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# **EUROGOLD LIMITED**

ABN 58 009 070 384

## **FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

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## **DIRECTORS'REPORT**

Your Directors submit the report of Eurogold Limited and its controlled entities ("Eurogold Limited" or "the Group") for the half year ended 31 December 2009.

### **Directors**

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

Peter Lynton Gunzburg  
Brett Montgomery  
Neil Thacker MacLachlan

### **Company Secretary**

Pauline Collinson

### **Review and Results of Operations**

As at 31 December 2009 the NTA per share of the Company was \$0.37 cents based on net assets totalling \$23,347,387.

During the half-year Eurogold Limited ("Eurogold" or "Company") acquired a 29.04% interest in AIM listed Brinkley Mining Plc ("Brinkley"). Eurogold subsequently increased its interest in Brinkley to 40.13% in February 2010.

Peter Gunzburg and Neil MacLachlan have both been appointed to the Board of Brinkley.

On 4 December 2009 Brinkley advised the London market that it had acquired approximately 8% of ASX listed Dragon Mining Limited ("Dragon"). In January 2010 Brinkley subsequently increased its interest in Dragon to 12.68%.

Mr Gunzburg has subsequently been appointed to the Board of Dragon.

### **Resource Invest LLC**

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

### **On Going Strategy**

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

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

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

### **Significant Events After Balance Date**

On 1 February 2010 the Company acquired an additional 39,500,00 shares in Brinkley at 1.45p per share taking Eurogold's interest in Brinkley to 143,000,000 ordinary shares representing 40.13% of Brinkley's issued capital.

On 17 February 2010 the Company acquired a further 250,000 shares in Brinkley at 0.91p per share. Accordingly, Eurogold's interest in Brinkley now totals 143,250,000 ordinary shares representing 40.2% of Brinkley's issued capital.

**Auditor's Independence Declaration**

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

Signed in Perth 15 March 2010 in accordance with a resolution of the Directors.



P Gunzburg  
Executive Chairman



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**DIRECTORS' DECLARATION**

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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of financial position of the consolidated entity as at 31 December 2009 and the performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



P Gunzburg  
Executive Chairman

Signed in Perth 15 March 2010



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**STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated	
		For the half year ended 31 December 2009	For the half year ended 31 December 2008
<b>Continuing Operations</b>			
Revenue	2	237,735	161,181
Share of profit of associate		294,642	-
Employee benefits expense		(233,038)	(160,206)
Depreciation expense		(3,236)	(4,037)
Consultants fees		(96,160)	(150,691)
Impairment of available for sale investments		-	(1,012,728)
Fair value movement of investments held for trading		809,902	(375,616)
Impairment of investment in associate		(1,797,552)	-
Administration and other expenses		(240,991)	(375,337)
<b>Net loss for the period</b>		<b>(1,028,698)</b>	<b>(1,917,434)</b>
Income tax benefit / (expense)		397,002	-
<b>Net loss for the period after income tax expense</b>		<b>(631,696)</b>	<b>(1,917,434)</b>
<b>Other comprehensive income</b>			
Net fair value gains on available-for-sale financial assets		6,031,285	1,537,483
Income tax on items of other comprehensive income		(1,079,164)	(461,245)
<b>Other comprehensive income for the period, net of tax</b>		<b>4,952,121</b>	<b>1,076,238</b>
<b>Total comprehensive income/(loss) for the period attributable to the members of Eurogold Limited</b>		<b>4,320,425</b>	<b>(841,196)</b>
Basic and diluted loss per share (cents), for the loss for the half-year attributable to members of Eurogold Limited		(0.99)	(3.70)
Basic and diluted loss per share (cents) from continuing operations for the half-year attributable to members of Eurogold Limited		(0.99)	(3.70)

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

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**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009**

