

EUROGOLD LIMITED

ABN 58 009 070 384

HALF YEAR REPORT

31 DECEMBER 2006

CORPORATE DIRECTORY

Principal Registered Office in Australia

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Perth Western Australia 6000
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Share Registry - Australia

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Solicitors

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

Auditors - Australia

Ernst & Young
11 Mounts Bay Road
Perth Western Australia 6000

Auditors - Ukraine

BDO
26 Lesi Ukrainki Bldv
Kyiv 01133 Ukraine

Solicitors

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

Bankers - Australia

BankWest
853 Hay Street
West Perth Western Australia 6000

Bankers – London

Standard Bank London
Cannon Bridge House
25 Dowgate Hill
London EC4R 2SB

ASX Code

EUG - Fully Paid Ordinary Shares

AIM Code

EUG – Fully Paid Ordinary Shares

Nominated Advisor to AIM

RFC Corporate Finance Ltd
Level 8, 250 St Georges Tce
Perth, Western Australia 6000

Nominated Broker to AIM

Ambrian Partners
8 Angel Court
London EC2R 7HP

DIRECTORS REPORT

Your directors submit their report for the half-year ended 31 December 2006.

Directors

The names and details of the directors of Eurogold Limited ("the company") in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Peter Gunzburg	(Executive Chairman)
Brett Montgomery	(Non Executive Director)
Dennis Franks	(Non Executive Director) (Resigned 22 December 2006)
Christopher Barker	(Non-Executive Director) (Resigned 28 July 2006)
Neil MacLachlan	(Non Executive Director)

Company Secretary

Pauline Collinson

REVIEW AND RESULTS OF OPERATIONS

Corporate

- On 14 July 2006 Eurogold announced that it had accepted Oxus Gold Plc's (Oxus) repudiation of the asset sale agreement and had commenced legal proceedings against Oxus and its subsidiary Oxus Holdings (Malta) Limited (OHML) seeking damages.
- Successful capital raising in July 2006 of A\$2,000,000 through the issue of 40,000,000 fully paid ordinary shares.
- Mr Simon Pepper appointed as Eurogold's Chief Operating Officer in July 2006.
- On 18 August 2006 Eurogold was granted leave to serve Australian Federal Court proceedings against Oxus and OHML.
- New 5 year activity licence granted for the Saulyak Project in the Ukraine in October 2006.
- On 21 December 2006 Eurogold announced that the liquidator of Transgold and Explorer had accepted an offer of US\$7.3 million for the 2 companies with the successful bidder being a joint venture between Oxus Gold Plc and KazahkGold Group Ltd.
- On 21 December 2006 Eurogold announced that it had entered into an agreement for the sale of its Saulyak Gold Project to Dragon Mining NL (Dragon) an ASX listed mining company with a market capitalisation of approximately A\$70 million at a share price of A\$0.16 per share. As at 31 December 2006 Dragon had advanced A\$733,796 under the terms of the Loan Agreement to cover corporate and project costs.
- On 22 December 2006 Eurogold announced that it had entered into an agreement with IMF (Australia) Limited ("IMF") under which IMF will fund the ongoing Australian Federal Court Proceedings that Eurogold Limited and Eurogold Holdings (Bermuda) Limited have commenced against Oxus and OHML.

Ukraine

- During the half-year the underground drilling programme at the Saulyak Project in the Ukraine was the main focus of activities with the programme undertaken to:
 1. confirm and improve the understanding of the mineralisation and geological controls for the upper levels of the Saulyak deposit;

2. to help facilitate certification of Saulyak's existing C1 and C2 category ore reserves (under the Soviet resource classification system) by the relevant Ukrainian authorities; and
 3. to enable a JORC Code compliant Mineral Resource for the Saulyak deposit to be estimated.
- In October 2006 Eurogold was granted a new 5 year "Activities Licence" for the Saulyak Project by the State Geological Services of Ukraine which allows for all surface and underground activities to be carried out through to December 2011 (subject to having a sub-soil or mining licence – see below).
 - A design project for the execution of underground works aimed at satisfying the exploration licence conditions was completed by the Ukrainian design institute Kryvbasproekt and approved in principle by the Transcarpathian "expertise" review panel.
 - A revised work programme in support of an application for the conversion of the Saulyak "sub-soil" licence, which currently expires in November 2007, into a "Mining Licence" involving a budget of some A\$4m was prepared.
 - In December 2006 Saulyak LLC received a "temporary mine closure" order from the Ministry of Environmental Protection of the Ukraine which coincided with the 1 month Christmas closure of the mine. The reasons given for the closure have only a tenuous link to environmental protection and are not, in Eurogold's opinion, substantive. Legal action has been commenced in the Ukraine to have the order lifted.

