

**EUROGOLD**  
L I M I T E D

(ACN 009 070 384)

**Annual Report**  
**2008**

## CORPORATE DIRECTORY

### Directors

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

### Company Secretary

Pauline Collinson

### Principal Registered Office in Australia

Level 1  
173 Mounts Bay Road  
Perth Western Australia 6000  
Telephone: 08 9481 0572  
Facsimile: 08 9481 3586  
Website: [www.eurogold.com.au](http://www.eurogold.com.au)

### Postal Address

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

### Share Registry – United Kingdom

Computershare Investor Services PLC  
The Pavilions  
Bridgewater Road  
Bristol BS99 7NH  
United Kingdom  
Telephone: +44 (0)870 703 6025  
Facsimile: +44 (0)870 703 6115

### Auditors - Australia

Ernst & Young  
11 Mounts Bay Road  
Perth Western Australia 6000

### 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 year ended 30 June 2008.

### 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.

#### Names, qualifications, experience and special responsibilities

**Peter L Gunzburg**

Executive Chairman - Appointed 24 September 2001

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 was appointed Chairman of Fleetwood Corporation Limited on 20 February 2002 however has now stepped down from that role and is a Non-Executive, appointed Chairman of PieNetworks Limited on 29 April 2002, Non-Executive Director of Matra Petroleum PLC on 11 July 2006 and Non-Executive Director of Strike Oil Limited in October 2006. All these directorships are current.

**Brett Montgomery**

Non-Executive Director - Appointed 15 August 1989

Mr Montgomery has over 25 years experience in the gold mining industry and management of public companies. Mr Montgomery is not a director of any other public Company and has not held any directorships with ASX listed companies in the last three years.

**Neil MacLachlan**

Non-Executive Director - Appointed 13 July 2004

Mr MacLachlan has over 28 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. He was a director of Golden Prospect Plc (now Ambrian Capital Plc) from 1997 to September 2004, Titan Resources Ltd from 1988 to June 2005, Kestrel Energy Inc from 1999 to June 2006 and Geoinformatics Exploration Inc from 14 June 2005 to June 2006.

Mr MacLachlan currently holds directorships with Ambrian Partners, a London based investment bank focussed on natural resources (appointed 01/10/2004); Samson Oil & Gas Limited (appointed 1998), Extract Resources Ltd and Cambridge Mineral Resources Ltd (appointed 1 December 2006).

**Pauline Collinson**

Company Secretary – Appointed 7 November 2001

Mrs Collinson has been employed by the Company for 16 years, has held an executive position for 7 years and has 25 years experience in the mining industry. Mrs Collinson is also the Company Secretary of Dragon Mining Limited an ASX listed Company.

## 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 were:

	Ordinary Shares	Ordinary Shares Held Indirectly	Options over Ordinary shares	Unlisted Director Options Held Indirectly
Peter Gunzburg *	35,547,971	Yes	Nil	2,000,000
Brett Montgomery	3,000,000	N/A	Nil	N/A
Neil MacLachlan *	2,550,000	Yes	Nil	2,000,000

\* Unlisted Director Options issued to P Gunzburg and N MacLachlan in August 2007. The Options were issue in lieu of remuneration and are exercisable at \$0.03 on or before 10 August 2010 (pre consolidation).

## EARNINGS PER SHARE

	Cents
Basic Profit Per Share	0.99
Diluted Profit Per Share	0.99

Operating results for the year were:

	2008 \$	2007 \$
Total revenue from continuing activities	196,983	25,451
Income/(Loss) attributed to members of the parent	3,161,312	(11,086,137)

Included in the operating profit after taxation for the year ended 30 June 2008 are the following items:

- Net amount received on settlement of legal dispute	5,684,158	-
- Reversal of foreign exchange translation reserve	(421,212)	-
- Impairment of non-current assets	-	(9,629,535)
- Recovery of assets previously written off	-	2,231,945

## 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).

### Nature of operations and principal activities

Details in relation to the Company's operations are set out in the Review and Results of Operations.

## REVIEW AND RESULTS OF OPERATIONS

### CORPORATE

#### ***Rights Issue & Proposed Share Consolidation***

On 24 June 2008 the Company announced an underwritten non-renounceable rights Issue of one new Share for every one Share. The rights issue has been completed raising \$9,590,385. The funds raised from the Rights Issue will expand the range and size of investment opportunities that Eurogold can pursue.

Shareholder approval for a 10:1 consolidation of its share capital was received at a general meeting of Shareholders held on 12 August 2008. The Rights Issue will be completed prior to the consolidation of capital taking effect.

After the proposed share consolidation the Company will have approximately 64 million shares on issue.

At the same meeting Shareholder approval was received for the issue of 3,500,000 Options exercisable at \$1.00 (on a post consolidation basis) with an expiry date of 30 June 2014 to Shareholders who participated in a placement in July 2006, and the issue of a further 500,000 such Options to entities associated with Mr Peter Gunzburg in relation to the conversion of debts owed by the Company to Mr Gunzburg in July 2006. Shareholders previously approved the issue of the Options, however the Options were not issued.

Shareholder approval was also received to pay non-executive Directors, as remuneration for their services as non-executive Directors, an aggregate amount of up to \$200,000 per annum. It is not presently proposed that the full amount of the fees will be paid to non-executive Directors, however to ensure the Company can attract and retain suitable non-executive Directors it is proposed that the total amount payable by the Company each year to non-executive Directors be set at an aggregate amount of \$200,000.

#### ***Cancellation of AIM Listing***

Eurogold is no longer listed on AIM Market of the London Stock Exchange. As a result of selling the Saulyak Gold Project, the Company was due to be suspended from AIM on 10 July 2008 and would have had a further 6 months in which to complete a reverse takeover transaction or otherwise have its AIM listing cancelled.

Given this situation and the ongoing costs of around \$150,000 per annum, the Company decided to cancel its AIM listing effective 24 July 2008.

All shareholdings held through Eurogold's UK share registry have been migrated to the Company's Australian share register.

#### ***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.

#### ***Oxus Transaction***

In February 2008 the Company agreed to settle the Federal Court Proceedings with Oxus Holdings (Malta) Limited and Oxus Gold Plc ("Oxus") arising from the termination by Oxus of the Asset Sale Agreement entered into on 30 April 2006 for the sale of the Company's Ukrainian gold assets.

Without accepting any liability Oxus agreed to settle the dispute and pay Eurogold A\$8,463,000 made up of cash of approximately A\$6,780,000 and Oxus shares to the value of approximately A\$1,681,000.

The final cash component of the settlement was received in May 2008 and 2,722,074 Oxus shares were issued to Eurogold on 21 May 2008.

In accordance with the Funding Agreement entered into with IMF (Australia) Limited ("IMF") under which IMF funded the Australian Federal Court proceedings against Oxus, IMF were entitled to 30% of the total proceeds of the settlement.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than those disclosed elsewhere in this report 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 2008 totalled \$5,667,005 (2007: \$2,043,922).

Total assets at 30 June 2008 totalled \$6,133,225 (2007: \$2,784,894). The contingent asset of USD\$3,000,000 to be received if RIL meet key regulatory milestones have not been booked as an asset by the Company. The consolidated entity had cash reserves of \$1,630,529 at 30 June 2008.

### **RISK MANAGEMENT**

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that all Board members should be a part of this process, and as such the Board has not established a separate risk management committee at this stage.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

#### ***Rights Issue & Proposed Share Consolidation***

On 11 July 2008 Shareholder approval was received for:

- a 10:1 consolidation of its share capital after completion of the Rights Issue;
- the issue of 3,500,000 Options exercisable at \$1.00 (on a post consolidation basis) with an expiry date of 30 June 2014 to Shareholders who participated in a placement in July 2006, and the issue of a further 500,000 such Options to entities associated with Mr Peter Gunzburg in relation to the conversion of debts owed by the Company to Mr Gunzburg in July 2006. Shareholders previously approved the issue of the Options, however the Options were not issued;
- approval to pay non-executive Directors, as remuneration for their services as non-executive Directors, an aggregate amount of up to \$200,000 per annum.

On 8 September 2008 the Company completed a non-renounceable rights issue raising \$9,590,385 by the issue of 319,679,494 shares.