		Consolidated	
Note	31 December 2009	30 June 2009	
<b>CURRENT ASSETS</b>			
	5	9,497,504	15,283,838
		19,003	11,077
	6	2,657,364	477,550
		4,210	2,846
		<b>12,178,081</b>	<b>15,775,311</b>
<b>NON-CURRENT ASSETS</b>			
	7	10,208,811	4,177,526
		8,515	11,580
	8	2,328,749	-
		<b>12,546,075</b>	<b>4,189,106</b>
		<b>24,724,156</b>	<b>19,964,417</b>
<b>CURRENT LIABILITIES</b>			
		76,302	323,593
		29,933	25,489
		502,913	423,725
		<b>609,148</b>	<b>772,807</b>
<b>NON CURRENT LIABILITIES</b>			
		767,621	164,648
		<b>767,621</b>	<b>164,648</b>
		<b>1,376,769</b>	<b>937,455</b>
		<b>23,347,387</b>	<b>19,026,962</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
	9	50,552,312	50,552,312
		5,381,983	429,862
		(32,586,908)	(31,955,212)
		<b>23,347,387</b>	<b>19,026,962</b>

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

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STATEMENT OF CASH FLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	For the half year ended 31 December 2009	For the half year ended 31 December 2008
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(801,961)	(960,182)
Interest received	213,246	158,289
Other income received	5,486	2,893
<b>Net cash used in operating activities</b>	<b>(583,229)</b>	<b>(799,000)</b>
<b>Cash flows from investing activities</b>		
Investment in associate	(3,831,659)	-
Proceeds on sale of investments	1,795,035	33,813
Purchase of plant and equipment	(1,534)	(3,208)
Payment for investments held for trading	(3,164,947)	(527,476)
Payment for available for sale investments	-	(917,721)
<b>Net cash used in investing activities</b>	<b>(5,203,105)</b>	<b>(1,414,592)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	9,590,384
Payment of share issue costs	-	(383,637)
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>9,206,747</b>
Net increase (decrease) in cash and cash equivalents	(5,786,334)	6,993,155
Cash and cash equivalents at the beginning of the period	15,283,838	1,630,529
<b>Cash and cash equivalents at the end of the period</b>	<b>9,497,504</b>	<b>8,623,684</b>

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2009

	Issued Capital	Accumulated Losses	Employee Benefit Reserve	Net Unrealised Gain Reserve	Total Equity
Balance at beginning of period	50,552,312	(31,955,212)	45,680	384,182	<b>19,026,962</b>
Loss for Period	-	(631,696)	-	-	<b>(631,696)</b>
Other comprehensive income	-	-	-	4,952,121	<b>4,952,121</b>
Total comprehensive income/(loss) for the period	-	(631,696)	-	4,952,121	<b>4,320,425</b>
<b>Balance at End of Period</b>	<b>50,552,312</b>	<b>(32,586,908)</b>	<b>45,680</b>	<b>5,336,303</b>	<b>23,347,387</b>

For the half year ended 31 December 2008

	Issued Capital	Accumulated Losses	Employee Benefit Reserve	Net Unrealised Gain Reserve	Total Equity
Balance at beginning of period	41,345,565	(35,719,119)	40,559	-	<b>5,667,005</b>
Loss for Period	-	(1,917,434)	-	-	<b>(1,917,434)</b>
Other comprehensive income	-	-	-	1,076,238	<b>1,076,238</b>
Total comprehensive income/(loss) for the period	-	(1,917,434)	-	1,076,238	<b>(841,196)</b>
Equity Transactions:					
Issues of Share Capital	9,590,384	-	-	-	<b>9,206,747</b>
Share Issue Costs	(383,637)	-	-	-	<b>5,208</b>
Share Based Payment	-	-	5,208	-	<b>5,208</b>
<b>Balance at End of Period</b>	<b>50,552,312</b>	<b>(37,636,553)</b>	<b>45,767</b>	<b>1,076,238</b>	<b>14,037,764</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### CORPORATE INFORMATION

The financial report of Eurogold Limited for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 15 March 2010.

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

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and other mandatory professional reporting requirements.

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

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Eurogold Limited during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

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

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

#### (b) New and amending Accounting Standards and Interpretations

From 1 July 2009 The Group has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009; including:

AASB 8 and AASB 2007-3	<i>Operating Segments and consequential amendments to other Australian Accounting Standards</i> AASB8 is a disclosure standard requiring disclosure of information about the Consolidated Entity's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Consolidated Entity.
AASB 101 (Revised) AASB 2007-8 and AASB 2007-10	<i>Presentation of Financial Statements (revised 2007) and other consequential amendments to other Australian Accounting Standards</i> The revised standard introduces a number of terminology changes, and introduces the statement of comprehensive income. The revised standard has resulted in a number of changes in presentation and disclosure.