Romania

- As announced on 21 December 2006 the liquidator for Transgold (in which Eurogold has a 50% equity interest and is also a major creditor) and Explorer (in which Eurogold has a 100% equity interest) accepted an offer of US\$7.3m for the 2 companies, with distributions to creditors and potentially shareholders of these entities expected to be made during the June 2007 half-year.

Significant Events After Balance Date

- On 26 February 2007 Eurogold announced that due to the "temporary mine closure" order from the Ministry of Environmental Protection of the Ukraine Dragon Mining NL had indicated that it will rely on the order to say that the due diligence condition precedents under the Share Sale Agreement have not been satisfied. As a consequence Eurogold and Dragon Mining have agreed to extend the completion date and are negotiating to reach an alternative arrangement at a lesser price.
- Since 31 December 2006 Dragon Mining NL have advanced a further A\$189,878 to assist Eurogold in meeting its corporate and project costs.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the period ended 31 December 2006. The written Auditor's Independence Declaration is attached to the Auditor's Independent Review Report to the members and forms part of this Director's Report.

Signed in accordance with a resolution of the Directors.

P GUNZBURG
Chairman

Perth, 16 March 2007

CONDENSED INCOME STATEMENT

For the half year ended 31 December 2006

	Note	CONSOLIDATED	
		For the half year ended 31 December 2006	For the half year ended 31 December 2005
Continuing Operations			
Revenue	3	12,372	192,216
Exchange gain/(loss)		(552,799)	400,477
Employee benefits expense		(169,369)	(230,075)
Depreciation expense		(2,042)	(23,577)
Consultants fees		(423,954)	(312,234)
Interest on loans		(18,675)	-
Impairment of loans to associated companies		-	(3,821,669)
Administration and other expenses		(434,879)	(656,970)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		(1,589,346)	(4,451,832)
INCOME TAX EXPENSE		-	-
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS AFTER INCOME TAX EXPENSE		(1,589,346)	(4,451,832)
Discontinued Operations			
Profit/(loss) from discontinued operations after income tax	9	(6,717,871)	(597,037)
LOSS FOR THE PERIOD		(8,307,217)	(5,048,869)
NET LOSS ATTRIBUTABLE TO MINORITY INTEREST		-	1,131
NET LOSS ATTRIBUTABLE TO MEMBERS OF EUROGOLD LIMITED		(8,307,217)	(5,047,738)
Basic and diluted loss per share (cents per share), for loss for the half-year attributable to members of Eurogold Limited		(2.70)	(2.03)
Basic and diluted loss per share (cents per share) from continuing operations for the half-year attributable to members of Eurogold Limited		(0.52)	(1.80)

CONDENSED BALANCE SHEET

As at 31 December 2006

		CONSOLIDATED	
		As at	As at
Note		31 December 2006	30 June 2006
Current Assets			
	Cash and cash equivalents	91,833	128,394
	Trade and other receivables	37,509	64,352
	Other	-	172,928
		129,342	365,674
	Assets of disposal group classified as held for sale	6,340,703	-
	Total Current Assets	6,470,045	365,674
Non-Current Assets			
	Trade and other receivables	29,225	-
	Plant and equipment	5,043	320,649
	Deferred exploration and evaluation	-	11,910,683
	Total Non-Current Assets	34,268	12,231,332
	TOTAL ASSETS	6,504,313	12,597,006
Current Liabilities			
	Trade and other payables	289,122	717,837
	Interest bearing loans and borrowings	1,260,845	706,442
	Provisions	129,618	129,794
		1,679,585	1,554,073
	Liabilities directly associated with the assets classified as held for sale	5,976	-
	Total Current Liabilities	1,685,561	1,554,073
	TOTAL LIABILITIES	1,685,561	1,554,073
	NET ASSETS	4,818,752	11,042,933
EQUITY			
<i>Equity attributable to equity holders of the parent</i>			
	Issued capital	41,345,565	39,366,815
	Reserves	1,585,834	1,481,548
	Accumulated losses	(38,112,647)	(29,805,430)
	Total parent entity interest in equity	4,818,752	11,042,933
	Minority interest	-	-
	TOTAL EQUITY	4,818,752	11,042,933

