\$0.05	November 16, 2011
Stock options*	700,000	\$0.10	January 12, 2012
Stock options*	500,000	\$0.10	February 13, 2012
Stock options*	350,000	\$0.10	February 22, 2012
Stock options*	50,000	\$0.10	August 1, 2012
Stock options*	50,000	\$0.10	December 12, 2012
Stock options	1,000,000	\$0.10	September 25, 2013
Stock options	2,000,000	\$0.10	December 24, 2014
Share purchase warrants	1,000,000	\$0.10	July 6, 2011
Share purchase warrants	1,600,000	\$0.10	September 1, 2011
Share purchase warrants	4,500,000	\$0.10	September 15, 2011
Share purchase warrants	7,000,000	\$0.10	November 16, 2011
Share purchase warrants**	3,740,000	\$0.10	November 18, 2014
Share purchase warrants**	4,050,000	\$0.20	November 18, 2014
Share purchase warrants**	800,000	\$0.10	December 18, 2014
Share purchase warrants	1,000,000	\$0.10	February 16, 2012

* 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.

** On November 19, 2010 the Company received Exchange approval on the extension of warrants, 434,000 warrants expired without exercise.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

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 at which time Canadian GAAP will cease to apply for Candorado and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: IFRS diagnostic assessment, implementation and education, and completion of all integration system and process changes as well as identify any potential IFRS 1 exemptions.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more detail and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company will continue to assess the level of presentation and disclosures required to its consolidated financial statements.

The Company has identified the areas noted below as those expected to have the most significant impact on its financial statements. The items listed below do not represent a complete list of areas impacted. As the Company progresses further into its implementation phase and decisions are made regarding the choices of accounting policies, and as certain IFRS standards may change prior to the changeover date, the areas impacted and the effect may be subject to change. The Company will disclose impacts on its financial reporting, including expected quantitative impacts, systems and processes and other areas of the Company’s business in its future MD&As as such changes are determined.

IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During 2010, management will prepare a presentation to the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Impairment of Assets (IAS36)

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, “Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share Based Payments (IFRS 2)

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Consultants who perform the same services as employees are treated as employees for the purposes of IFRS 2. Stock option grants to employees must be measured on the date of the grant. Non-employee grants must be measured on the date the goods are supplied or the service is deemed to be completed. This may lead to a difference in the amount of Stock Option Expense recorded than would be the case under Canadian GAAP Section 3870.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

Exploration and Evaluation Assets (IFRS 6)

Similar to Canadian GAAP, IFRS allows the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration expenditures incurred under an agreement or acquisition, general property evaluation has been expensed and it will follow the same policy under IFRS without an impact on the financial statements.

Property, Plant and Equipment (IAS 16)

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. The Company is in the process of identifying the potential impact on the property, plant and equipment balance.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Future Income Taxes (IAS 12)

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company does not expect implementation of IAS 12, Income Taxes to have an impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

General (IFRS 1/IAS 1)

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

As of September 30, 2010, the Company continues to review and examine the above areas for their impacts.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

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.

Off balance-sheet arrangements

The Company has no off-balance sheet arrangements to report.

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.

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 September 30, 2010 the Company had a cash balance of \$158,492 (2009 - \$796,155) and current liabilities of \$300,672 (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 September 30, 2010 the carrying value amounts of the Company's financial instruments approximates their fair value.

**CANDORADO OPERATING COMPANY LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2010**

Capital Disclosures

The Company's capital currently consists of common shares, options and warrants. 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.

Risks and Uncertainties

The Company's principal activity is mineral exploration. Companies in this industry are subject to many and varied kinds of risks, including, but not limited to, environmental, metal prices, political and economical. The Company has no sources of financing other than equity financing. The properties in which the Company has an interest or has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization.

Accounting Estimates

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. Significant areas requiring the use of management estimates include financial instruments, the estimation of stock-based compensation, the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures, useful lives for amortization, and valuation allowances for future tax assets. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation