Eurogold Limited

ACN 009 070 384

AUDITED FINANCIAL STATEMENTS

30 June 2011

CORPORATE DIRECTORY

Directors

Peter Gunzburg	Executive Chairman/Managing Director
Brett Montgomery	Non Executive Director
Neil MacLachlan	Non Executive Director

Company Secretary
Pauline Collinson

Principal Registered Office in Australia
Level 1
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Perth   Western Australia 6000
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Facsimile: 08 9481 3586
Website: www.eurogold.com.au

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PO Box 7493
Cloisters Square
Perth Western Australia 6850

Share Registry - Australia
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000
Telephone: 08 9323 2000
Facsimile: 08 9323 2033

Auditors - Australia
Ernst & Young
11 Mounts Bay Road
Perth Western Australia 6000

Solicitors - Australia
Hardy Bowen
Level 1, 28 Ord Street
West Perth Western Australia 6005

Bankers - Australia
BankWest
853 Hay Street
West Perth Western Australia 6000

National Australia Bank Limited
100 St George's Terrace
Perth WA 6000

Westpac Banking Corporation
4-6 Adelaide Street
Fremantle WA 6160

ASX Code
EUG - Fully Paid Ordinary Shares

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

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

Peter L Gunzburg

Executive Chairman B Com.
Mr Gunzburg has over 20 years experience as a stockbroker. He has a Commerce Degree from the University of Western Australia and has previously been a director of Resolute Limited, the Australian Stock Exchange Limited, Eyres Reed Limited and CIBC World Markets Australia Limited.

Mr Gunzburg is a Non-Executive Director of ASX listed entities Fleetwood Corporation Limited, PieNetworks Limited and Dragon Mining Limited.

He resigned as a Non-Executive Director of Matra Petroleum PLC on 28 September 2009 and Strike Oil NL on 16 December 2008. Other than the above Mr Gunzburg does not hold any directorships of other listed entities, nor has he done in the past 3 years.

Brett Montgomery

Non-Executive Director
Mr Montgomery has over 27 years experience in the gold mining industry and management of public companies. Mr Montgomery was appointed a Non-Executive Director of Ormil Energy Limited on 9 October 2008 Other than the above, Mr Montgomery does not hold any directorships of other listed entities, nor has he done in the past 3 years.

Neil MacLachlan

Non-Executive Director
Mr MacLachlan holds a Science degree with Honours from Cambridge University and has over 30 years investment banking experience in Europe, South East Asia and Australia and is a former director of Wardley Holdings and James Capel & Co Limited, investment banking subsidiaries of The Hongkong and Shanghai Banking Corporation. From 1993 to 1997 he was employed by Barrick Gold Corporation as Executive Vice President, Asia. His previous directorships included Golden Prospect Plc (now Ambrian Capital Plc), Titan Resources Ltd, Kestrel Energy Inc, Geoinformatics Exploration Inc, Ambrian, Cambridge Mineral Resources Ltd and Samson Oil & Gas Limited.

He is currently an executive director Kalahari Minerals Plc, and holds non-executive directorships with Resources Limited and Oklo Resources Limited. Other than the above, Mr MacLachlan does not hold any directorships of other listed entities, nor has he done in the past 3 years.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Eurogold Limited ("Eurogold") were:

	Ordinary Shares	Unlisted Options over Ordinary shares
Peter Gunzburg	4,207,067	500,000
Brett Montgomery	Nil	Nil
Neil MacLachlan	896,145	Nil

COMPANY SECRETARY

Pauline Collinson

Company Secretary
Mrs Collinson has been employed by the Company for 19 years, has held an executive position for 10 years and has 25 years experience in the mining industry. Mrs Collinson is also Joint Company Secretary of ASX Listed Dragon Mining Limited.

PRINCIPLE ACTIVITIES

The principle activity of the consolidated group during the financial year was to hold strategic investment positions in companies within the resource sector and to evaluate opportunities within the resource sector. There were no significant changes in the nature of the consolidated groups' principle activities during the year.

OPERATING RESULTS

	2011 $	2010 $
Total revenue from activities	195,661	623,745
(Loss) attributed to members of the parent	(1,559,185)	(1,606,065)

Included in the operating (loss) after taxation for the year ended 30 June 2011 are the following material items:

	2011 $	2010 $
- Fair value adjustment of held for trading investments	88,350	(52,763)
- Gain on sale of equity investments	224,970	835,414
- Impairment of investment in associate	-	(2,414,488)
- Impairment of fixed assets	(214,540)	-
- Impairment of available for sale financial assets	(253,076)	-

CORPORATE INFORMATION

Corporate structure

Eurogold Limited is a Company limited by shares that is incorporated and domiciled in Australia. Eurogold Limited is the ultimate parent entity and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 23 in the financial report).

REVIEW AND RESULTS OF OPERATIONS AND PRINCIPAL ACTIVITIES

CORPORATE

During the year Eurogold acquired the remaining 59% interest in Brinkley Mining Plc ("Brinkley") resulting in Brinkley becoming a wholly owned subsidiary. Eurogold directors Peter Gunzburg and Neil MacLachlan are both directors of Brinkley. The acquisition was treated as an asset acquisition as the transaction involved the acquisition of cash, land and Brinkley's investment in Dragon Mining Limited ("Dragon").

As a result of the acquisition of Brinkley, the group held a 17.7% interest in Dragon. At 30 June 2011 the group had increased its stake in Dragon to 19.25%. Mr Gunzburg is a director of Dragon.

As at 30 June 2011 the NTA per share of the Company was $0.34 per share which consisted primarily of $0.96 million cash, its interest in ASX listed Dragon Mining Limited which has a book value of $16.252 million.

The Company also holds interests in ASX listed companies Ormil Energy Limited (previously Golden Tiger Mining) and Tanami Gold NL. The book value of these investments at 30 June 2011 was $8.792 million.

Resource Invest LLC Transaction

Pursuant to Shareholder approval authorising the sale of the Saulyak Gold Project the Company disposed of its Ukrainian gold mining asset to Resource Invest LLC ("RIL") in July 2007.

The Company received an initial payment of US$2,000,000 (A$2,254,767) from RIL and is entitled to receive a further US$3,000,000 no later than 30 days upon RIL meeting a key regulatory milestone relating to the advancement of the Saulyak Gold Project. This regulatory approval remains outstanding.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Company during the year.

FINANCIAL POSITION

The net assets of the consolidated entity at 30 June 2011 totalled $26,601,789 (2010: $18,889,764).

Total assets at 30 June 2011 totalled $26,847,985 (2010: $19,595,485). No amount has been recognised in respect of the contingent consideration of USD$3,000,000 to be received if RIL meet key regulatory milestones. The consolidated entity had cash reserves of $961,274 at 30 June 2011.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At the date of this report, there have been no other matters or circumstances that have arisen since the end of the financial year which significantly, or may significantly effect:

- The consolidated groups operations in future years;
- The results of those operations in future years; or
- The consolidated entity's state of affairs in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Strategy Going Forward

During the year the Company 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 Company to provide precise timeframes on potential acquisitions other than to say the Company is actively seeking and reviewing resource projects for possible investment by the Company.