#### ***Cancellation of AIM Listing***

Eurogold is no longer listed on the AIM Market of the London Stock Exchange. As a result of selling the Saulyak Gold Project, the Company was due to be suspended from AIM on 10 July 2008 and would have had a further 6 months in which to complete a reverse takeover transaction or otherwise have its AIM listing cancelled.

Given this situation and the ongoing costs of around \$150,000 per annum, the Company has decided to cancel its AIM listing effective 24 July 2008.

All shareholdings held through Eurogold's UK share registry have been migrated to the Company's Australian share register.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

### ***Strategy Going Forward***

At a general meeting of Shareholders on 10 July 2007, and following disposal of its projects, the Directors advised that the Company would become a strategic investment company. As an investment company, Eurogold intends to actively seek investment opportunities in the resources sector by way of direct equity investments in companies with resource projects or directly into projects by way of ownership, joint ventures or farm-in arrangements.

The additional funds raised from the rights issue will enable Eurogold to pursue an expanded range of investment opportunities.

### ***Investment in Golden Tiger Mining NL***

In May 2008 Eurogold acquired 19.1 million shares, representing an interest of 19.89% in ASX listed Golden Tiger Mining NL. The shares were acquired through a placement by Golden Tiger at A\$0.10 per share.

Golden Tiger has several gold exploration projects in Guangxi Province in southern China which have delivered some very encouraging exploration results to date. The acquisition is consistent with the investing strategy approved by Eurogold shareholders in July last year, being an attractively valued natural resource sector investment which Eurogold believes has significant potential for rerating by capital markets as it advances its projects. In its role as their new largest shareholder, Eurogold intends to support Golden Tiger in its ongoing exploration and project acquisition activities.

## **DIVIDENDS**

No dividend has been declared or paid during the financial year.

## **SHARE OPTIONS**

### **Unissued shares**

As at the date of this report there are 4,000,000 outstanding options to issue. The options will be issued upon consolidation of the Company's share capital.

### **Shares issued as a result of the exercise of options**

During the financial year, no options to acquire ordinary shares in Eurogold Limited were exercised. Since the end of the financial year no options have been exercised and no new shares have been issued.

### **Employee Option Plan**

At the General Meeting held on 15 June 2004, shareholders approved the Employee Option Scheme. To date no Employee Options have been issued under the scheme.

## **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

During the year 7 directors' meetings were held. The number of meetings in which directors were in attendance was as follows:

	Directors' Meetings	
	No. of meetings held while in office	Meetings attended
Peter L Gunzburg	7	7
Brett Montgomery	7	7
Neil MacLachlan	7	7

## REMUNERATION REPORT (AUDITED)

### 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 a 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.

As the Company is in a developmental stage there is no link between remuneration and Company performance.

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 remuneration structure for the Managing Director is the same as that of the executive team, ie: the receipt 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. Such approval was granted at a general meeting on 12 August 2008. The Board considers advice from external consultants as well as 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.

During the year ended 30 June 2007 a cash bonus totalling \$15,000 was paid to a member of the key management personnel at the discretion of the board of directors. No cash bonuses were paid for the year ended 30 June 2008.



## Remuneration of directors and named executives

**Table 1: Directors' remuneration for the year ended 30 June 2008**

		Salary & Fees	Short-term Cash Bonus	Non Monetary Benefits	Other	Post Employment Superannuation	Retirement Benefits	Long-Term Incentive Plans	Share-based Payment Options	Total	Remuneration consisting of Options for the year %
P Gunzburg * ** ***	2008	62,375	-	-	12,600	71,273	-	-	20,280	166,528	12.8
Chairman	2007	213,544	-	-	12,400	13,500	-	-	-	239,444	-
B Montgomery	2008	27,500	-	-	-	-	-	-	-	27,500	0
Non-Executive	2007	27,500	-	-	-	-	-	-	-	27,500	-
N MacLachlan **	2008	-	-	-	-	-	-	-	20,279	20,279	100
Non-Executive	2007	46,852	-	-	-	-	-	-	-	46,852	-
<b>Total</b>	<b>2008</b>	<b>89,875</b>	-	-	<b>12,600</b>	<b>71,273</b>	-	-	<b>40,559</b>	<b>214,307</b>	<b>18.9</b>
<b>Total</b>	<b>2007</b>	<b>287,896</b>	-	-	<b>12,400</b>	<b>13,500</b>	-	-	-	<b>313,796</b>	-

\* Other includes payments of a motor vehicle allowance of \$12,600 (2007: \$12,400) paid to P Gunzburg.

\*\* Share Based Payment Options includes 2,000,000 Director Options issued to P Gunzburg in lieu of a reduction in salary and 2,000,000 Director Options issued to N MacLachlan in lieu of directors fees

\*\*\* 2007 adjusted to reflect employee provisions on an accruals basis

**Table 2: Executives Remuneration for the year ended 30 June 2008**

		Salary & Fees	Short-term Cash Bonus	Non Monetary Benefits	Other	Post Employment Superannuation	Retirement Benefits	Long-Term Incentive Plans	Share-based Payment Options	Total
P Collinson * **	2008	87,344	-	-	-	15,690	-	-	-	103,034
Company Secretary	2007	95,265	15,000	-	-	6,516	-	-	-	116,781

\* Paid on 3 August 2007. The cash bonus was paid at the discretion of the Board of Directors and was not linked to any specific performance indicators.

\*\* 2007 adjusted to reflect employee provisions on an accruals basis

**Table 3: Options Granted and Vested During the Year**

30 June 2008	Granted No.	Grant Date	Terms and Conditions for Each Grant					Vested	
			Fair Value Per Option at Grant Date (\$ (note 13))	Exercise Price Per Option (\$) (note 13)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
P Gunzburg	2,000,000	10 Aug 2007	\$0.011	\$0.03	10 Aug 2010	10 Aug 2007	10 Aug 2010	2,000,000	100
N MacLachlan	2,000,000	10 Aug 2007	\$0.011	\$0.03	10 Aug 2010	10 Aug 2007	10 Aug 2010	2,000,000	100

### **Options granted to directors and executive officers**

The Company currently has an Employee Option Scheme in place however during the year no options were granted to either specified directors or specified executive officers of the Company under the scheme.

Pursuant to Shareholder approval on 10 July 2007, 2,000,000 Director Options each with an exercise price of \$0.03 on or before 10 August 2010 were issued to Mr Peter Gunzburg and Mr Neil MacLachlan in lieu of a salary reduction of \$100,00 per annum for Mr Gunzburg and in lieu of directors fees for Mr MacLachlan.

\*\*\* End of Audited Remuneration Report \*\*\*

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Eurogold Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this annual 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 2008 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 2008 has been received and can be found on page 10.

Signed in accordance with a resolution of the directors

**Peter Gunzburg**  
Executive Chairman

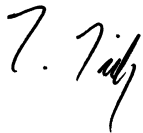
17 September 2008

## 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 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in black ink that reads 'VW Tidy'.

VW Tidy  
Partner  
17 September 2008

## 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.

Unless disclosed below, the best practice recommendations of the ASX Corporate Governance Council including the Combined Code On Corporate Governance have been applied for the entire financial year ended 30 June 2008. 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.

### Board Composition:

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 seven years, has extensive knowledge of the capital markets in Australia and London 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 names of the Directors of the Company in office at the date of this statement are:

<b>Name</b>	<b>Position</b>
Peter Lynton Gunzburg	Chairman – Executive Director
Brett Montgomery	Independent Director
Neil Thacker MacLachlan	Independent Director

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.

### **Securities Trading Policy:**

The Company has not as yet adopted a formal securities trading policy however the Directors and employees are restricted from acting on material information until it has been released to the market in accordance with the ASX requirements of continuous disclosure.

### **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.

### **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 Managing Director, Financial Consultant 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.