CONDENSED CASH FLOW STATEMENT

For the half year ended 31 December 2006

		CONSOLIDATED	
	Note	For the half year ended 31 December 2006	For the half year ended 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	238,789
Payments to suppliers and employees		(1,970,564)	(2,067,639)
Interest received		12,372	29,324
Expenditure on exploration and evaluation		(400,320)	(1,358,453)
		(2,358,512)	(3,157,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(39,881)	(143,972)
		(39,881)	(143,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances to related parties		-	(236,509)
Proceeds from borrowings		833,796	-
Proceeds from issue of ordinary shares		1,750,000	3,197,645
Payment of share issue costs		(21,250)	(44,942)
		2,562,546	2,916,194
NET INCREASE/(DECREASE) IN CASH HELD		164,153	(385,757)
Cash & cash equivalents at beginning of period	6	128,394	2,853,463
Disclosed as asset of disposal group for sale	9	(194,838)	-
Effects of exchange rate changes on cash		(5,876)	9,021
CASH & CASH EQUIVALENTS AT END OF PERIOD	6	91,833	2,476,727

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2006

	Attributable to Equity Holders of the Parent					Minority Interest	Total Equity
	Issued Capital	Foreign Currency Translation Reserve	Accumulated Losses	Discount on Minority Interest Reserve	Total		
Balance at beginning of period	39,366,815	(529,588)	(29,805,430)	2,011,136	11,042,933	-	11,042,933
Currency Translation Difference	-	104,286	-	-	104,286	-	104,286
Loss for Period	-	-	(8,307,217)	-	(8,307,217)	-	(8,307,217)
Total income/(expense) for the period	-	104,286	(8,307,217)	-	(8,202,931)	-	(8,202,931)
Issues of Share Capital	1,978,750	-	-	-	1,978,750	-	1,978,750
Movement in Minority Interest	-	-	-	-	-	-	-
Balance at End of Period	41,345,565	(425,302)	(38,112,647)	2,011,136	4,818,752	-	4,818,752

For the half year ended 31 December 2005

	Attributable to Equity Holders of the Parent					Minority Interest	Total Equity
	Issued Capital	Foreign Currency Translation Reserve	Accumulated Losses	Discount on Minority Interest Reserve	Total		
Balance at beginning of period	36,214,112	(838,868)	(19,589,156)	2,011,136	17,797,224	10,828	17,808,052
Currency Translation Difference	-	300,921	-	-	300,921	-	300,921
Loss for Period	-	-	(5,047,738)	-	(5,047,738)	(1,131)	(5,048,869)
Total income/(expense) for the period	-	300,921	(5,047,738)	-	(4,746,817)	(1,131)	(4,747,948)
Issues of Share Capital	3,197,645	-	-	-	3,197,645	-	3,197,645
Capital Raising Costs	(44,942)	-	-	-	(44,942)	-	(44,942)
Movement in Minority Interest	-	-	-	-	-	(4,914)	(4,914)
Balance at End of Period	39,366,815	(537,947)	(24,636,894)	2,011,136	16,203,110	4,783	16,207,893

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Eurogold Limited (the company) for the half year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 16 March 2007. Eurogold Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange and the Alternative Investment Market (AIM) London.

The nature of the operations and principal activities of Eurogold Limited and its controlled entities (the consolidated entity or Group) are described in Note 5.

2. Summary of Significant Accounting Policies

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Eurogold Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Eurogold Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001, the Australian Stock Exchange Listing Rules and the Alternative Investment Market (AIM) London.

(a) *Basis of Preparation*

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

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

(b) *Going Concern*

This report has been prepared on the basis that the Group is a going concern.

The consolidated entity has a net working capital deficiency of \$1,550,243 (30 June 2006: net working capital of \$1,188,399) and incurred losses from continuing operations after income tax of (\$1,589,346) for the half-year ended 31 December 2006 (31 December 2005: operating loss of \$4,208,606).

In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to obtain additional equity funding to support its future activities and, therefore, that the going concern basis is appropriate.