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 Company may from time to time make investments in other resource companies, although the majority of the Company's cash will be maintained to fund future acquisitions or to provide working capital for project development following acquisition.

DIVIDENDS

No dividend has been declared, provided for or paid in respect of the year ended 30 June 2011.

SHARE OPTIONS

Unissued shares
As at the date of this report there were 4,000,000 unissued ordinary shares under options. The options expire on 30 June 2014 and are exercisable at $1 each.

Shares issued as a result of the exercise of options
No options were exercised during the financial year and up to the date of the directors' report.

Options issued during the financial year
There were no options issued during the financial year and up to the date of the directors' report.

Optionholders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company does not currently have any insurance for the indemnification of directors and officers.

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During the financial year, no director has had any interest in a contract or proposed contract with the Company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2011 and the number of meetings attended by each director.

	Directors' Meetings	
	No. of meetings held while in office	Meetings attended
Peter L Gunzburg	3	3
Brett Montgomery	3	3
Neil MacLachlan	3	3

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company and includes the five highest paid executives of the Company and Group.

Key Management Personnel
Peter L Gunzburg (Executive Chairman)
Brett Montgomery (Non-Executive Director)
Neil MacLachlan (Non-Executive Director)
Pauline Collinson (Company Secretary)

Remuneration Policy
The Board recognises that the performance of the Company depends upon the quality of its Directors and Executives and to this end the Company is aware that it must attract, motivate and retain experienced Directors and Executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in the form of salary and fringe benefits such as motor vehicle allowances.

In accordance with best practice governance, the structure of Non-Executive Directors and senior executive remuneration is separate and distinct. It should be noted that the amount of salary and the grant of options is at the discretion of the board of directors.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to Shareholders.

The Company's Constitution and ASX Listing Rules specify that aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of Shareholders. Approval by Shareholders was granted at a general meeting on 12 August 2008 to pay Non-Executive Directors an aggregate amount of $200,000 per annum. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. Each Non-Executive Director may also receive an equity based component where approval has been received from Shareholders in a general meeting.

There are no employment contracts in place between the Company and directors and executives.

The Company does not currently have a remuneration committee, the functions of which are carried out by the full board.

The Company currently does not have a policy relating to executives for hedging their exposure to options awarded as part of their remuneration package.
Remuneration for directors and executives are not linked to the performance of the economic entity however, to align all directors' interests with shareholder interests, directors and executives are encouraged to hold shares in the Company and may receive options. This effectively links directors' and executives performance to the share price performance and therefore to the interests of shareholders. For this reason there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

The following table outlines Eurogold's EPS and share price over the five-year period from 1 July 2006 to 30 June 2011.

	2011	**2010**	**2009**	**2008**	**2007**
Share Price	0.20	0.18	0.19	0.25	0.25
EPS	(2.02)	(2.50)	7.25	0.99	(3.5)

Remuneration of director's key management personnel

Directors' Remuneration

		Short Term Benefits						
		Salary & Fees	Cash Bonus	Other	Post Employment Superannuation	Share based Payments Options	Total	Remuneration consisting of Options for the year %
P Gunzburg * **	2011	200,000	100,000	12,000	15,300	-	327,300	-
Chairman	2010	255,030	-	12,000	15,300	-	282,330	-
B Montgomery	2011	44,000			-	-	44,000	-
Non-Executive	2010	44,000	-	-	-	-	44,000	-
N MacLachlan	2011	40,000	-	-	-	-	40,000	-
Non-Executive	2010	40,000	-	-	-	-	40,000	-
Total	**2011**	**284,000**	**100,000**	**12,000**	**15,300**	**-**	**411,300**	**-**
Total	**2010**	**339,030**	**-**	**12,000**	**15,300**	**-**	**366,330**	**-**

* *Other includes payments of a motor vehicle allowance of $12,000 (2010: $12,000) paid to P Gunzburg..*

** *A discretionary bonus of $100,000 was paid to P Gunzburg on 14 December 2010.*

Executives Remuneration

		Short Term Benefits			
		Salary & Fees	Cash Bonus	Post Employment Superannuation	Total
P Collinson	2011	86,000	30,000	10,454	126,454
Company Secretary	2010	111,637	-	8,307	119,944

Options Granted and Vested During the Year

There were no options granted, vested or exercised during the year.

** END OF REMUNERATION REPORT **

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Company has adequate systems in place for the management of environmental requirements and is not aware of any breach of environmental requirements as they apply to the Consolidated Entity.

NON-AUDIT SERVICES

During the year ended 30 June 2011 no fees were paid to external auditors Ernst & Young for non audit services.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 7.

Signed in accordance with a resolution of the directors

Peter Gunzburg
Executive Chairman
30 September 2011

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Auditor's Independence Declaration to the Directors of Eurogold Limited

In relation to our audit of the financial report of Eurogold Limited for the financial year ended 30 June 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.

Ernst & Young

G H Meyerowitz
Partner
30 September 2011

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Eurogold Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Eurogold Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

The Board and management are committed to corporate governance and to that extent they have adopted the second edition of the “Corporate Governance Principles and Recommendations” established by the ASX Corporate Governance Council and published by the ASX in August 2007.

Where there has been any variation from the recommendations it is because the Board believes that the Company is not as yet of a size, nor are its financial affairs of such complexity to justify some of those recommendations and as such those practices continue to be the subject of the scrutiny of the full Board.

Composition of the Board
The Board is comprised of three Directors, of which the Chairman and Managing Director is the only Executive Director. The ASX favour that the Chairman be an Independent Director, however as Mr Peter Gunzburg has been primarily concentrating on the Company's development over the past ten years, has extensive knowledge of the capital markets in Australia and overseas and the Board believes that his role and status as an Executive and as Chairman is appropriate.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report, their attendances at meetings and their term of office are detailed in the Directors’ Report.

The majority of the Board are Independent Directors. The table below sets out the detail of the tenure of each Director at the date of this report.

Director	Role of Director	Date Appointed	Independent
Peter Gunzburg	Executive Chairman	24 September 2001	No
Brett Montgomery	Non-Executive	15 August 1989	Yes
Neil MacLachlan	Non-Executive	13 July 2004	Yes

When determining whether a Director is independent, the Board has determined that the Director must not be an executive and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three last years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.

Independent Directors' have the right to seek independent professional advice in the furtherance of their duties as Directors, at the Company’s expense. Written approval must be obtained from the Chairman prior to incurring expense on behalf of the Company.

The Board and Board Nominations
The Company does not presently operate a Nomination Committee. The full Board (subject to members voting rights in general meeting) is responsible for selection of new members and has regard to a candidates experience and competence in areas such as mining, exploration, geology, finance and administration that can assist the Company in meeting its corporate objectives and plans.

