

EUROGOLD LIMITED

ABN 58 009 070 384

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

CONTENTS

	<u>Page No</u>
Directors' Report	2
Directors' Declaration	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Cash Flow	7
Consolidated Statement of Changes in Equity	8
Notes to the Financial Statements	9
Independent Auditor's Review Report	14

DIRECTORS'REPORT

Your Directors submit the report of Eurogold Limited and its controlled entities ("Eurogold Limited" or "the Group") for the half year ended 31 December 2011.

Directors

The names of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Peter Lynton Gunzburg
Brett Montgomery
Neil Thacker MacLachlan

Company Secretary

Pauline Collinson

Review and Results of Operations

As at 31 December 2011 the earnings per share of the Group was (\$0.0268) based on a net loss totalling \$2,325,394.

During the half-year Eurogold Limited ("Eurogold" or "Company") increased its holding in Dragon Mining Limited to 19.88%.

Resource Invest LLC

In July 2007 Eurogold disposed of its Ukrainian gold mining assets to Resource Invest LLC ("RIL") for US\$5,000,000. US\$2,000,000 has been received and the balance of US\$3,000,000 is due from RIL upon a regulatory milestone relating to the advancement of the Saulyak Gold Project being met.

On Going Strategy

During the half year the Group continued to examine various investment opportunities in resource projects with a particular focus on the gold mining sector.

For various reasons the acquisition of projects reviewed to date have not proceeded. It is difficult for the Group to provide precise timeframes on potential acquisitions other than to say the Group is actively seeking and reviewing resource projects for possible investment by the Group.

It is not the intention of the Board that the primary business of Eurogold will be that of a passive portfolio investor in other companies that own resource projects. However, the Group may from time to time make investments in other resource companies, although the majority of the Group's cash will be maintained to fund future acquisitions or to provide working capital for project development following acquisition.

Significant Events After Balance Date

On 6 February 2012 Eurogold announced that it had agreed to sub-underwrite \$10 million of the Dragon Mining Limited (Dragon) (ASX:DRA) renounceable rights issue. The New Shares under the issue are being offered at \$1.10 each on the basis of 1 New Share for every 5.5 Shares held at the Record Date to raise approximately \$15 million before costs. Eurogold has taken up its allocation under the rights issue and now holds a 24.34% interest in Dragon.

As a consequence of the Dragon rights issue Eurogold entered into a loan facility with the Allied Group of Hong Kong, the Company's largest shareholder, to accept an offer of finance to cater for any shortfall in the Dragon issue which might exceed Eurogold's cash reserves.

The term of the loan is 12 months from the date of execution of the facility being 8 February 2012. The interest rate of 12% per annum is calculated on the amount of the loan amount drawn-down daily from the drawn-down date. A A\$50,000 establishment fee was payable upon execution of the loan facility. The draw-down fee will be determined by the amount of the loan amount drawn-down as follows:

EUROGOLD LIMITED

For the Half Year ended 31 December 2011

- a) A\$50,000 if the drawn-down amount is between A\$0 to A\$3,000,000;
- b) A\$100,000 if the drawn-down amount is between A\$3,000,000 to A\$7,000,000; or
- c) A\$150,000 if the drawn-down amount is between A\$7,000,000 to A\$10,000,000.

The loan is unsecured and standard terms and conditions apply.

On 12 March 2012 the Company drew down \$1,000,000 from the loan facility to cover its sub-underwriting commitment of \$4,360,202.00 on the Dragon Mining rights issue. As a consequence the Company will be left with a cash reserve of approximately \$1,000,000.

On 29 February 2012 Eurogold announced that it had sold the balance of its holding in Tanami Gold NL (ASX:TAM receiving approximately \$6.3 million).

There have been no other matters or circumstances that have arisen since 30 June 2011 that has significantly affected or may significantly affect:

- a) the Consolidated Entity's operations in future years; or
- b) the results of those operations in future years; or
- c) the Consolidated Entity's state of affairs in future years

Auditor's Independence Declaration

An independence declaration from our auditors, Ernst & Young, is attached to the Auditor's Independent Review Statement to the members and forms part of this Directors' Report.

Signed in Perth 15 March 2012 in accordance with a resolution of the Directors.