EUROGOLD LIMITED  
INCOME STATEMENT  
YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Continuing Operations</b>					
Revenue	3	196,983	25,451	196,983	25,451
Other Income	3	5,684,158	-	5,684,158	-
Depreciation expense	3	(3,205)	(3,802)	(3,205)	(3,802)
Administration expenses		(539,440)	(1,020,619)	(539,440)	(1,020,620)
Salaries and employee benefits		(335,538)	(260,194)	(335,538)	(260,194)
Consultants fees		(147,196)	(268,388)	(147,196)	(268,388)
Recovery of loans to associated entities previously written off		-	2,159,077	-	2,159,077
Recovery of loans to controlled entities previously written off		-	72,868	-	72,868
Foreign exchange (loss)/gain		15,074	(1,073,957)	15,074	(1,073,957)
Interest on loans	3	(20,120)	(85,719)	(20,120)	(85,719)
Impairment of investment in controlled entities		-	-	-	(5,638,922)
Movement of investments held for trading		(164,290)	-	(164,290)	-
Impairment of loans to controlled entities		-	-	-	(4,883,555)
Impairment of investments held for sale		(1,102,494)	-	(1,102,494)	-
Loss on sale of assets		(1,408)	-	(1,408)	-
<b>Income (Loss) from continuing operations before income tax</b>		<b>3,582,524</b>	<b>(455,283)</b>	<b>3,582,524</b>	<b>(10,977,761)</b>
Income tax (expense)/benefit	4	-	-	-	-
<b>Income (Loss) for the period from continuing operations after income tax expense</b>		<b>3,582,524</b>	<b>(455,283)</b>	<b>3,582,524</b>	<b>(10,977,761)</b>
<b>Discontinued Operations</b>					
Income (Loss) from discontinued operations after income tax	25	(421,212)	(10,630,854)	-	-
<b>Income (Loss) attributable to members of Eurogold Limited</b>		<b>3,161,312</b>	<b>(11,086,137)</b>	<b>3,582,524</b>	<b>(10,977,761)</b>
- basic and diluted profit (loss) per share (cents per share) for the year attributable to members of Eurogold Limited	19	0.99	(3.5)		
- basic and diluted profit (loss) per share (cents per share) from continuing operations for the year attributable to members of Eurogold Limited	19	1.12	(0.51)		

The accompanying notes form part of these financial statements.



	Notes	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Current Assets</b>					
Cash and cash equivalents	16	1,630,529	512,312	1,630,529	512,312
Receivables	5	100,498	9,481	100,498	2,264,249
Investments held for trading	6	727,103	-	727,103	-
Available for sale assets	25	-	2,254,768	-	-
Prepayments		29,300	-	29,300	-
<b>Total Current Assets</b>		<b>2,487,430</b>	<b>2,776,561</b>	<b>2,487,430</b>	<b>2,776,561</b>
<b>Non-Current Assets</b>					
Available for sale investments	7	3,631,971	-	3,631,971	-
Plant and equipment	8	13,824	8,333	13,824	8,333
Investment in associates	26	-	-	-	-
Investment in subsidiaries	26	-	-	-	-
Deferred exploration and evaluation	9	-	-	-	-
<b>Total Non-Current Assets</b>		<b>3,645,795</b>	<b>8,333</b>	<b>3,645,795</b>	<b>8,333</b>
<b>TOTAL ASSETS</b>		<b>6,133,225</b>	<b>2,784,894</b>	<b>6,133,225</b>	<b>2,784,894</b>
<b>Current Liabilities</b>					
Payables and accruals	10	448,689	116,865	448,689	116,865
Interest bearing loans and borrowings	11	-	490,104	-	490,104
Provisions	12	17,531	134,003	17,531	134,003
<b>Total Current Liabilities</b>		<b>466,220</b>	<b>740,972</b>	<b>466,220</b>	<b>740,972</b>
<b>TOTAL LIABILITIES</b>		<b>466,220</b>	<b>740,972</b>	<b>466,220</b>	<b>740,972</b>
<b>NET ASSETS</b>		<b>5,667,005</b>	<b>2,043,922</b>	<b>5,667,005</b>	<b>2,043,922</b>
<b>EQUITY</b>					
<i>Equity attributable to equity holders of the parent</i>					
Contributed equity	13	41,345,565	41,345,565	41,345,565	41,345,565
Reserves	15	40,559	1,589,924	40,559	-
Accumulated losses	14	(35,719,119)	(40,891,567)	(35,719,119)	(39,301,643)
<b>TOTAL EQUITY</b>		<b>5,667,005</b>	<b>2,043,922</b>	<b>5,667,005</b>	<b>2,043,922</b>

The accompanying notes form part of these financial statements.

**For the year ended 30 June 2008 – Consolidated**

	Issued Capital	Foreign Currency Translation Reserve	Accumulated Losses	Discount on Minority Interest Reserve	Employee Benefit Reserve	Total Equity
Balance at beginning of year	41,345,565	(421,212)	(40,891,567)	2,011,136	-	2,043,922
(Loss) Gain for Period	-	-	3,161,312	-	-	3,161,312
Total income/expense for the year	-	-	3,161,312	-	-	3,161,312
Value of Options granted	-	-	-	-	40,559	40,559
Transfer to income statement	-	421,212	-	-	-	421,212
Transfer to accumulated loss	-	-	2,011,136	(2,011,136)	-	-
<b>Balance at End of Year</b>	<b>41,345,565</b>	<b>-</b>	<b>(35,719,119)</b>	<b>-</b>	<b>40,559</b>	<b>5,667,005</b>

**For the year ended 30 June 2007 – Consolidated**

	Issued Capital	Foreign Currency Translation Reserve	Accumulated Losses	Discount on Minority Interest Reserve	Total Equity
Balance at beginning of year	39,366,815	(529,588)	(29,805,430)	2,011,136	11,042,933
Currency Translation Difference	-	108,376	-	-	108,376
Total income/expense recognised directly in equity	-	108,376	-	-	108,376
Loss for Period	-	-	(11,086,137)	-	(11,086,137)
Total income/expense for the year	-	108,376	(11,806,137)	-	(10,977,761)
Issues of Share Capital	1,978,750	-	-	-	1,978,750
<b>Balance at End of Year</b>	<b>41,345,565</b>	<b>(421,212)</b>	<b>(40,891,567)</b>	<b>2,011,136</b>	<b>2,043,922</b>

The accompanying notes form part of these financial statements.

**For the year ended 30 June 2008 - Parent**

	Issued Capital	Accumulated Losses	Employee Benefit Reserve	Total Equity
Balance at beginning of period	41,345,565	(39,301,643)	-	2,043,922
(Loss)/gain for Period	-	3,582,524	-	3,582,524
Total income/expense for the year	-	3,582,524		3,582,524
Value of options granted	-	-	40,559	40,559
<b>Balance at End of Period</b>	<b>41,345,565</b>	<b>(35,719,119)</b>	<b>40,559</b>	<b>5,667,005</b>

**For the year ended 30 June 2007 - Parent**

	Issued Capital	Accumulated Losses	Total Equity
Balance at beginning of period	<b>39,366,815</b>	<b>(28,323,882)</b>	<b>11,042,933</b>
Loss for Period	-	(10,977,761)	<b>(10,977,761)</b>
Total income/expense for the year	-	(10,977,761)	<b>(10,977,761)</b>
Issues of Share Capital	1,978,750	-	<b>1,978,750</b>
<b>Balance at End of Period</b>	<b>41,345,565</b>	<b>(39,301,643)</b>	<b>2,043,922</b>

The accompanying notes form part of these financial statements.