Under the Company’s Constitution:

- the maximum number of Directors on the Board is ten;
- a Director (other than the Managing Director) may not retain office for more than three years without submitting for re-election; and

- at the Annual General Meeting each year effectively one third of the Directors in office (other than the Managing Director) retire by rotation and must seek re-election by shareholders.

Code of Conduct
The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all Directors and employees and as such the Company's Code of Conduct applies to all Directors and employees of the Company. The Directors and senior executives have the responsibility to carry out their functions with a view to maximising financial performance of the Company along with decision making in conflict of interest situations and quality decision making for the benefit of shareholders.

Securities Trading Policy
The Company has adopted a Securities Trading Policy (which is driven by the Corporations Act 2001 requirements) that applies to all Directors, Executives (Key Personnel), Employees and Contractors ("Relevant Persons"). Under this policy and the Corporations Act 2001 Key Personnel and Relevant Persons are prohibited from trading in the Company's Securities while in possession of unpublished price sensitive information and must adhere to Close Out periods outlined in the Policy. Strict compliance with the Policy is mandatory for all Key Personnel and Relevant Persons.

Corporate Reporting
In accordance with ASX Principle 7, the Chairman, Financial Consultant and Company Secretary have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group; and

- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating efficiently in all material respects.

Remuneration Committee and Policies
The Company has not as yet appointed a Remuneration Committee. All matters which might be dealt with by such a committee are subject to full scrutiny of Board meetings. This decision will be reviewed on a regular basis as the Company develops.

All compensation arrangements for Directors and Executives are determined and approved by the Board, after taking into account the current competitive rates prevailing in the market.

The amount of remuneration for all Directors including the full remuneration packages, comprising all monetary and non-monetary components of the Executive Directors and executives, are detailed in the Director's Report.

There are no schemes for retirement benefits other than statutory superannuation for Directors.

External Auditors
The auditors of the Company, Ernst & Young, have open access to the Board of Directors at all times.

Audit Committee
The Company presently does not have an Audit Committee as the directors believe that the Company is not of a size, nor are its financial affairs of such complexity to justify a separate Audit Committee. All matters which might be dealt with by such a committee are subject to full scrutiny of Board Meetings. This decision will be reviewed as the Company develops. Notwithstanding this, it is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations.

Managing Risks
The Board meets regularly to evaluate, control, review and implement the Company's operations and objectives.

Regular controls established by the Board include:

- detailed monthly financial reporting;
- delegation of authority to the Managing Director to ensure approval of expenditure obligations;
- implementation of operating plans, cash flows and budgets by management and Board monitoring of progress against projections; and
- procedures to allow Directors, and management in the furtherance of their duties, to seek independent professional advice via the utilisation of various external technical consultants.

The Board recognises the need to identify areas of significant business risk and to develop and implement strategies to mitigate these risks.

Commitment to Shareholders & Ethical Standards

The Board supports the highest standards of corporate governance and requires its members and the management and staff of the Company to act with integrity and objectivity in relation to:

- Compliance with laws and regulations affecting the Company's operations;
- The ASX's Corporate Governance Council's principles and recommendations including the Combined Code On Corporate Governance;
- Employment practices;
- Responsibilities to the community;
- Responsibilities to the individual;
- The environment;
- Conflict of interests;
- Confidentiality;
- Ensure that shareholders and the financial community are at all times fully informed in accordance with the spirit and letter of the ASX's continuous disclosure requirements;
- Corporate opportunities or opportunities arising from these for personal gain or to compete with the Company;
- Protection of and proper use of the Company's assets; and
- Active promotion of ethical behaviour.

Continuous Disclosure
In accordance with ASX Principle 5, the Board has established a disclosure policy and the Company is committed to:

- Ensuring that Shareholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market about the Company's activities; and
- Complying with the obligations contained in the ASX Listing Rules and Corporations Act 2001 relating to continuous disclosure.

The Executive Chairman and the Company Secretary have been nominated as the people responsible for communication with the ASX.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is constantly reviewed by the Chairman. The Company does not presently have an evaluation of the Board and all the Board members performed by an independent consultant however may do so once the Company develops.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- the Annual Report which is distributed to all shareholders;
- the availability of the Company's Quarterly Report to shareholders so requesting;
- the Half-Yearly Report distributed to shareholders so requesting;
- adherence to continuous disclosure requirements;
- the Annual General Meeting and other meetings so called to obtain shareholder approval for Board action as appropriate; and
- the provision of the Company's website containing all of the above mentioned reports, corporate governance practices and policies and its constant update and maintenance.

Statement by the Managing Director and Company Secretary

The Executive Chairman and Company Secretary confirm to the board that the group's financial report presents a true and fair view in all material respects, of the financial condition and operational results of the Company and group. The financial report is founded on a sound system of risk management, internal compliance and control. Further, it is confirmed that the group's risk management and internal compliance is operating efficiently and effectively.

	Notes	Consolidated Group 2011 $	2010 $
Revenue	3	195,661	623,745
Other Income	3	224,970	835,414
Depreciation expense		(4,646)	(5,112)
Administration expenses		(680,355)	(481,086)
Employee benefits expense	3	(546,187)	(490,634)
Movement of investments classified as held for trading		88,350	(52,763)
Share of losses of Associates		(381,142)	(196,368)
Loss on sale of investments		-	(26,443)
Impairment of investment in associate		-	(2,414,488)
Impairment of fixed assets		(214,540)	-
Impairment of available for sale assets		(253,076)	-
Foreign exchange gain		24,293	-
Loss before income tax expense		**(1,546,672)**	**(2,207,735)**
Income tax (expense) / benefit	4	(12,513)	601,670
Loss from continuing operations after income tax		**(1,559,185)**	**(1,606,065)**
Other comprehensive income			
Impairment of available for sale financial assets		252,077	-
Net fair value gains on available for sale financial assets		2,145,037	2,098,381
Reclassification of gains/losses on classification of investment as an associate		(2,705,769)	-
Income tax on items of other comprehensive income		92,595	(629,514)
Other comprehensive income for the period, net of tax		**(216,060)**	**1,468,867**
Total comprehensive loss attributable to the member of Eurogold Limited		(1,775,245)	(137,198)
- basic and diluted loss per share (cents per share) for the year attributable to members of Eurogold Limited	19	(2.02)	(2.50)
- basic and diluted loss per share (cents per share) from continuing operations for the year attributable to members of Eurogold Limited	19	(2.02)	(2.50)

The accompanying notes form part of these financial statements.