P Gunzburg
Executive Chairman

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Eurogold Limited, I state that:

In the opinion of the Directors:

- (a)** The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of financial position of the consolidated entity as at 31 December 2011 and the performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b)** There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



P Gunzburg
Executive Chairman

Signed in Perth 15 March 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
HALF YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated	
		For the half year ended 31 December 2011	For the half year ended 31 December 2010
Continuing Operations			
Revenue	2	12,006	125,010
Profit/(loss) on sale of investments		(337,444)	101,023
Share of profit/(loss) of associate		(1,167,751)	(215,594)
Employee benefits expense		(198,794)	(322,843)
Depreciation expense		(1,666)	(2,766)
Consultants fees		(77,740)	(110,271)
Fair value movement of investments held for trading		258,346	(45,082)
Other expenses		(250,704)	(266,236)
Net loss for the period		(1,763,747)	(736,759)
Income tax (expense) benefit		(561,647)	118,841
Net loss for the period after income tax expense		(2,325,394)	(617,918)
Other comprehensive income			
Net fair value gains on available-for-sale financial assets		(1,802,105)	4,327,865
Reclassification on disposal of available-for-sale financial assets.		(70,045)	-
Reclassification of gains/losses on classification of investment as an associate.		-	(2,705,763)
Income tax on items of other comprehensive income		561,646	(486,465)
Other comprehensive income for the period, net of tax		(1,310,504)	1,135,637
Total comprehensive income/(loss) for the period attributable to the members of Eurogold Limited		(3,572,500)	517,719
Basic and diluted loss per share (cents), for the loss for the half-year attributable to members of Eurogold Limited		(2.68)	(0.91)
Basic and diluted loss per share (cents) from continuing operations for the half-year attributable to members of Eurogold Limited		(2.68)	(0.91)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		Consolidated	
	Note	31 December 2011	30 June 2011
CURRENT ASSETS			
Cash and cash equivalents	5	643,378	961,274
Trade and other receivables		21,867	11,409
Investments classified as held for trading	6	335,099	811,500
Prepayments		16,842	15,438
TOTAL CURRENT ASSETS		1,017,186	1,799,621
NON-CURRENT ASSETS			
Available for sale investments	7	6,482,923	8,792,817
Plant and equipment		1,018	2,683
Investment in associate	8	15,603,768	16,252,864
TOTAL NON-CURRENT ASSETS		22,087,709	25,048,364
TOTAL ASSETS		23,104,895	26,847,985
CURRENT LIABILITIES			
Payables and accruals		82,107	104,329
Provisions		56,895	48,128
Income tax payable		-	93,739
TOTAL CURRENT LIABILITIES		139,002	246,196
TOTAL LIABILITIES		139,002	246,196
NET ASSETS		22,965,891	26,601,789
EQUITY			
Equity attributable to equity holders of the parent			
Issued Capital	9	60,039,582	60,039,582
Reserves		372,165	1,682,669
Accumulated losses		(37,445,856)	(35,120,462)
TOTAL EQUITY		22,965,891	26,601,789

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	For the half year ended 31 December 2011	For the half year ended 31 December 2010
Cash flows from operating activities		
Payments to suppliers and employees	(492,031)	(278,593)
Interest received	12,006	119,841
Other income received	-	5,159
Taxes paid	(93,739)	(443,725)
Net cash used in operating activities	(573,764)	(597,318)
Cash flows from investing activities		
Investment in associate	(579,172)	(480,630)
Proceeds on sale of investments	938,097	527,358
Payment for investments held for trading	(103,057)	(197,227)
Payment for available for sale investments	-	(662,634)
Cash received on acquisition of subsidiary	-	878,451
Repayment of loan - other	-	2,626,674
Net cash used in investing activities	255,868	2,691,992
Net increase /(decrease) in cash and cash equivalents	(317,896)	2,094,674
Effect of FX movements	-	(61,683)
Cash and cash equivalents at the beginning of the period	961,274	1,597,830
Cash and cash equivalents at the end of the period	643,378	3,630,821

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2011

	Issued Capital	Accumulated Losses	Employee Benefit Reserve	Net Unrealised Gain Reserve	Total Equity
Balance at beginning of period	60,039,582	(35,120,462)	45,676	1,636,993	26,601,789
Profit/Loss for Period	-	(2,325,394)	-	-	(2,235,394)
Other comprehensive income	-	-	-	(1,310,504)	(1,310,504)
Total comprehensive income/(loss) for the period	-	(2,325,394)	-	(1,310,504)	(3,635,898)
Issue of Shares	-	-	-	-	-
Balance at End of Period	60,039,582	(37,445,856)	45,676	326,489	22,965,891