EUROGOLD LIMITED  
CASH FLOW STATEMENT  
YEAR ENDED 30 JUNE 2008

Notes	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	33,731	-	33,731	-
Payments to suppliers and employees	(886,579)	(2,815,371)	(886,579)	(1,994,078)
Interest received	163,252	25,451	163,252	25,451
Interest paid	-	(42,651)	-	(42,651)
Expenditure on mining interests	-	(798,865)	-	-
<b>Net cash flows used in operating activities</b>	<b>(689,596)</b>	<b>(3,631,436)</b>	<b>(689,596)</b>	<b>(2,011,278)</b>
16(b)				
<b>Cash Flows from Investing Activities</b>				
Proceeds from legal Settlement	4,426,829	-	4,426,829	-
Payments for plant and equipment	(11,204)	(33,904)	(11,204)	(5,050)
Proceeds on sale of plant and equipment	1,100	-	1,100	-
Loans repaid by associated Company	-	2,231,945	-	2,231,945
Payment for listed investments	(4,863,680)	-	(4,863,680)	-
Loans to controlled entities	-	-	-	(1,559,650)
Proceeds from disposal of Ukraine asset	2,254,768	-	-	-
Loans repaid by formerly controlled entities	-	-	2,254,768	-
<b>Net cash flows used in/from investing activities</b>	<b>1,807,813</b>	<b>2,198,041</b>	<b>1,807,813</b>	<b>667,245</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from issue of shares	-	1,750,000	-	1,750,000
Transaction costs on issue of shares	-	(21,250)	-	(21,250)
Proceeds from borrowings	-	1,189,066	-	1,189,066
Repayment of borrowings	-	(1,089,066)	-	(1,089,066)
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>1,828,750</b>	<b>-</b>	<b>1,828,750</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,118,217</b>	<b>395,355</b>	<b>1,118,217</b>	<b>484,717</b>
Cash and cash equivalents at the beginning of the financial year	512,312	128,394	512,312	27,595
Net foreign exchange differences	-	(11,437)	-	-
<b>Cash equivalents at the end of the financial year</b>	<b>1,630,529</b>	<b>512,312</b>	<b>1,630,529</b>	<b>512,312</b>
16(a)				

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 2008 was authorised for issue in accordance with a resolution of the directors on 17 September 2008.

Eurogold Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock 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 and Australian Accounting Standards.

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 consolidated entity will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

### **(b) Compliance with IFRS**

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**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Company's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in its existing subsidiary in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.  AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	If the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

\*Designates the beginning of the applicable annual reporting period unless otherwise stated.

**(d) Adoption of New Accounting Standard**

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments and AASB 2008-4 *Amendments to Key Management Personnel Disclosures by Disclosing Entities* during the financial year. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

**(e) 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 associates*

The Group's investment in associates is accounted for under the equity method of accounting in the consolidated financial statements.

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

Investments in associates are carried at cost plus post acquisition changes in the Group's share of net assets of associates, less any impairment of value.

*(iii) Revenue recognition*

Revenue is recognised 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 sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 sheet 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 sheet 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 sheet date.

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

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 balance sheet.

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 are 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:

	<u>Life</u>	<u>Method</u>
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 income statement 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.

Collectibility 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 balance sheet.

*(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 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 sheet 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 and 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 fulfillment 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 income statement on a straight-line basis over the term of the lease.

*(xi) Exploration and evaluation*

Exploration and evaluation costs are only carried forward in respect of areas of interest for which the rights of tenure are current and where:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to the area are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation that area of interest. Should the carrying value of

expenditure not yet amortised exceed its estimated recoverable amount in any year, the excess is written off to the income statement.

AASB6 "Exploration and Evaluation of Mineral Resources", the Australian equivalent to IFRS 6, has been applied in preparing these financial statements.

*Impairment*

The carrying values of exploration and evaluation costs are reviewed for impairment when facts or 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 such indication 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 exploration and evaluation costs is the greater of fair value less costs to sell and value in use.

(xii) *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.

(xiii) *Foreign currency translation*

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

The functional currency of all the overseas subsidiaries is United States dollars (US\$). As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Eurogold Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rate for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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 sheet date.

All exchange differences in the consolidated financial report are taken to the income statement.

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.

(xiv) *Employee benefits*

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected 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.

(xv) *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 income statement 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.

(xvi) *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet 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 balance sheet.

(xvii) *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.

(xviii) *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.

(xix) *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.

(xx) *Non-current assets and disposal groups held for sale and discontinued operations*

Non-current assets and disposal groups are classified as held for sale and measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(xxi) *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:

*(ii) Impairment of Investments in Controlled Entities*

Investments in controlled entities are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review of impairment is conducted the recoverable amount is assessed by reference to the net assets of controlled entities.

*(iii) Impairment of Loans to Controlled Entities*

Loans to controlled entities are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review of impairment is conducted the recoverable amount is assessed by reference to the net assets of controlled entities.

*(iv) 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.

*(v) Impairment of exploration and evaluation expenses*

Exploration and evaluation costs are reviewed for impairment when facts or circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate large independent cash flows, the recoverable amount is determined for the cash generation unit for which the asset belongs. If any such indication exists and where the carrying value exceeds the estimated recoverable amount the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of exploration and evaluation costs is the greater of fair value less cost to sell and value in use.

(xxii) *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 these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 July 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted.

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 income statement 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 income statement 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 as 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		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>3. REVENUE AND EXPENSES</b>				
<b>(a) From Continuing Operations</b>				
<b>(i) Revenue</b>				
Interest received	163,252	25,451	163,252	25,451
Other	33,731	-	33,731	-
	<b>196,983</b>	<b>25,451</b>	<b>196,983</b>	<b>25,451</b>
<b>(ii) Proceeds from settlement of legal dispute</b>				
Cash proceeds received	6,817,522	-	6,817,522	-
Value of shares received from Oxus Gold Plc	1,150,762	-	1,150,762	-
Value of loan and interest foregone	495,150	-	495,150	-
	8,463,434	-	8,463,434	-
Less costs associated with settlement	(2,779,276)	-	(2,779,276)	-
Net income received	<b>5,684,158</b>	<b>-</b>	<b>5,684,158</b>	<b>-</b>
<b>(iii) Expenses</b>				
Depreciation of non current assets				
Plant and equipment	3,205	3,802	3,205	3,802
Operating lease rental				
Minimum lease payments	-	27,668	-	27,688
Movement in assets held for trading	1,102,494	-	1,102,494	-
Impairment of available for sale financial assets	164,290	-	164,290	-
Recovery of loans to associated entities previously written off	-	-	-	(2,159,077)
Recovery of loans to controlled entities previously written off	-	-	-	(72,868)
Foreign exchange loss/(gain)	(15,074)	-	(15,074)	1,073,957
Impairment of investment in controlled entities	-	-	-	5,638,922
Impairment of loan to controlled entities	-	-	-	4,883,555
Interest on loans	(20,120)	(85,719)	(20,120)	(85,719)
<b>(iv) (Losses)/Gains</b>				
(Loss)/Gain on disposal of plant & equipment	1,408	-	1,408	-
<b>(v) Employee benefits expense</b>				
Salaries and wages	196,289	227,638	196,289	227,638
Superannuation	81,159	28,347	81,159	28,347
Value of options granted	40,559	-	40,559	-
Provision for employee entitlements	17,531	8,209	17,531	8,209
	<b>335,538</b>	<b>260,194</b>	<b>335,538</b>	<b>260,194</b>

#### 4. INCOME TAX

- (a) Major components of income tax expense for the years ended 30 June 2007 and 2006 are:

##### Income Statement

##### Current income tax

Current income tax charge

- - - -

##### Deferred income tax

Relating to origination and reversal of temporary differences

- - - -

Income tax expense reported in income statement

- - - -

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
(b) A reconciliation of income tax expense applicable to accounting 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 2007 and 2006 is as follows:				
Accounting income/(loss) before tax	3,161,312	(11,086,137)	3,582,524	(10,977,761)
At statutory income tax rate of 30% (2007: 30%)	948,394	(3,325,841)	1,074,757	(3,293,328)
Adjustment due to differential in overseas tax rates	-	149,872	-	-
Non deductible items	145,814	358,298	19,451	356,116
Non-assessable income	(4,522)	(669,584)	(4,522)	(669,584)
Assessable gain on sale of Ukraine gold assets	252,674	-	252,674	-
Options expense	12,168	-	12,168	-
Non-deductible impairment of investment in controlled entity	-	-	-	(3,156,743)
Impairment of held for sale investments	-	-	-	-
Impairment of loan from other entity	-	(33,861)	-	(33,861)
Impairment of held for trading assets	-	-	-	-
Impairment of assets held for resale – discontinued operations	-	2,888,861	-	-
Tax loss recognised	(1,708,621)	-	(1,708,621)	-
Unrecognised deferred tax asset	354,093	632,255	354,093	483,915
Income tax expense reported in income statement	-	-	-	-

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
	\$	\$	\$	\$

- (c) **Deferred income tax**  
Deferred income tax at 30 June relates to the following:

**CONSOLIDATED**

**Deferred tax assets**

Provision for employee entitlements	5,259	40,201	34,942	316
Value of listed investments	380,035	-	(380,035)	-
Accrued audit fee	9,000	-	(9,000)	-
Carried forward losses	903,378	2,611,999	1,708,621	(632,571)
	1,297,673	2,652,200	1,354,527	(632,255)
Deferred tax assets not recognised because realisation is not probable	(1,297,673)	(2,652,200)	-	-
Tax loss recognised	-	-	(1,708,621)	632,255
Unrecognised deferred tax asset	-	-	354,093	-
Deferred tax expense recognised	-	-	-	-

There were no items of income tax changed or credited directly to equity.