	Notes	Consolidated Group 2011 $	Consolidated Group 2010 $
Current Assets			
Cash and cash equivalents	16	961,274	1,597,830
Trade and other receivables	5	11,409	5,369,305
Investments classified as held for trading	6	811,500	358,994
Prepayments		15,438	8,421
Total Current Assets		**1,799,621**	**7,334,550**
Non-Current Assets			
Available for sale investments	7	8,792,817	9,934,657
Plant and equipment	9	2,683	6,642
Investment in associate	8	16,252,864	2,319,636
Total Non-Current Assets		**25,048,364**	**12,260,935**
TOTAL ASSETS		**26,847,985**	**19,595,485**
Current Liabilities			
Trade and other payables	10	104,329	59,655
Provisions	11	48,128	29,849
Income Tax Payable	12	93,739	616,217
Total Current Liabilities		**246,196**	**705,721**
TOTAL LIABILITIES		**246,196**	**705,721**
NET ASSETS		**26,601,789**	**18,889,764**
SHAREHOLDERS' EQUITY			
Contributed equity	13	60,039,582	50,552,312
Reserves	14	1,682,669	1,898,729
Accumulated losses	15	(35,120,462)	(33,561,277)
TOTAL SHAREHOLDERS' EQUITY		**26,601,789**	**18,889,764**

The accompanying notes form part of these financial statements.

For the year ended 30 June 2011

Consolidated	Issued Capital	Accumulated Losses	Net Unrealised Gain Reserve	Employee Benefit Reserve	Total Equity
Balance at beginning of year	50,552,312	(33,561,277)	1,853,049	45,680	**18,889,764**
Loss for the period	-	(1,559,185)	-	-	**(1,559,185)**
Other comprehensive income	-	-	(216,060)	-	**(216,060)**
Total comprehensive income / (loss) loss for the year	**-**	**(1,559,185)**	**(216,060)**	**-**	**(1,775,245)**
Issue of shares	9,487,270	-	-	-	**9,487,270**
Balance at 30 June 2011	**60,039,582**	**(35,120,462)**	**1,636,989**	**45,680**	**26,601,789**

For the year ended 30 June 2010

Consolidated	Issued Capital	Accumulated Losses	Net Unrealised Gain Reserve	Employee Benefit Reserve	Total Equity
Balance at beginning of year	50,552,312	(31,955,212)	384,182	45,680	**19,026,962**
Loss for the period	-	(1,606,065)	-	-	**(1,606,065)**
Other comprehensive income			1,468,867		**1,468,867**
Total comprehensive income / (loss) loss for the year	**-**	**(1,606,065)**	**1,468,867**	**-**	**(137,198)**
Balance at 30 June 2010	**50,552,312**	**(33,561,277)**	**1,853,049**	**45,680**	**18,889,764**

The accompanying notes form part of these financial statements.

	Notes	Consolidated Group 2011 $	Consolidated Group 2010 $
Cash Flows from Operating Activities			
Receipts from customers		5,159	32,890
Payments to suppliers and employees		(1,294,614)	(1,242,095)
Interest received		190,502	440,855
Tax payments		(443,397)	-
Net cash flows used in operating activities	16(b)	**(1,542,350)**	**(768,350)**
Cash Flows from Investing Activities			
Payments for plant and equipment		(687)	(174)
Proceeds from sale of listed investments		881,929	3,413,199
Payment for listed investments		(1,026,981)	(6,550,191)
Payment for shares in associates		(2,871,524)	(4,930,492)
Loans made (repaid)		2,626,673	(4,850,000)
Cash received on acquisition of subsidiary	23	943,378	-
Deposit redeemed		353,006	-
Net cash flows from investing activities		**905,794**	**(12,917,658)**
Cash Flows from Financing Activities			
Proceeds from issue of investments		-	-
Transaction costs on issue of shares		-	-
Net cash flows from financing activities		**-**	**-**
Net increase/decrease in cash and cash equivalents		**(636,556)**	**(13,686,008)**
Cash and cash equivalents at the beginning of the financial year		1,597,830	15,283,838
Cash equivalents at the end of the financial year	16(a)	**961,274**	**1,597,830**

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of Eurogold Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011.

Eurogold Limited is a Company limited by shares incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the consolidated entity are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

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

The financial report is prepared in Australian dollars.

The consolidated accounts have been prepared on the going concern basis of accounting, which assumes that the company and consolidated entity will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

(b) Compliance Statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New Accounting Standards and Interpretations that are not yet mandatory

The accounting policies adopted are consistent with those of the previous financial year except as follows:

From 1 July 2010, the Group has adopted all the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010, including:

- AASB 2009-5 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project, includes a number of amendments to existing standards.
- AASB 2010-3–Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- Interpretation 19 – Extinguishing financial liabilities with equity instruments

The adoption of these Standards and Interpretations have had no material impact on the financial statements

The Group has not elected to early adopt any new standards or amendments.

A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective. The relevant pronouncements are as follows:

AASB 9 - Financial Instruments addresses the classification and measurement of financial assets. The standard improves and simplifies the approach for classification and measurement of financial assets compared to AASB 139. The application date for the Group is 1 July 2013.

AASB 2009-11–Amendments to Australian Accounting Standards arising from AASB 9. This standard gives effect to consequential changes arising from the issuance of AASB 9. The application date for the Group is 1 July 2013.

AASB 2009-12–Amendments to Australian Accounting Standards. This amendment makes numerous editorial changes to range of Australian Accounting Standards and Interpretations. The application date for the Group is 1 July 2011.

AASB 2010-4– Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. The application date for the Group is 1 July 2011.

AASB 2010 -5 – Amendments to Australian Accounting Standards. This amendment makes numerous editorial changes to range of Australian Accounting Standards and Interpretations. The application date for the Group is 1 July 2011.

AASB 10 – Consolidated Financial Statements. This standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. The application date for the Group is 1 July 2013.

AASB 11 – Joint Arrangements. This standard replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. The application date for the Group is 1 July 2013.

AASB 12 – Disclosure of Interests in Other Entities. This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. The application date for the Group is 1 July 2013.

AASB 2011-7 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards. Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities. The application date for the Group is 1 July 2013.

AASB 13 – Fair Value Measurement. This standard establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. The application date for the Group is 1 July 2013.

AASB 2011-8 – Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 Fair Value Measurement. The application date for the Group is 1 July 2013.

AASB 2011-9 – Amendments to Australian Accounting Standards -Presentation of Items of Other Comprehensive Income. The main change resulting from the amendments relates to the 'Statement of Profit or Loss and Other Comprehensive Income' and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application date for the Group is 1 July 2012.

AASB 124 (revised) – Related Party disclosures. simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The application date for the Group is 1 July 2011A full assessment has not yet been completed of the impact of all the new or amended Accounting Standards and interpretations issued but not effective.

The effect of these changes has not yet been determined.

(d) Statement of Significant Accounting Policies

(i) Basis of Consolidation

The consolidated financial statements include 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".

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidated purposes, adjusted where necessary to comply with group policy and Australian Accounting Standards. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

(ii) *Investment in associate*
The Group's investment in associate is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The financial statements of associates are used by the Group to apply the equity method of accounting.

Investment in the associate is carried at cost plus post acquisition changes in the Group's share of net assets of the associate, less any impairment of value.