Given the generation by the Group of negative cash flows from an operation which is not expected to change in the immediate future, the Group is reliant on capital raising to continue to meet its obligations as they fall due, and if it is unable to secure funding through planned raisings, then there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(c) **Significant Accounting Policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for the adoption amending standards mandatory for annual periods beginning on or after 1 July 2006 as described below:

AASB 2004-3	Amendments to Australian Accounting Standards
AASB 2005-1	Amendments to Australian Accounting Standard
AASB 2005-3	Amendments to Australian Accounting Standard [AASB 119]
AASB 2005-4	Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]
AASB 2005-5	Amendments to Australian Accounting Standards [AASB 1 & AASB 139]
AASB 2005-6	Amendments to Australian Accounting Standards [AASB 3]
AASB 2005-9	Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]
AASB 2006-1	Amendments to Australian Accounting Standards [AASB 121]
AASB 2006-3	Amendments to Australian Accounting Standards [AASB 1045]
AASB 119 (revised)	Employee Benefits [revised December 2004]
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
Interpretation 7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
Interpretation 8	Scope of AASB 2
Interpretation 9	Reassessment of Embedded Derivatives

The above standards have had no impact on the group.

(d) **Basis of Consolidation**

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

(e) **Significant accounting judgments, estimates and assumptions**

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Carrying value of the assets and liabilities of the disposal group classified as held for sale

The assets and liabilities of the disposal group classified as held for sale (the Saulyak Gold Project) have been measured at management's best estimate of their fair value less costs to sell. The Saulyak Gold Project sale negotiations had not been concluded at the date of this report, consequently the final selling price has not been determined. Variations to the expected selling price and the timing thereof could result in significant changes to any impairment losses recognised, which could in turn impact future financial results.

NOTES TO THE FINANCIAL STATEMENTS**3. REVENUE**

	CONSOLIDATED	
	31 December 2006	31 December 2005
Revenues from services	-	162,892
Interest income	12,372	29,324
	12,372	192,216

4. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

5. SEGMENT INFORMATION

The Group primary segment reporting format is geographic locations. The Group operates only in one business segment, being minerals exploration.

Primary Segment – Geographical Segments

Eurogold Limited has the following geographical segments:

Ukraine

Ukraine is the location of the economic entity's main exploration activities, which comprise interests in the Saulyak Gold Mine project. The company is currently in negotiations with parties for the sale of these assets.

Romania

Romania is the location where the economic entity's main production operations via its interest in Transgold and Explorer are based. These companies were placed into liquidation via liquidation process. The consolidated entity has received A\$102,092.31 from this process since the end of the half-year.

Australia

Australia is the location of the central management and control of Eurogold, including where company secretarial services, accounting and cash management operations are performed.

NOTES TO THE FINANCIAL STATEMENTS
5. SEGMENT INFORMATION (Cont)

	Discontinued Operation		Continuing Operations		Total Operations
	\$ Ukraine	\$ Romania	\$ Australia	\$ Eliminations	\$ Total Consolidated
Revenues from ordinary activities	-	-	12,372	-	12,372
Segment result (loss)	(6,717,871)	(2,337)	(1,587,009)	-	(1,589,346)

**Primary Reporting – Geographical Segments
2005**

	Discontinued Operation		Continuing Operations		Total Operations
	\$ Ukraine	\$ Romania	\$ Australia	\$ Eliminations	\$ Total Consolidated
Revenues from ordinary activities	-	162,982	29,234	-	192,216
Segment result (loss)	(597,037)	(3,875,078)	(300,957)	(32,571)	(4,208,606)

NOTES TO THE FINANCIAL STATEMENTS
6. CASH & CASH EQUIVALENTS

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

	CONSOLIDATED	
	As at 31 December 2006	As at 30 June 2006
	\$	\$
Cash at bank and on hand	91,833	128,394

7. SUBSEQUENT EVENTS

On 26 February 2007 Eurogold announced that due to the "temporary mine closure" order from the Ministry of Environmental Protection of the Ukraine Dragon Mining NL had indicated that it will rely on the order to say that the due diligence condition precedents under the Share Sale Agreement have not been satisfied. As a consequence Eurogold and Dragon Mining have agreed to extend the completion date are negotiating to reach an alternative arrangement at a lesser price.

Since 31 December 2006 Dragon Mining NL have advanced a further A\$189,878, to assist Eurogold in meeting its corporate and project costs.

8. ISSUED CAPITAL

	CONSOLIDATED	
	As at 31 December 2006	As at 30 June 2006
	\$	\$
Ordinary Shares	41,345,565	39,366,815
	Number of Shares	AUD\$
Movement in ordinary shares on issue:		
Issued capital at 30 June 2006	279,679,494	39,366,815
Allotted and issued on 9 August 2006 for cash at \$0.05 per share, net of share issue costs	35,000,000	1,728,750
Allotted and issued on 21 December 2006 in lieu of loan from Director P Gunzburg	5,000,000	250,000
Total at 31 December 2006	319,679,494	41,345,565

At the Annual General Meeting of Shareholders held on 30 November 2006 Shareholder approval was obtained to issue a total of 35,000,000 free attaching Listed Options to subscribers under the Prior Share Issue subject to Eurogold lodging a prospectus with ASIC. These options have not yet been issued.