**PARENT**

**Deferred tax assets**

Provision for employee entitlements	5,259	40,201	34,942	316
Value of listed investment	380,035	-	(380,035)	-
Accrued audit fee	9,000	-	(9,000)	-
Carried forward losses	372,530	2,081,151	1,708,621	(484,231)
	<u>766,824</u>	<u>2,121,352</u>	<u>1,354,527</u>	<u>(483,915)</u>
Deferred tax assets not recognised because realisation is not probable	(766,824)	(2,121,352)	-	-
Tax loss recognised	-	-	(1,708,621)	483,915
Unrecognised deferred tax asset	-	-	354,093	-
Deferred tax expense recognised	-	-	-	-

Deferred tax assets have not been brought to account at 30 June 2008 (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.

Notes	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$

**5. RECEIVABLES**

**Receivables**

Other receivables	100,498	9,481	100,498	9,481
Loan - controlled entity	-	-	-	2,254,768
	<u>100,498</u>	<u>9,481</u>	<u>100,498</u>	<u>2,264,249</u>

Terms and conditions relating to the above financial instruments:

- (i) Other debtors are non-interest bearing and have repayment terms between 30 days and 60 days.
- (ii) Loan to controlled entity is repayable on demand.
- (iii) There are no receivables that are aged past the payment terms, and all receivables are current.

**6. INVESTMENTS HELD FOR TRADING**

Shares in listed companies (at fair value)	727,103	-	727,103	-
	<u>727,103</u>	<u>-</u>	<u>727,103</u>	<u>-</u>

**7. AVAILABLE FOR SALE FINANCIAL ASSETS**

Shares in listed entities held for resale (at fair value)	3,631,971	-	3,631,971	-
	<u>3,631,971</u>	<u>-</u>	<u>3,631,971</u>	<u>-</u>

During the year due to a significant decline in value of the investments an impairment of \$1,102,493 was recognised.

Notes	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>8. PLANT AND EQUIPMENT</b>				
- At cost	21,765	51,751	21,765	51,751
- Accumulated depreciation	(7,941)	(43,418)	(7,941)	(43,418)
<b>Net carrying amount at end of year</b>	<b>13,824</b>	<b>8,333</b>	<b>13,824</b>	<b>8,333</b>
<b>(a) Reconciliation</b>				
Reconciliations of the net carrying amounts of plant and equipment at the beginning and end of the current and previous financial year.				
<i>Plant and equipment</i>				
Net carrying amount at beginning of year	8,333	320,649	8,333	7,085
Additions	11,203	33,903	11,203	5,050
Disposals	(2,507)	-	(2,507)	-
Depreciation expense	(3,205)	(97,421)	(3,205)	(3,802)
Foreign exchange effect	-	(36,316)	-	-
Transferred to assets held for resale	-	(212,482)	-	-
<b>Net Carrying amount at end of year</b>	<b>13,824</b>	<b>8,333</b>	<b>13,824</b>	<b>8,333</b>
<b>9. DEFERRED EXPLORATION AND EVALUATION</b>				
<b>Reconciliation</b>				
Reconciliation of the net carrying amounts of exploration and evaluation costs at the beginning and end of the current and previous financial year				
Net carrying amount at the beginning of year	-	11,910,863	-	-
Additions	-	537,790	-	-
Disposals	-	-	-	-
Movement due to change in foreign exchange rate	-	(970,128)	-	-
Transfer to assets held for resale	-	(11,478,525)	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10. PAYABLES AND ACCRUALS</b>				
Trade and other payables	418,689	86,865	418,689	86,865
Sundry accruals	30,000	30,000	30,000	30,000
	<b>448,689</b>	<b>116,865</b>	<b>448,689</b>	<b>116,865</b>

Trade payables are non-interest bearing and are normally settled on 30 day terms.

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>11. INTEREST BEARING LOANS AND BORROWINGS - CURRENT</b>				
Loan – other entity	-	490,104	-	490,104
	<b>-</b>	<b>490,104</b>	<b>-</b>	<b>490,104</b>

The loan was of a short term nature provided to the Company by Oxus Gold Plc at an interest rate of libor + 3%. This loan was settled as part of the resolution of the legal dispute.

**12. PROVISIONS**

Annual Leave	9,726	69,584	9,726	69,584
Long Service Leave	7,805	64,419	7,805	64,419
	<b>17,531</b>	<b>134,003</b>	<b>17,531</b>	<b>134,003</b>

**13. CONTRIBUTED EQUITY**

**Issued and paid up capital**

Ordinary shares fully paid	<b>41,345,565</b>	<b>41,345,565</b>	<b>41,345,565</b>	<b>41,345,565</b>
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	2008		2007	
	Number of Shares	\$	Number of Shares	\$
<b>(a) Movements in shares on issue</b>				
Opening Balance	319,679,494	41,345,565	279,679,494	39,366,815
<b>Shares Issued during the reporting year</b>				
- 35,000,000 ordinary shares on 09/08/2006	-	-	35,000,000	1,750,000
- 5,000,000 ordinary shares on 21/12/2006	-	-	5,000,000	250,000
Less share issue costs	-	-	-	(21,250)
	<b>319,679,494</b>	<b>41,345,565</b>	<b>319,679,494</b>	<b>41,345,565</b>

**(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 \$40,559 (2007: \$nil)

*Type of Share Based Payment Plans*

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

*Summary of Options Granted Under Share Based Payment Plan*

During the year 4,000,000 Director Options with an exercise price of \$0.03 exercisable by 10 August 2010 were issued to Directors.

- (i) The opening balance of options on issue was nil
- (ii) No options were forfeited, exercised or expired during the financial year ending 30 June 2008
- (iii) All options granted during the year are exercisable

*Weighted Average Remaining Contractual Life*

Options expire on 10 August 2010.

*Exercise Price*

Options are exercisable at \$0.03.

*Weighted Average Fair Value*

The weighted average fair value of options is \$0.011.

*Options Pricing Model*

The fair value of the equity settled share options granted under the share based payment plan is estimated at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted based on the following assumptions:

- Dividend yield 0%
- Expected volatility 100%
- Risk free interest rate 6.3%
- Expected option life 3 years
- Weighted average share price at measurement date \$0.02

**(c) Capital management**

When managing capital, managements 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.

Since the end of the financial year the Company has raised \$9,590,385 via the issue of 319,679,494 shares pursuant to a non-renounceable rights issue.

Shareholder approval has been received to consolidate the Company's shares on issue at the ratio of 10:1.

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>14. ACCUMULATED LOSSES</b>				
Balance at the beginning of the year	(40,891,567)	(29,805,430)	(39,301,643)	(28,323,882)
Net profit/(loss) attributable to members	3,161,312	(11,086,137)	3,582,524	(10,977,761)
Transfer from reserves	2,011,136	-	-	-
	<b>(35,719,119)</b>	<b>(40,891,567)</b>	<b>(35,719,119)</b>	<b>(39,301,643)</b>
<b>15. RESERVES</b>				
Discount on acquisition of minority interest	-	2,011,136	-	-
Foreign currency translation	-	(421,212)	-	-
Employee benefit reserve	40,559	-	40,559	-
	<b>40,559</b>	<b>1,589,924</b>	<b>40,559</b>	-
Discount on acquisition of minority interest				
Balance at beginning of the year	2,011,136	2,011,136	-	-
Transfer to Income Statement	(2,011,136)	-	-	-
Balance at the end of the year	-	<b>2,011,136</b>	-	-
The discount on acquisition of minority interest records the discount on acquisition of a minority interest in a controlled entity. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The foreign subsidiaries were disposed of during the year and accordingly the balances of both reserves have been transferred.				
Foreign exchange translation				
Balance at beginning of the year	(421,212)	(529,588)	-	-
Currency translation differences	-	108,376	-	-
Transferred to income statement	421,212	-	-	-
Balance at the end of the year	-	<b>(421,212)</b>	-	-
Employee Benefit				
Balance at beginning of year	-	-	-	-
Value of options granted	40,559	-	40,559	-
Balance at the end of the year	<b>40,559</b>	-	<b>40,559</b>	-

Pursuant to Shareholder approval on 10 July 2007, 2,000,000 Director Options each with an exercise price of \$0.03 on or before 10 July 2010 were issued to each of Mr Peter Gunzburg and Mr Neil MacLachlan in lieu of a salary reduction of \$100,000 per annum for Mr Gunzburg and in lieu of directors fees for Mr MacLachlan.