(iii) *Revenue recognition*
Revenue is recognised and measured at the amount received or receivables to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services
Revenue is recognised when the services have been rendered in accordance with the terms and conditions of the contract.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

(iv) *Income tax*
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises 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 the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary difference associated with investments in subsidiaries, deferred tax asset are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(v) *Goods and services tax*

Revenues, expenses and assets (other than receivables) are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(vi) *Plant and equipment*

Cost

Plant and equipment is stated at cost less any accumulated depreciation and any impairment losses.

The cost of an item of plant and equipment comprises:

- its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment other than land. Major depreciation periods are:

	Life	Method
Plant & equipment	3 – 5 years	straight line

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

Derecognition
An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(vii) *Impairment of non-financial assets*
At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

(viii) *Trade and other receivables*
All trade and other receivables are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the receivable.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Allowance for doubtful debts are made based on an assessment made by directors on the recoverability of receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(ix) *Investments and other financial assets*
Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on the trade date, ie the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available an supportable market data as possible and keeping judgmental inputs to a minimum.

(x) Leased assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the specific asset or assets and the arrangement conveys a right to use the asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are expensed in the statement of comprehensive income on a straight-line basis over the term of the lease.

(xi) Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(xii) Foreign currency translation

Both the functional and presentation currency of Eurogold Limited is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated financial report are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the original transaction.

Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(xiii) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements due to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to national government bonds that have terms to maturity approximating the terms of the related liability are used.

(xiv) *Provisions*

A provision is recognised when a legal or constructive obligation exists as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xv) *Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(xvi) *Issued Capital*

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the proceeds received.

(xvii) *Earnings Per Share*

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than dividends on ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and other non-discretionary changes in revenues and expenses that would result from the dilution of potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares of the Company adjusted for any bonus issue.

(xviii) *Interest-bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(xix) *Judgements in applying accounting policies and key sources of estimation uncertainty*

(i) *Significant accounting estimates and assumptions*

The carrying value of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are outlined below.

(ii) *Impairment of plant and equipment*

Plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

(iii) *Impairment of available-for-sale assets*
The Group holds a number of available-for-sale financial assets and follows the requirements of *AASB 139 Financial Instruments: Recognition and Measurement* in determining when an available-for-sale asset is impaired.

In making this judgement the Group assessed the duration and extent to which the fair value is less than cost.

(iv) Brinkley Mining PLC Functional Currency
Under the accounting standards, each entity within the group is required to determine its functional currency. As Brinkley does not represent a foreign operation and is an extension of the parent entity, it has been determined that its functional currency is Australian dollars.

(xx) *Share based payment transactions*

Equity settled transactions
The Group provides benefits to its employees, including key management personnel (KMP), in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

the grant date fair value of the award;
(i) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
(ii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged to previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award and designated as a replacement award on the date that it was granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

		Consolidated Group	
		2011	2010
3.	**REVENUE AND EXPENSES**	**$**	**$**
(a)	**From Continuing Operations**		
(i)	**Revenue and other income**		
	Revenue		
	Interest received	190,502	440,855
	Other	5,159	182,890
	Revenue	**195,661**	**623,745**
	Other income		
	Gain on sale of investments	224,970	835,414
(ii)	**Employee benefits expense**		
	Salaries and wages	502,154	462,667
	Superannuation	25,754	23,607
	Provision for employee entitlements	18,279	4,360
		546,187	**490,634**

4. INCOME TAX –

		2011	2010
(a)	Major components of income tax expense for the years ended 30 June 2011 and 2010 are:		
	Statement of comprehensive		
	Current income tax		
	Current income tax charge	-	138,073
	Under (Over) accrual of previous year	(80,082)	(110,229)
	Deferred income tax		
	Relating to origination and reversal of temporary differences	92,595	-
	Benefit arising from previously unrecognised deductable temporary differences	-	(629,514)
	Income tax expense/(benefit) reported in the Statement of Comprehensive Income	**12,513**	**(601,670)**
(b)	Amounts charged or credited directly to equity		
	Deferred income tax related to items charged (credited) directly to equity		
	Unrealised gain/(loss) on available for sale investments	(92,595)	629,514
	Income tax reported in equity	(92,595)	629,514
(c)	A reconciliation of income tax expense applicable to accounting (loss) / profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2009 and 2010 is as follows:		
	Accounting profit / (loss) before tax	(1,546,672)	(2,207,735)
	At statutory income tax rate of 30% (2010: 30%)	(464,002)	(662,320)
	Loss on associates	114,343	-
	Expenditure not allowed for income tax purposes	(23,018)	-
	Previously unrecognised temporary difference now utilised	-	(629,514)
	Deferred tax assets not brought to account	453,274	800,393
	Over provision for tax previous year	(80,082)	(110,229)
	Difference in tax rates	11,998	
	Income tax expense / (benefit) reported in the Statement of Comprehensive Income	**12,513**	**(601,670)**

	Statement of Financial Position 2011 $	2010 $
(d) **Deferred income tax**		
Deferred income tax at 30 June relates to the following:		
CONSOLIDATED		
Deferred tax assets		
Provision for employee entitlements	14,438	8,956
Value of listed investments held for trading	199,440	74,240
Value of investment in associate	18,992	783,256
Accruals	7,622	8,627
Tax Losses (Australia)	246,611	-
Tax Losses (UK)	22,207	-
Other (Australia)	17,203	-
Other (UK)	55,780	-
	582,293	875,079
Net deferred tax asset	582,293	875,079
Timing differences not recognised	(582,593)	(875,079)
Deferred tax benefit recognised	-	-

Deferred tax assets have not been brought to account at 30 June 2010 (other than to offset deferred tax liabilities) because the directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

(i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
(ii) the Consolidated Entity complies with the conditions for the deductibility imposed by law including the continuity of ownership and/or business tests; and
(iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction for the loss.

5. TRADE AND OTHER RECEIVABLES

	Consolidated Group 2011 $	2010 $
Current		
Other receivables	11,409	5,369,305
	11,409	**5,369,305**

Terms and conditions relating to the above financial instruments:
(i) Total other receivables in 2010 included an amount of $5,000,000 which bears interest of 8%. Total other receivables are non-interest bearing and have repayment terms between 30 days and 60 days.
(ii) There are no receivables that are aged past the payment terms, and all receivables are current.

6. INVESTMENTS CLASSIFIED AS HELD FOR TRADING

	Consolidated Group 2011 $	2010 $
Fair value of shares in listed companies	811,500	358,994
	811,500	**358,994**

Investments classified as held for trading consist of investments in ordinary shares. The fair value has been determined by Level 1 in accordance with the hierarchy disclosed in Note 27 (c).

7. AVAILABLE FOR SALE FINANCIAL ASSETS

Fair value of shares in listed entities held for sale	8,792,817	9,934,657
	8,792,817	**9,934,657**

Investments classified as held for trading consist of investments in ordinary shares. The fair value has been determined by Level 1 in accordance with the hierarchy disclosed in Note 27 (c).