For the half year ended 31 December 2010

	Issued Capital	Accumulated Losses	Employee Benefit Reserve	Net Unrealised Gain Reserve	Total Equity
Balance at beginning of period	50,552,312	(33,561,277)	45,680	1,853,049	18,889,764
Profit/Loss for Period	-	(617,918)	-	-	(617,918)
Other comprehensive income	-	-	-	1,135,637	1,135,637
Total comprehensive income/(loss) for the period	-	(617,918)	-	1,135,637	517,719
Issue of Share	9,487,270	-	-	-	9,487,270
Balance at End of Period	60,039,582	(34,179,195)	45,680	2,988,686	28,894,753

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The financial report of Eurogold Limited for the half year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 15 March 2012.

Eurogold Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on Australian Stock Exchange. The registered address is Level 1, 173 Mounts Bay Road, Perth, Western Australia 6000.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and other mandatory professional reporting requirements.

The half year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Eurogold Limited during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half year report financial report has been prepared on a historical cost basis, except for held for trading and available for sale investments which are measured at fair value.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) New and amending Accounting Standards and Interpretations

Since 1 July 2011, the Group has adopted all the amending Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011.

Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

(c) Basis of Consolidation

The consolidated financial statements included the financial statements of the parent entity Eurogold Limited, and its controlled entities, referred to collectively throughout these financial statements as the "consolidated entity" or "the Group".

2 REVENUE

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Revenue		
Interest revenue	12,006	119,841
Other income	-	5,169
	12,006	125,010

3 CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there have been the following changes to contingent liabilities or contingent assets:

- (a) On 10 July 2007 the Group disposed of its Ukrainian gold mining assets for US\$5,000,000. US\$3,000,000 (equivalent to A\$2,951,884) of this amount remains outstanding and will only be received upon the purchaser meeting a regulatory milestone relating to the advancement of the Saulyak Gold Project.

With the sale of its Ukrainian gold mining assets the Group is no longer exposed to operating in the Ukraine other than in relation to the receipt of US\$3,000,000 which is still due in relation to the sale of the assets.

- (b) The Group has guaranteed the payment of a royalty by Saulyak Limited Liability Company based on gold output from the Saulyak Gold Project which was disposed of by the Group on 10 July 2007. The royalty is up to 2% net smelter royalty per ounce of gold produced from the Saulyak Gold project payable only in respect of ounces of gold produced over 750,000 ounces in total. Gold production from the Saulyak Gold Project has not commenced with the current owners of the project yet to secure a mining licence. At the time of the sale of the project by the Group total reserves identified at the project were not in excess of 750,000 ounces.
- (c) The Group is a defendant in proceedings commenced by the Former Yugoslav Republic of Macedonia in seeking damages for the accidental overflow of treatment water from the tailings dam spillage on 30 January 2000. The Group believes that it has no liability with respect to those proceedings.

4 SEGMENT INFORMATION

For management purposes, the Group is organised into one main operating segment, which involves investing activities. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

5 CASH AND CASH EQUIVALENTS

For the purpose of the half year cash flow statement, cash and cash equivalents are comprised of the following:

	31 December 2011	30 June 2011
	\$	\$
Cash at bank and on hand	643,378	961,274
	<u>643,378</u>	<u>961,274</u>

6 INVESTMENTS HELD FOR TRADING

	31 December 2011	30 June 2011
	\$	\$
Shares in listed companies (at fair value)	335,099	811,500
	<u>335,099</u>	<u>811,500</u>

7 AVAILABLE FOR SALE ASSETS

	31 December 2011	30 June 2011
	\$	\$
Shares in listed entities held for resale (at fair value)	6,482,923	8,792,817
	<u>6,482,923</u>	<u>8,792,817</u>

8 INVESTMENT IN ASSOCIATE

	31 December 2011	30 June 2011
	\$	\$
a) Investment details		
<i>Listed</i>		
Dragon Mining Limited	15,603,768	16,252,864
	<u>15,603,768</u>	<u>16,252,864</u>

As at 31 December 2011, the Group holds a 19.88% interest in Dragon Mining Limited ("Dragon"). Significant influence is achieved as Mr Gunzburg is a director of Dragon.

b) Movements in the carrying amount of the Group's investment in associate

Cost of investment:

Carrying value at 1 July 2011	16,252,864	-
Purchased on acquisition of Brinkley Mining Plc	-	10,869,525
Cost of shares purchased prior to becoming an associate	-	3,497,214
Cost of shares purchased after becoming an associate	518,656	1,949,428
Share of loss after income tax	(1,167,752)	(63,303)
Carrying value at 31 December 2011	15,603,768	16,252,864
Fair value of investment	18,062,622	17,511,894

	31 December 2011	30 June 2011
--	-----------------------------	-------------------------

8 INVESTMENT IN ASSOCIATE

c) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates:

	31 December 2011	30 June 2011
	\$	\$
Extract from the associates' statement of financial position	'000	'000
Dragon Mining Limited		
Current assets	29,677	33,017
Non-current assets	41,419	58,887
	71,096	91,904
Current liabilities	(22,198)	(14,070)
Non-Current Liabilities	(8,613)	(7,976)
Net assets	40,285	69,858

Extract from the associates statement of comprehensive income

	31 December 2011	30 June 2011
	\$	\$
	'000	'000
Revenue	43,312	39,849
Expenses	(47,710)	(39,941)
Profit/(loss) for the period before taxation	(4,398)	(92)
Income tax expense	(1,617)	(192)
Profit/(loss) for the period after income tax	(6,015)	(284)

9 CONTRIBUTED EQUITY

	31 December 2011	30 June 2011
Issued and paid up capital		
		\$
Ordinary fully paid shares	60,039,582	60,039,582
	Number of shares	Total \$
<i>Movements in fully paid ordinary shares on issue:</i>		
Balance at 31 December 2010	86,805,402	60,039,582
Balance at 1 July 2011	86,805,402	60,089,582
Issued during period	-	-
Balance at 31 December 2011	86,805,402	60,039,582

10 SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 6 February 2012 Eurogold announced that it had agreed to sub-underwrite \$10 million of the Dragon Mining Limited (Dragon) (ASX:DRA) renounceable rights issue. The New Shares under the issue are being offered at \$1.10 each on the basis of 1 New Share for every 5.5 Shares held at the Record Date to raise approximately \$15 million before costs. Eurogold has taken up its allocation under the rights issue and now holds a 24.34% interest in Dragon.

EUROGOLD LIMITED

For the Half Year ended 31 December 2011

(Reviewed but not Audited)

As a consequence of the Dragon rights issue Eurogold entered into a loan facility with the Allied Group of Hong Kong, the Company's major shareholder, to accept an offer of finance to cater for any shortfall in the Dragon issue which might exceed Eurogold's cash reserves.

The term of the loan is 12 months from the date of execution of the facility being 8 February 2012. The interest rate of 12% per annum is calculated on the amount of the loan amount drawn-down daily from the drawn-down date. A A\$50,000 establishment fee was payable upon execution of the loan facility. The draw-down fee will be determined by the amount of the loan amount drawn-down as follows:

- a) A\$50,000 if the drawn-down amount is between A\$0 to A\$3,000,000;
- b) A\$100,000 if the drawn-down amount is between A\$3,000,000 to A\$7,000,000; or
- c) A\$150,000 if the drawn-down amount is between A\$7,000,000 to A\$10,000,000.

The loan is unsecured and standard terms and conditions apply.

On 12 March 2012 the Company drew down \$1,000,000 from the loan facility to cover its sub-underwriting commitment of \$4,360,202.00 on the Dragon Mining rights issue. As a consequence the Company will be left with a cash reserve of approximately \$1,000,000.

On 29 February 2012 Eurogold announced that it had sold the balance of its holding in Tanami Gold NL (ASX:TAM receiving approximately \$6.3 million.

There have been no other matters or circumstances that have arisen since 30 June 2011 that has significantly affected or may significantly affect:

- a) the Consolidated Entity's operations in future years; or
- b) the results of those operations in future years; or
- c) the Consolidated Entity's state of affairs in future years

11 EXPENDITURE COMMITMENTS

There are no expenditure commitments not recorded in the financial statements or notes.

12 FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss and available for sale financial assets comprise of shares in listed companies which are determined in reference to market observable information, and shares in non-listed companies which are valued based on non-market observable information. Changes in these assumptions can lead to adjustments in the fair value of the investment.

During the six month period, there were no transfers between any level of the fair value hierarchy.

To the members of Eurogold Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eurogold Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Eurogold Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Auditor's Independence Declaration to the Directors of Eurogold Limited

In relation to our review of the financial report of Eurogold Limited for the half-year ended 31 December 2011 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'G H Meyerowitz'.

G H Meyerowitz
Partner
15 March 2012