The employee benefit reserve records the value of options granted.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>16. CASH AND CASH EQUIVALENTS</b>				
(a) Reconciliation of cash				
Cash balances comprises				
Cash at bank	<b>1,630,529</b>	<b>512,312</b>	<b>1,630,529</b>	<b>512,312</b>
(b) Reconciliation of the net loss after tax to the net cash flows from operations				
Net income/(loss)	3,161,312	(11,086,136)	3,582,524	(10,977,761)
Depreciation	3,205	97,421	3,205	3,802
Net unrealised foreign exchange losses	(15,074)	1,081,231	(15,074)	1,073,957
Impairment of intercompany receivable	-	-	-	10,522,477
Recovery of loans previously written off	-	(2,231,945)	-	(2,231,945)
Options expense	40,559	-	40,559	-
Net received on settlement of legal dispute	(5,684,158)	-	(5,684,158)	-
Loss on investments held for trading	164,290	-	164,290	-
Impairment of available for sale investments	1,102,494	9,629,535	1,102,494	-
Writeback foreign exchange reserve	421,212	-	-	-
<i>Changes in Assets &amp; Liabilities:</i>				
Receivables	(91,017)	(40,787)	(91,017)	22,386
Prepayments	(29,300)	-	(29,300)	-
Deferred Exploration and Evaluation	-	(656,057)	-	-
Payables	353,353	(428,906)	353,353	(428,403)
Provisions	(116,472)	4,209	(116,472)	4,209
<b>Net cash from operating activities</b>	<b>(689,596)</b>	<b>(3,631,436)</b>	<b>(689,596)</b>	<b>(2,011,278)</b>
(c) Non cash financing and investing activities				
	<b>2008</b>	<b>2007</b>		
Non cash amounts forming part of legal dispute settlement				
• Value of loan and interest payable to Oxus Gold Plc	495,150	-		
• Value of shares received in Oxus Gold Plc	1,150,762			
<b>17. EXPENDITURE COMMITMENTS</b>				
(a) Commitments for exploration and development				
Pursuant to an agreement dated 18 May 2007 for the sale of Saulyak Resources Limited and Saulyak Limited Liability Company the Purchaser assumed all obligations for the expenditure commitments of Saulyak Limited Liability Company in relation to the Saulyak Gold Project as from 18 May 2007.				
(b) Operating lease commitments				
Minimum lease payments				
- not later than one year	-	7,920	-	-
- later than one year but not later than five years	-	-	-	7,920
- aggregate expenditure contracted for at balance date but not provided for	-	<b>7,920</b>	-	<b>7,920</b>



## 18. SEGMENT INFORMATION

The Group primary segment reporting format is its geographic locations.

During the year the Group operated solely as a holding and investment Company in Australia.

Included in income (loss) for 2008 from discontinued operations after tax is the transfer of the foreign currency translation reserve to the income statement of \$421,212 upon the sale of the Ukraine gold assets.

In the previous year the Group operated only in the minerals exploration segment. The Group had the following geographic segments:

### **Ukraine**

Ukraine was the location of the economic entity's main exploration activity which comprised a 99.72% interest in the Saulyak Gold Mine project.

### **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.

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the year ended 30 June 2007.

### **Year Ended 30 June 2007**

	<b>(Discontinued) Ukraine \$</b>	<b>(Continuing Entity) Australia \$</b>	<b>Eliminations \$</b>	<b>Consolidation \$</b>
Revenue from external customers – continuing operations	-	25,451	-	25,451
Revenue from external customers – discontinued operations	-	-	-	-
Other income	-	-	-	-
Segment result – continuing operations	-	(455,284)	-	(455,284)
Segment result – discontinued operations	(10,630,854)	-	-	(10,630,854)
Segment assets	2,308,556	2,784,884	(2,308,546)	2,784,894
Segment liabilities	(53,798)	740,972	53,798	740,972
Acquisition of plant and equipment, exploration and evaluation and other non-current assets	617,103	5,050	-	622,153
Depreciation and amortisation	93,619	3,802	-	97,421
Other non cash expense - foreign exchange gain(loss)	1,194,103	1,186,829	(1,186,829)	1,194,103
Impairment expense	9,516,663	(112,872)	112,872	9,516,663

## 19. EARNINGS 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:

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
Income/ (Loss) attributable to ordinary equity holders of the parent (used in calculating basic and diluted EPS)	3,161,312	(11,086,137)
Income/ (Loss) attributable to ordinary equity holders of the parent (used in calculating basic and diluted EPS) from continuing operations	3,582,524	(1,613,271)
Weighted average number of ordinary shares for basic earnings per share	319,679,494	313,446,617
Effect of dilution:		
Share options (i)	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>319,679,494</b>	<b>313,446,617</b>

(i) Share options on issue are not considered dilutive. The options on issue (4,000,000 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) 2008

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

#### (ii) 2007

P L Gunzburg	Managing Director	
B Montgomery	Director (Non-Executive)	
N T MacLachlan	Director (Non-Executive)	
D W Franks	Director (Non-Executive)	Resigned 22 December 2006
C J Barker	Director	Resigned 28 July 2006
P Collinson	Company Secretary	

### (b) Employment Contracts

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

### (c) Compensation by Category: Key Management Personnel

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-Term	196,289	485,939	196,289	485,939
Post Employment	81,159	15,526	81,159	15,526
Equity Based	40,559	-	40,559	-
	<b>318,007</b>	<b>501,465</b>	<b>318,007</b>	<b>501,465</b>

During the year ended 30 June 2008 4,000,000 options were granted to specified directors or specified executives for services provided.

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 granted to either key management personnel of the Company (or the consolidated entity) under the scheme.

**(c) Security Holdings of Key Management Personnel**

**Shares held in Eurogold Limited**

Shares	Ordinary Shares 1 July 2007	Purchases	Ordinary Shares 30 June 2008
<i>Directors</i>			
P Gunzburg	29,547,971	6,000,000 (i)	35,547,971
B Montgomery	2,200,000	800,000 (i)	3,000,000
N MacLachlan	2,550,000	3,000,000 (i)	5,550,000
		-	

(i) All purchases made on market at arms length.

**Options held in Eurogold Limited**

Shares	Options 1 July 2007	Options Granted as Remuneration	On Exercise of Options	Net Change Other	Options 30 June 2008	% Vested
<i>Directors</i>						
P Gunzburg	-	2,000,000	-	-	2,000,000	100%
B Montgomery	-	-	-	-	-	-
N MacLachlan	-	2,000,000	-	-	2,000,000	100%

**(d) Loans to Key Management Personnel**

There are no loans to key management personnel.

**(e) Loans from Key Management Personnel**

There are no loans from Key Management Personnel.

**(f) Services provided by related entities of Key Management Personnel**

Consulting fees of \$27,500 (2007: \$27,500) were paid to Gerise Pty Ltd a Company in which Mr B Montgomery is a director and has a financial interest and all transactions are on normal commercial terms and have been included in remuneration of directors.

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>21. AUDITORS' REMUNERATION</b>				
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	66,056	77,610	66,060	77,610
Amounts received or due and receivable by a related firm of Ernst & Young Australia for:				
- an audit or review of the financial report of subsidiaries	-	26,132	-	-
- Other services	-	-	-	-
	-	<b>26,132</b>	-	-

**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) Loans**

Loans between entities in the consolidated entity are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the consolidated entity and individual entities within the consolidated entity.