8. INVESTMENT IN ASSOCIATE

Listed		
Dragon Mining Limited	16,252,864	-
Brinkley Mining Plc	-	2,319,636
	16,252,864	**2,319,636**

At 30 June 2011 the group held a 19.25% interest in Dragon. Significant influence is achieved as Mr Gunzburg is also director of Dragon.

a) Movements in the carrying amount of the Group’s investment in associates

Dragon Mining Limited		
Purchased on acquisition of Brinkley Mining	10,869,525	-
Transfer from available for sale	3,497,214	-
Cost of hares purchased after becoming an associate	1,949,428	-
Share of loss after income tax	(63,303)	-
Carrying value at 30 June	**16,252,864**	-
Market value of investment	**17,511,894**	-

b) Movements in the carrying amount of the Group’s investment in associates

Brinkley Mining Plc		
Cost	2,319,636	4,930,522
Cost of shares purchased during the period	480,630	-
Impairment allowance	-	(2,414,518)
Share of loss after income tax	(317,839)	(196,368)
Carrying value eliminated on acquisition of controlling interest in Brinkley	(2,482,427)	-
Carrying value at 30 June	-	**2,319,636**
Market value of investment	-	**2,319,636**

Where considered appropriate investments in associates have been impaired and written down to its recoverable amount based on its fair value less cost to sell.

	Consolidated Group	
	2011	**2010**
	$	**$**

c) Summarised financial information

The following table illustrates summarised financial information of Brinkley Mining:

Extract from the associates statement of financial position		
Current assets	-	1,544,209
Non-current assets	-	8,811,488
	-	10,355,697
Current liabilities	-	(8,794)
Net assets	-	10,346,903
Share of associates net assets	**-**	**4,152,212**

Extract from the associates statement of comprehensive income	**Year to date to 30 November 2010**	**1 July 2009 to 30 June 2010**
Other income	-	4,330,131
Expenses	(688,857)	(4,310,088)
Profit/ (Loss) for the period before taxation	(688,857)	20,043
Income tax expense	-	(223,549)
Profit/ (Loss) for the period after income tax	(688,857)	(203,506)
Share of associates profit / (loss) after income tax	**(317,839)**	**(196,369)**

d) Summarised financial information

The following table illustrates summarised financial information of Dragon Mining Limited:

	$000's	
Extract from the associates statement of financial position		
Current assets	33,017	-
Non-current assets	58,887	-
	91,904	-
Current liabilities	(14,070)	-
Non current liabilities	(7,976)	-
Net assets	69,858	-
Share of associates net assets	**13,448**	**-**

Extract from the associates statement of comprehensive income	**30 November 2010 – 30 June 2011**	**1 July 2009 to 30 June 2010**
Other revenue	39,849	-
Expenses	(39,941)	-
Profit/ (Loss) for the period before taxation	(92)	-
Income tax expense	(192)	-
Profit/ (Loss) for the period after income tax	(284)	-
		-
Share of associates profit / (loss) after income tax	(64)	-

	Consolidated Group	
	2011 **$**	**2010** **$**

9. PROPERTY, PLANT AND EQUIPMENT

	2011 $	2010 $
Land – at Cost	214,540	-
Accumulated Impairment	(214,540)	-
	-	
Plant and Equipment - at cost	22,241	26,509
Accumulated depreciation	(19,558)	(19,867)
	2,683	**6,642**
Net carrying amount at end of year	**2,683**	**6,642**

Reconciliation

Reconciliations of the net carrying amounts of property, plant and equipment at the beginning and end of the current and previous financial year.

	2011 $	2010 $
Land		
Net carrying amount at beginning of year	-	-
Additions	214,540	-
Disposals	-	-
Impairment allowance*	(214,540)	-
Net Carrying amount at end of year	**-**	**-**
Plant and equipment		
Net carrying amount at beginning of year	6,642	11,580
Additions	687	174
Disposals	-	-
Depreciation expense	(4,646)	(5,112)
Net Carrying amount at end of year	**2,683**	**6,642**

*As part of the asset acquisition of Brinkley mining PLC, land in rural South Africa with a value of $214,540 was recognised within the group. During the year management have attempted to market and negotiate a sale without success. Given the nature and location of this property management have been unable to substantiate the carrying value and have impaired the property.

10. PAYABLES AND ACCRUALS

	2011 $	2010 $
Trade and other payables	-	3,281
Sundry accruals	104,329	56,374
	104,329	**59,655**

Trade payables are generally paid within 30 days.

11. PROVISIONS

	2011 $	2010 $
Annual Leave	17,608	8,720
Long Service Leave	30,520	21,129
	48,128	**29,849**

12. INCOME TAX PAYABLE

	2011 $	2010 $
Income Tax Payable	93,739	616,217
	93,739	**616,217**

13. CONTRIBUTED EQUITY

	Consolidated Group 2011 $	2010 $
Issued and paid up capital		
Ordinary shares fully paid	60,039,582	50,552,312
	60,039,582	50,552,312

a) Movements in fully paid ordinary shares on issue:	**Number of Shares**	**Total $**
Balance at 1 July 2010	63,935,926	50,552,312
Shares issued	22,869,476	9,487,270
Balance at 30 June 2011	86,805,402	60,039,582

(b) Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(c) Share based payment plans

Recognised Share Based Payment Expenses

The expense recognised for employee services received during the year for equity–settled share based payment transactions was $NIL (2009: $NIL).

Type of Share Based Payment Plans

Share options are issued at the discretion of the board and subject to shareholder approval, as required. The Company has in place an Employee Option Scheme. To date no options have been issued under this plan.

Summary of Options Granted Under Share Based Payment Plan

(i) The opening balance of options on issue was 4,400,000
(ii) No options were issued, forfeited or exercised during the financial year ended 30 June 2011 (2010: Nil).

Weighted Average Remaining Contractual Life

400,000 Options expired on 10 August 2010.

Exercise Price

Options are exercisable at $0.30.

(d) Capital management

When managing capital, defined as equity, management's objective is to ensure that the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

14. RESERVES

	Consolidated Group 2011 $	2010 $
Employee Benefit reserve	45,680	45,680
Net unrealised gain reserve	1,636,989	1,853,049
	1,682,669	1,898,729
Employee Benefit		
Balance at beginning of year	45,680	45,680
Value of options granted and expensed	-	-
Balance at the end of the year	**45,680**	**45,680**
Net Unrealised Gain in available for sale investments		
Balance at beginning of year	1,853,049	384,182

Net unrealised gain	(308,657)	2,098,381
Tax effect	92,597	(629,514)
Balance at end of year	**1,636,989**	**1,853,049**

* The Employee benefit reserve is used to record the value of share based payments made to employees.
** The Net Unrealised Gain reserve is used to record the movements in the fair value of available for sale investments.