Shareholder approval was also obtained at the Annual General Meeting of Shareholders to issue 5,000,000 free attaching Listed Options to Mr Peter Gunzburg. These options have not yet been issued.

NOTES TO THE FINANCIAL STATEMENTS

9. DISCONTINUED OPERATIONS

(a) Assets and liabilities of disposal group

	As at 31 December 2006 \$
Assets	
Cash and cash equivalents	194,838
Trade and other receivables	175,257
Other	90,464
Plant & equipment	294,688
Deferred exploration and evaluation	11,922,707
Less impairment loss ^(a)	(6,337,251)
Net deferred exploration and evaluation	<u>5,585,456</u>
	<u>6,340,703</u>
Liabilities	
Trade and other payables	<u>5,976</u>

- (a) The \$6,337,251 impairment loss represents the write down of the exploration assets to recoverable amount. This has been recognised in the income statement in the line item "Discontinued Operations". The recoverable amount was based on the fair value less costs to sell and was determined at the cash-generating unit level. The cash-generating unit consists of the Ukrainian based assets of Eurogold Limited.

(b) Loss attributable to disposal group

	For the half-year ended 31 December 2006 \$	For the half-year ended 31 December 2005 \$
Employee benefits expense	(215,193)	(208,749)
Depreciation expense	(44,347)	(103,324)
Exchange loss	(6,892)	(4,667)
Administration and other expenses	(114,188)	(280,297)
Impairment of assets held for sale	(6,337,251)	-
Loss from discontinued operations	<u>(6,717,871)</u>	<u>(597,037)</u>

Basic and diluted loss per share (cents per share), from discontinued operations for the half-year attributable to members of Eurogold Limited

(2.19)

(0.24)

10. EXPLORATION AND DEVELOPMENT COMMITMENTS – SAULYAK PROJECT

Eurogold Limited owns 99.72% of the Saulyak Limited Liability Company ("SLLC"). SLLC holds various licences issued by the State Committee on Natural Resources of Ukraine to carry out exploration and exploration/commercial development of the Saulyak Gold Deposit.

SLLC has also entered into an Investment Agreement with Zakarpatskia Oblast State Administration in relation to the Saulyak Gold Project.

NOTES TO THE FINANCIAL STATEMENTS

Under the licences SLLC has agreed to carry out certain exploration activities and meet various expenditure commitments in relation to carrying out geological exploration works and the calculation and approval of explored resources.

The terms of the Investment Agreement may be changed by mutual agreement between the parties.

SLLC is in continuous discussions with the various Ukrainian authorities that administer its licences and the Investment Agreement in relation to the work commitments or contractual obligations that have to be carried out to satisfy the obligations under the licenses and Investment Agreement and for them to remain in good standing.

A failure to carry out the required work commitments or contractual obligations under the licences or Investment Agreement may result in SLLC being in breach of its obligations and render the licences or Investment Agreement liable to be cancelled.

The Company's ability to meet its work commitments in relation to the Saulyak Gold Project depends on its available cash resources, and should they be insufficient, its ability to raise additional funding in the financial markets (either debt or equity).

As at 31 December 2006 SLLC had received a "temporary mine closure" order from the Ministry of Environmental Protection of the Ukraine and work on the licence was suspended. SLLC has appealed against the order and Eurogold is continuing discussions for the sale of its Saulyak Gold Project.

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) subject to the considerations detailed in Note 2(b) of the financial statements, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

P GUNZBURG
Chairman

Perth, 16 March 2006

To the members of Eurogold Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half year financial report of Eurogold Limited and the entities it controlled during the half year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Eurogold Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

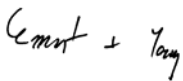
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Eurogold Limited and the entities it controlled during the half year, is not in accordance with:

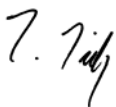
- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity’s financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2(b), “Going Concern”, to the financial statements, there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



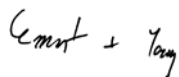
Ernst & Young



V W Tidy
 Partner
 Perth
 16 March 2007

Auditor's Independence Declaration to the Directors of Eurogold Limited

In relation to our review of the financial report of Eurogold Limited for the half-year ended 31 December 2006, 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



V W Tidy
Partner
Perth
16 March 2007