Parent

	2008 \$	2007 \$
Amount receivable from controlled entities	-	11,584,874
Less Provision for impairment	-	(9,330,106)
	-	<b>2,254,768</b>
Impairment expense for year	-	<b>4,883,555</b>
Amount receivable from associated entities	-	3,821,669
Less: Provision for impairment	-	(3,821,669)
	-	-
Impairment expense for year	-	-

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

## 23. CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Equity Interest held by consolidated entity %		Carrying Value of Investment	
		2008	2007	2008	2007
Parent Entity: Eurogold Limited	Australia			-	-
Controlled entities of Eurogold Limited:					
Eurogold Holdings (Bermuda) Limited (i)	Bermuda	100.0	100.0	-	-
Eurogold (Bermuda) Limited (i)	Bermuda	100.0	100.0	-	-
Explorer S.A. (ii)	Romania	0.0	98.3	-	-
Esmeralda Mining Limited (i)	Cyprus	100.0	100.0	-	-
Saulyak Resources Limited (iii)	Mauritius	0.0	100.0	-	-
Saulyak Limited Liability Company (iii)	Ukraine	0.0	99.72	-	-

*All interests in controlled entities are in the ordinary shares of these entities*

*(i) These entities are not audited locally by Ernst & Young*

*(ii) This entity was audited locally by a member firm of Ernst & Young International. This entity has been liquidated.*

*(iii) This entity was disposed of in the current year.*

## 24. EVENTS SUBSEQUENT TO BALANCE DATE

### ***Rights Issue & Proposed Share Consolidation***

On 24 June 2008 the Company announced an underwritten non-renounceable rights issue of one new Share for every one Share held. The rights issue was completed on 8 September 2008 raising \$9,590,385. The funds raised from the Rights Issue will expand the range and size of investment opportunities that Eurogold can pursue.

The Company has received Shareholder approval for a 10:1 consolidation of its share capital at a general meeting of Shareholders to be held on 12 August 2008.

After the proposed share consolidation the Company will have approximately 64 million shares on issue.

Shareholder approval has been received for the issue of 3,500,000 Options exercisable at \$1.00 (on a post consolidation basis) with an expiry date of 30 June 2014 to Shareholders who participated in a placement in July 2006, and the issue of a further 500,000 such Options to entities associated with Mr Peter Gunzburg in relation to the conversion of debts owed by the Company to Mr Gunzburg in July 2006. Shareholders previously approved the issue of the Options, however the Options were not issued.

Shareholder approval has also been received to pay non-executive Directors, as remuneration for their services as non-executive Directors, an aggregate amount of up to \$200,000 per annum. It is not presently proposed that the full amount of the fees will be paid to non-executive Directors, however to ensure the Company can attract and retain suitable non-executive Directors it is proposed that the total

amount payable by the Company each year to non-executive Directors be set at an aggregate amount of \$200,000.

**Cancellation of AIM Listing**

Eurogold is currently listed on the ASX and was listed on the AIM Market of the London Stock Exchange. As a result of selling the Saulyak Gold Project, the Company was due to be suspended from AIM on 10 July 2008 and would have had a further 6 months in which to complete a reverse takeover transaction or otherwise have its AIM listing cancelled.

Given this situation and the ongoing costs of around \$150,000 per annum, the Company decided to cancel its AIM listing effective 24 July 2008.

All shareholdings held through Eurogold's UK share registry will be migrated to the Company's Australian share register immediately following the cancellation date.

**25. NON FINANCIAL ASSETS HELD FOR RESALE**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Overseas operations to be disposed	-	2,254,768	-	-

**Disposal of overseas operations**

At 30 June 2007 the Company had entered into an agreement for the sale of its Ukraine gold assets. The sale completed on 14 July 2008.

**(i) Assets and liabilities of disposal group**

	As at	As at
	30 June 2008	30 June 2007
	\$	\$
<b>Assets</b>		
Trade and other receivables	-	177,182
Other	-	69,912
Plant & equipment	-	212,482
Deferred exploration and evaluation	-	11,478,525
Less impairment loss <sup>(a)</sup>	-	(9,629,535)
Net deferred exploration and evaluation	-	2,308,566
<b>Liabilities</b>		
Trade and other payables	-	(53,798)
	-	2,254,768

<sup>(a)</sup> The \$9,629,535 impairment loss represented the write down of the exploration assets to recoverable amount. This was 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. The recoverable amount has been determined based on the amount recoverable less costs to sell based on contractual terms and conditions signed with purchasers, excluding any consideration conditional on future events.

**(ii) Loss attributable to disposal group**

	For the year ended 30 June 2008 \$	For the year ended 30 June 2007 \$
Operating income	-	-
Employee benefits expense	-	(227,142)
Depreciation expense	-	(93,619)
Materials and consumables	-	-
Exploration expenditure written off	-	(142,808)
Exchange loss	-	(7,274)
Consultants fees	-	-
Administration and other expenses	-	(530,476)
Recovery of loans previously written off	-	-
Reversal of provision for diminution - loan other entity	-	-
Impairment of capitalized expenditure	-	-
Impairment of loans to other entity	-	-
Impairment of loans to associated companies	-	-
Loss on disposal of controlled entity	-	-
Impairment of assets held for sale	-	(9,629,535)
Foreign currency translation reserve on disposal	(421,212)	-
	<hr/>	<hr/>
Loss from discontinued operations	(421,212)	(10,630,854)
	<hr/>	<hr/>
Basic and diluted loss per share (cents per share), from discontinued operations for the year attributable to members of Eurogold Limited	(0.13)	(3.35)

**(iii) Cash flow information**

	For the year ended 30 June 2008 \$	For the year ended 30 June 2007 \$
<b>Net cash flows used in operating activities</b>	(1,620,158)	(1,620,158)
Net cash flows used in investing activities	(28,044)	(28,044)
Net cash flows used in financing activities	-	-
Net foreign exchange differences	(11,437)	(11,437)
Net cash flows used by disposal group	(1,659,639)	(1,659,639)

**26. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE**

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<i>Investment in Subsidiaries</i>				
Shares in controlled entity	-	-	-	23,169
Provision for impairment	-	-	-	(23,169)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Investment in Associates</i>				
Unlisted shares in associated entity (i)	-	-	-	7,605,188
Provision for impairment	-	-	-	(7,605,188)
	<hr/>	<hr/>	<hr/>	<hr/>

*(i) SC Transgold SA – in liquidation*

The value of shares in controlled entities is considered impaired in accordance with the policy set out in Note (2)(e)(xxi)(ii).

**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 held for resale 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$		
<b>(i) Financial Assets</b>										
Cash assets	1,630,529	512,312	-	-	-	-	1,630,529	512,312	7%	5.8%
Receivables	-	-	100,498	9,481	-	-	100,498	9,481	N/A	N/A
<b>Total financial assets</b>	<b>1,630,529</b>	<b>512,312</b>	<b>100,498</b>	<b>9,481</b>	<b>-</b>	<b>-</b>	<b>1,731,027</b>	<b>521,793</b>		
<b>(ii) Financial Liabilities</b>										
Payables	-	-	448,689	116,865	-	-	448,689	116,865	N/A	N/A
Loan – other entity	-	490,104	-	-	-	-	-	490,104	N/A	8.41%
<b>Total financial liabilities</b>	<b>-</b>	<b>490,104</b>	<b>448,689</b>	<b>116,865</b>	<b>-</b>	<b>-</b>	<b>448,689</b>	<b>606,969</b>		

The effect of a 1% increase in interest rates on the cash assets would be to increase the profit from continuing operations by \$24,889 (2007: \$3,607) and increase equity by \$24,889 (2007: \$3,607). The effect of a 1% decrease in interest rates on the cash assets would be to decrease the profit from continuing operations by \$24,889 (2007: \$3,607) and decrease equity by \$24,889 (2007: \$3,607).