	Consolidated Group	
	2011	**2010**
	$	**$**

15. ACCUMULATED LOSSES

Balance at the beginning of the year	(33,561,277)	(31,955,212)
Net loss attributable to members	(1,559,185)	(1,606,065)
	(35,120,462)	**(33,561,277)**

16. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents in the Statement of Financial Position

Cash balances comprises		
Cash at bank	**961,274**	**1,597,830**

(b) Reconciliation of the net loss after tax to the net cash flows from operations

Net income/(loss) after income tax	(1,559,185)	(1,606,065)
Non cash adjustments		
Depreciation	4,646	5,112
Share of associate loss	381,142	196,368
Gain on sale of investments	(224,970)	(808,971)
Fair value adjustment on investments classified as held for trading	(88,350)	52,763
Impairment in investment in associate	-	2,414,488
Impairment in available for sale financial assets	253,076	-
Impairment in fixed assets	214,540	-
Foreign exchange gain/(loss)	(89,220)	
Income not received	-	(150,000)
Changes in Assets & Liabilities:		
Receivables	4,890	(5,222)
Prepayments	(7,017)	(5,575)
Payables	49,651	(263,938)
Provisions	18,279	(597,310)
Provision for taxation	(499,350)	-
Net cash used in operating activities	**(1,542,350)**	**(768,350)**

17. EXPENDITURE COMMITMENTS

There are no expenditure commitments not recorded in the Financial Statements

18. SEGMENT INFORMATION

The Group has identified one operating segment based on the internal reports that are reviewed and used by the chief executive officer and his management team in assessing performance and in determining the allocation of resources. The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements. For management purposes, the Group is organised into one main operating segment, which invests in equity securities. All the Group's activities are interconnected and all significant operating decisions are based on analysis of the Group as one segment. The financial results of the segment is the equivalent of the financial statements as a whole. All revenues and non-current assets are considered to be derived and held in one geographical area being Australia.

19. LOSS PER SHARE

Basic earnings per share amounts are calculated by dividing net income/loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income/loss attributable to ordinary equity holders of the parent adjusted for the weighted average number of ordinary shares and dilutive potential ordinary shares of the Company adjusted by any bonus issue.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated Group	
	2011	**2010**
Net Loss used in calculating basic and diluted EPS	(1,559,185)	(1,606,065)
Weighted average number of ordinary shares for basic earnings per share	77,219,019	63,938,988
Effect of dilution:		
Share options (i)	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**77,219,019**	**63,938,988**

(i) Share options on issue are not considered dilutive. The options on issue (4,400,000 options) potentially dilute basic earnings per share in the future, but were not included in the calculation of dilutive earnings per share because they are antidilutive for the period presented.

20. DIRECTORS & KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) 2011

P L Gunzburg	Executive Chairman
B Montgomery	Director (Non-Executive)
N T MacLachlan	Director (Non-Executive)
P Collinson	Company Secretary

(ii) 2010

P L Gunzburg	Executive Chairman
B Montgomery	Director (Non-Executive)
N T MacLachlan	Director (Non-Executive)
P Collinson	Company Secretary

(b) Interests in the Shares and Options of the Company and related Bodies Corporate

At 30 June 2011 the interests of the directors in the shares and options of Eurogold Limited were:

Ordinary Shares	Balance 1 July 2010	Granted as Remuneration	On exercise of options	Net change other	Balance 30 June 2011
Peter Gunzburg	3,977,934	-		229,133	4,207,067
Brett Montgomery	-	-		-	-
Neil MacLachlan	755,000			141,145	896,145

Options	Balance 1 July 2010	Expiration of Options	Balance 30 June 2011	% Vested
Peter Gunzburg	700,000	200,000	500,000	100%
Brett Montgomery	-	-	-	-
Neil MacLachlan	200,000	200,000	-	-

400,000 Director Options expired on 30 August 2010.

(c) Employment Contracts

There are no employment contracts in place between the Company and directors and executives.

(d) Compensation by Category: Key Management Personnel

	Consolidated Group	
	2011	2010
	$	$
Short-Term employee benefits	512,000	462,667
Post Employment	25,754	23,607
Movement in Employee Provisions	18,279	4,360
	556,033	**490,634**

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

Options granted to Key Management Personnel

The Company currently has an Options Scheme in place however during the year no options were under the scheme.

(e) Loans to Key Management Personnel

There are no loans between the entity and KMP.

21. AUDITORS' REMUNERATION

	Consolidated	
	2011	2010
	$	$
Amounts received or due and receivable by Ernst & Young Australia for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	47,799	40,652

22. RELATED PARTY DISCLOSURES

Other related party transactions

(a) **Wholly Owned Group Transactions**
Details of interests in controlled entities are set out in Note 23. Details of dealings are set out below.

(b) **Administration fees**
Fees are received from Dragon Mining Limited for administrative services; the amount received in the period is $5,159 (2010 $20,771). P Gunzburg is a Non-Executive Director of Dragon Mining Limited.

(c) **Ultimate Parent Company**
Eurogold Limited is the ultimate Australian holding Company.

(d) **Transactions with Other Related Parties**

There were no transactions with other related parties during the current or previous financial year.

23. ACQUISITION OF SUBSIDIARY

Acquisition of Brinkley Mining PLC

Eurogold Limited acquired a controlling interest on 30 November 2010 of the voting shares of Brinkley Mining PLC, a public company based in the United Kingdom involved in the identification and acquisition of holdings in natural resources. The acquisition was treated as an acquisition of an asset as the transaction involved the acquisition of cash, land and Brinkley's investment in Dragon Mining Limited.

The takeover was completed on 30 November 2010 with the acquisition of the remaining 53.86% of the issued share capital for the issue of 22,869,476 Eurogold shares valued at $9,487,270, being the fair value of the net assets acquired.

The cash inflow on acquisition is as follows

	$
Net cash acquired with the subsidiary	943,378
Net consolidated cash inflow	943,378

As a result of the acquisition of Brinkley, the Company holds a 19.25% interest in Dragon Mining Limited, as disclosed in Note 8.

Assets acquired	
Cash and cash equivalents	943,378
Land	214,116
Other Liabilities	(57,322)
Interest in Dragon	10,869,525
Net assets	11,969,697
Cost of Investment:	
Shares issued on Acquisition of 53.86% interest	9,487,270
Cost of Existing Interest in Brinkley	2,482,427
Net assets	11,969,697

24. CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Equity Interest held by consolidated entity %	
		2011	2010
Parent Entity:			
Eurogold Limited	Australia	100.0	100.0
Controlled entities of Eurogold Limited:			
Eurogold Holdings (Bermuda) Limited (i)	Bermuda	100.0	100.0
Eurogold (Bermuda) Limited (i)	Bermuda	100.0	100.0
Esmeralda Mining Limited (i)	Cyprus	100.0	100.0
Brinkley Mining PLC	UK	100.0	40.13

All interests in controlled entities are in the ordinary shares of these entities
(i) These entities are not audited locally by Ernst & Young

25. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no other matters or circumstances that have arisen since the end of the financial year which significantly, or may significantly effect:

- The consolidated groups operations in future years;
- The results of those operations in future years; or
- The consolidated entity's state of affairs in future years.