**c) Interest Rate Risk - Parent**

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

Financial Instrument	Floating Interest Rate		Non-Interest Bearing		Fixed Interest Rate		Total		Weighted Average Effective Interest Rate	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008	2007
<b>(i) Financial Assets</b>										
Cash assets	1,630,529	512,312	-	-	-	-	1,630,529	512,312	7%	5.8%
Receivables	-	-	100,498	9,481	-	-	100,498	9,481	N/A	N/A
Receivables – controlled entities	-	-	-	2,254,768	-	-	-	2,254,768		
<b>Total financial assets</b>	<b>1,630,529</b>	<b>512,312</b>	<b>100,498</b>	<b>2,264,249</b>	<b>-</b>	<b>-</b>	<b>1,731,027</b>	<b>2,776,561</b>		
<b>(ii) Financial Liabilities</b>										
Payables	-	-	448,689	116,865	-	-	448,689	116,865	N/A	N/A
Loan – other entity	-	490,104	-	-	-	-	-	490,104	N/A	8.41%
<b>Total financial liabilities</b>	<b>-</b>	<b>490,104</b>	<b>448,689</b>	<b>116,865</b>	<b>-</b>	<b>-</b>	<b>448,689</b>	<b>606,969</b>		

The effect of a 1% increase in interest rates on the cash assets would be to increase the profit from continuing operations by \$24,889 (2007: \$3,607) and increase equity by \$24,889 (2007: \$3,607). The effect of a 1% decrease in interest rates on the cash assets would be to decrease the loss from continuing operations by \$24,889 (2007: \$3,607) and decrease equity by \$24,889 (2007: \$3,607).

**d) Net fair values of financial assets and liabilities**

The carrying amount of financial assets (excluding investment in controlled entities and associates) and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised Financial Instruments:

*Cash and cash equivalents:* The carrying amount approximates fair value because of their short-term maturity.

*Receivables and payables:* The carrying amount approximates fair value because they are held for short term to maturity.

*Interest bearing liabilities:* The carrying amount approximates fair value because they are held at a market rate for loans.

**(e) 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 provision for doubtful debts, of those assets as indicated in the balance sheet.

**Concentration of Credit Risk**

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

**(f) 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 \$448,689 is set out in note 10. The interest bearing loan of \$490,104 (2007) had an original maturity of less than twelve months, was repaid during the 2008 financial year.

**(g) Foreign Exchange Exposures**

At 30 June 2007 in the parent had intercompany loans due denominated in USD\$416,000. The effect of a 1 cent decrease in exchange rate assets would be to reduce the loss from continuing operations by \$26,881 and increase equity by \$26,881. The effect of a 1% increase in interest rates on the cash assets would be to increase the loss from continuing operations by \$26,881 and decrease equity by \$26,881.

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

	Carrying Value	Share Price Movement +5%		Share Price Movement -5%	
		Profit	Equity	Profit	Equity
Shares in listed entities held for trading	727,103	181,598	-	(181,598)	-
Shares in listed entities held available for sale	3,631,971	-	36,350	-	(36,350)

## **28. CONTINGENT ASSET AND LIABILITIES**

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 from the Saulyak Gold Project payable only in respect of ounces of gold produced over 750,000 ounces in total. Gold production from the Saulyak Gold Project has not 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.

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.

On 22 May 2007 Eurogold Limited and Eurogold (Bermuda) Limited entered into an Asset Sale Agreement with Resource Invest LLC ("RIL") pursuant to which RIL acquired Eurogold's interest in its Ukrainian assets for an initial payment of US\$2,000,000 and a further payment of US\$3,000,000 contingent upon RIL being awarded a mining license at the Saulyak Gold Project.

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

- 1) In the opinion of the directors:
  - (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) 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 period ending 30 June 2008.

On behalf of the Board

**Peter Gunzburg**  
Executive Chairman

Perth 17 September 2008

## 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 balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 2b, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *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 and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

*Auditor's Opinion*

**In our opinion:**

1. the financial report of Eurogold Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Eurogold Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

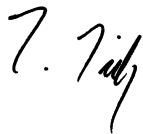
We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Eurogold Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

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

Ernst & Young

A handwritten signature in black ink that reads 'V. Tidy'.

V W Tidy  
Partner  
Perth  
17 September 2008

Additional information as required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 24 October 2008.

### Statement of Listed Shareholdings Held

Spread of Holdings	Number of Holdings	Number of Units	Percentage Issued Capital
1 - 1,000	148	62,981	0.10
1,001 - 5,000	90	258,816	0.40
5,001 - 10,000	34	268,025	0.42
10,001 - 100,000	102	4,133,074	6.46
100,0001 & Over	50	59,213,030	92.61
	<b>424</b>	<b>63,935,926</b>	<b>100.00</b>

### Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 187.

### Number of Securities on Issue

The following equity securities were on issue as at 24 October 2008.

- 63,935,926 fully paid ordinary shares
- 400,000 unlisted director options over ordinary shares exercisable at \$0.30 on or before 10 August 2010
- 4,000,000 unlisted options over ordinary shares exercisable at \$1.00 on or before 30 June 2014

### Top 20 Shareholders as at 6 October 2008

Name	Number of Shares	% Shares Held
Allied Properties Resources Limited	31,567,706	49.37
Sun Hung Kai Investment Services Ltd (Client Katong Assets Ltd A/C)	4,493,810	7.03
Mr Peter Lynton Gunzburg (The Bricklanding Super A/C)	3,594,891	5.62
HSBC Custody Nominees (Australia Limited)	3,234,726	5.06
Alpha Minerals Limited	1,882,081	2.94
Citicorp Nominees Pty Limited	1,092,639	1.71
Nefco Nominees Pty Ltd	947,517	1.48
ANZ Nominees Limited (Cash Income A/C)	767,549	1.20
Ibella Company Limited	850,900	1.33
Moutier Pty Ltd	759,250	1.19
Mr Jay Hughes & Mrs Linda Hughes (Inkese Super A/C)	650,000	1.02
HSBC Global Custody Nominee (UK) Limited	582,619	0.91
Zero Nominees Pty Ltd	547,605	0.86
Ibella Company Limited	500,000	0.78
Dr Graham Robert Forward	482,250	0.76
Bouchi Pty Ltd	450,000	0.70
BT Portfolio Services Limited (Warrell Holdings S/F A/C)	400,000	0.63
Colbern Fiduciary Nominees Pty Ltd	400,000	0.63
Ibella Company Limited	350,900	0.55
Pillage Investments Pty Ltd	350,000	0.55
Gerise Pty Ltd	300,000	0.47
Montana Realty Pty Ltd	300,000	0.47
Running Water Pty Ltd	300,000	0.47
	<b>54,804,443</b>	<b>85.73</b>

### **Voting Rights**

All ordinary shares carry one vote per share without restriction.

### **Option Holders**

The following Unlisted Options expiring on 30 June 2014 exercisable at \$1.00 were on issue as at 24 October 2008.

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<b>Name</b>	<b>Number of Options</b>
Zero Nominees Pty Ltd	850,000
Peter Gunzburg	500,000
Topsfield Pty Ltd	400,000
Graham Robert Forward	400,000
National Nominees Limited	200,000
Rivista Pty Ltd	200,000
Ibella Company Limited	200,000
Willbro Nominees Limited	200,000
Matalot Pty Ltd	200,000
Bouchi Pty Ltd	120,000
Pillage Investments Pty Ltd	100,000
Calm Holdings Pty Ltd	100,000
Running Water Limited	100,000
Nefco Nominees Pty Ltd	100,000
Craig Ian Burton and Katrina Lee Burton (The Burton Super Fund A/C)	100,000
Orion Equities Limited	60,000
Westedge Investments Pty Ltd	50,000
Wayne Richard Jones	50,000
Kirke Securities Limited	50,000
Brian Alec Roberts, Christine Laurie Roberts and Meredith Ann Fonti	20,000

### **Director Options**

The following Unlisted Director Options expiring on 10 August 2010 exercisable at \$0.30 were on issue as at 24 October 2008.

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<b>Name</b>	<b>Number of Options</b>
Peter Lynton Gunzburg	200,000
Neil Thacker MacLachlan	200,000

### **Voting Rights**

Option holders have no voting rights.

### **Substantial Holders as at 24 October 2008**

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<b><u>Name</u></b>	<b><u>Shares Held</u></b>
Allied Properties Resources Limited	31,567,706