26. PARENT ENTITY – EUROGOLD LIMITED

Information relating to Eurogold Ltd:	2011 $	2010 $
Current assets	1,789,088	7,334,550
Total assets	27,857,911	19,595,485
Current liabilities	215,388	705,721
Non current liabilities	740,782	-
Total liabilities	956,170	705,721
Issued capital	60,039,582	50,552,312
Retained earnings	(34,820,510)	(33,561,277)
Reserves	1,682,671	1,889,764
Total shareholders' equity	26,901,743	18,889,764
(Loss)/profit of the parent entity	(1,259,233)	(1,606,065)
Total comprehensive loss of the parent entity	(513,486)	(137,198)

Refer to note 28 for disclosure of contingent asset and liabilities of the parent entity

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Management Objectives & Policies

The Group's principal financial instruments comprise cash, available for sale and trading assets and short term borrowings.

The main purpose of these financial instruments is to raise finance for the Group operations. The Group has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations.

The Company also has investments in listed companies, some of which are classified as held for trading and some considered long term investments.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(b) Interest Rate Risk - Consolidated

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets (excluding investments in controlled entities and associates) and financial liabilities are as follows:

Financial Instrument	**Floating Interest Rate**		**Non-Interest Bearing**		**Fixed Interest Rate**		**Total**		**Weighted Average Effective Interest Rate**	
	2011 $	**2010 $**	**2011 $**	**2010 $**	**2011 $**	**2010 $**	**2011 $**	**2010 $**	**2011**	**2010**
(i) Financial Assets										
Cash assets	961,274	1,597,830	-	-	-	-	961,274	1, 597,830	5.36	4.24
Receivables	-	5,000,000	11,409	369,305	-	-	11,409	5,369,305	-	-
Total financial assets	**961,274**	**6,597,830**	**11,409**	**369,305**	**-**	**-**	**972,683**	**6,967,135**		
(ii) Financial Liabilities										
Payables	-	-	104,329	59,655	-	-	194,329	59,655	-	-
Total financial liabilities	**-**	**-**	**104,329**	**59,655**	**-**	**-**	**194,329**	**59,655**		

The effect of a 1% increase in interest rates on the cash assets would be to increase the profit from continuing operations by $9,613 (2010: $15,978) and increase equity by $9,613(2010: $15,978). The effect of a 1% decrease in interest rates on the cash assets would be to decrease the profit from continuing operations by $9,613, (2010: $15,978) and decrease equity by $9,613(2010: $15,978).

The effect of a 1% increase in interest rates on receivables would be to increase the profit from continuing operations by $nil (2010: $50,000) and increase equity by $nil (2010: $50,000). The effect of a 1% decrease in interest rates on receivables would be to decrease the profit from continuing operations by $nil (2010: $50,000) and decrease equity by $nil (2010: $50,000).

c) Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements at amortised cost approximates their respective fair values.

The Fair Value Hierarchy assigns rankings to the level of judgment which is applied in deriving inputs for valuation techniques used to measure fair value. The three levels of the Fair Value Hierarchy are as follows:

Level 1 is the preferred input for valuation and reflects unadjusted quoted prices in active markets for identical assets or liabilities which the economic entity can access at the end of the reporting period. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 is the valuation of assets and liabilities either directly or indirectly based upon market observables other than quoted prices. For example: financial assets with fair values based on broker quotes; investments in private equity funds with fair values obtained via fund managers; and assets that are valued using the economic entities' own models whereby the majority of assumptions are market observable.

Level 3 relates to inputs that are unobservable. Unobservable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

(d) Credit Risk Exposures

The consolidated entity’s maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for doubtful debts, of those assets as indicated in the statement of financial position.

Concentration of Credit Risk

The consolidated entity is not materially exposed to any individual overseas country or individual customer.
The company only banks with reputable financial institutes with good credit ratings.

(e) Liquidity Risk

The consolidated entity’s objective is to maintain consistency of funding via the raising of equity or short term loans as and when required. The contractual maturity analysis of trade payables of $104,329 is set out in note 10. Refer to note 28 in reference to the royalty payment guaranteed by the Company.

(f) Market Price Risk on Held for Trading and Available for Sale Investments

The amount of investments recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2.

At 30 June 2011 had share prices moved, as illustrated in the table below, post tax, profit and equity would have been impacted as follows:

	Carrying Value	Share Price Movement +5%		Share Price Movement -5%	
		Profit	Equity	Profit	Equity
Shares in listed entities held for trading *	811,500	40,575	-	(40,575)	-
Shares in listed entities held available for sale*	8,792,817	-	439,641	-	(439,641)
Total	**9,604,317**	**40,575**	**439,641**	**(40,575)**	**(439,641)**

* All investments reflect unadjusted quoted prices in an active market and is classified as level 1

28. CONTINGENT ASSET AND LIABILITIES

a) On 10 July 2007 the Group disposed of its Ukrainian gold mining assets for US$5,000,000. US$3,000,000 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 assets.

b) The Company 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 Company on 10 July 2007. The royalty is up to 2% net smelter royalty per ounce of gold produced form 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 yet 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 Company total reserves identified at the project were not in excess of 750,000 ounces.

c) The Company is a defendant in proceedings commenced by the Republic of Yugoslavia in Yugoslavia seeking damages for the accidental overflow of treatment water from the tailings dam spillage on 30 January 2000. Eurogold believes that it has no liability to the Republic of Yugoslavia with respect to those proceedings.

Contingent Asset in associate Dragon Mining Limited:

Zara Gold Project:

In June 2010, Chalice Gold Mines Limited ("Chalice") exercised its option to purchase Dragon Mining (Eritrea) Ltd which held the 20% interest in the Zara Gold Project, Eritrea which resulted in the Dragon receiving $8.0 million in cash and 2 million Chalice shares which are escrowed for 12 months.

In addition, Chalice has obligation to pay Dragon Mining a further $4.0 million on the delineation of a 1 million ounce gold Reserve at the Zara Gold Project. On 4 June 2010, Chalice announced a maiden gold Reserve at the Zara Gold Project of 760,000 ounces from an indicated gold resource of 840,000 ounces

The Directors' of the Company declare that:

1) In the opinion of the directors:

   (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

      (a) complying with Accounting Standards and the Corporations Regulations 2001; and

      (b) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011and of their performance for the year ended on that date;

2) The financial report also complies with International Financial Reporting Standards.

3) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4) This declaration has been made after receiving the declarations required to be made to the Directors' in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

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

Peter Gunzburg
Executive Chairman
30 September 2011

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Independent auditor's report to the members of Eurogold Limited

Report on the financial report

We have audited the accompanying financial report of Eurogold Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Eurogold Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Eurogold Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
30 September 2011