Adoption of the new and Accounting Standards and Interpretations had no impact on the financial position or performance of the Group.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

#### (c) Basis of Consolidation

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

**2 REVENUE**

	<b>Consolidated</b>	
	<b>31 December 2009</b>	<b>31 December 2008</b>
<b>Revenue</b>		
Interest income	232,249	158,289
Other income	5,486	2,892
	<b>237,735</b>	<b>161,181</b>

**3 CONTINGENT ASSETS AND LIABILITIES**

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

- (a) On 10 July 2007 the Company disposed of its Ukrainian gold mining assets for US\$5,000,000. US\$3,000,000 (equivalent to A\$4,346,125) of this amount remains outstanding and will only be received upon the purchaser meeting a regulatory milestone relating to the advancement of the Saulyak Gold Project.

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

- (b) The Company is entitled to a 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 commenced with the current owners of the project yet to secure a mining licence. At the time of the sale of the project by the Company total reserves identified at the project were not in excess of 750,000 ounces.
- (c) The Company is a defendant in proceedings commenced by the Former Yugoslav Republic of Macedonia in seeking damages for the accidental overflow of treatment water from the tailings dam spillage on 30 January 2000. The Company believes that it has no liability with respect to those proceedings.

**4 SEGMENT INFORMATION**

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

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**5 CASH AND CASH EQUIVALENTS**

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

	<b>31 December 2009</b>	<b>30 June 2009</b>
Cash at bank and on hand	117,781	5,086,089
Term deposit	9,379,723	10,197,749
	<u>9,497,504</u>	<u>15,283,838</u>

**6 INVESTMENTS HELD FOR TRADING**

	<b>31 December 2009</b>	<b>30 June 2009</b>
Shares in listed companies (at fair value)	<u>2,657,364</u>	<u>477,550</u>

**7 AVAILABLE FOR SALE FINANCIAL ASSETS**

	<b>31 December 2009</b>	<b>30 June 2009</b>
Shares in listed entities held for resale (at fair value)	<u>10,208,811</u>	<u>4,177,526</u>

**8 INVESTMENT IN ASSOCIATED COMPANY**

	<b>31 December 2009</b>	<b>30 June 2009</b>
<b>a) Investment details</b>		
<i>Listed</i>		
Brinkley Mining Plc	<u>2,328,749</u>	<u>-</u>

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

Brinkley Mining Plc		
Cost	3,831,660	-
Share of profits after income tax	294,641	-
Impairment allowance	(1,797,552)	-
Carrying value at 31 December 2009	<u>2,328,749</u>	<u>-</u>

Market value of investment

2,328,749

**c) Summarised financial information**

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

**Extract from the associates statement of financial position**

Current assets	6,484,000
Non-current assets	6,379,000
	<u>12,863,000</u>
Current liabilities	(60,000)
Net assets	<u>12,803,000</u>
Share of associates net assets	<u>3,718,000</u>

**Extract from the associates statement of comprehensive income**

Other income	4,330,131
Expenses	(3,315,523)
Profit for the period before taxation	1,014,608
Income tax expense	-
Profit for the period after income tax	1,014,608
Share of associates profit after income tax	<b>294,641</b>

**9 CONTRIBUTED EQUITY**

<b>Issued and paid up capital</b>	<b>31 December 2009</b>	<b>30 June 2009</b>
Ordinary fully paid shares	50,552,312	50,552,312
	50,552,312	50,552,312

<i>Movements in fully paid ordinary shares on issue:</i>	<b>Number of shares</b>	<b>Total \$</b>
Balance at 1 July 2009	63,935,926	50,552,312
Balance at 31 December 2009	63,935,926	50,552,312

**10 SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE**

On 1 February 2010 the Company acquired an additional 39,500,00 shares in Brinkley Mining Plc at 1.45p per share taking Eurogold's interest in Brinkley to 143,000,000 ordinary shares representing 40.13% of Brinkley's issued capital.

On 17 February 2010 the Company acquired a further 250,000 shares in Brinkley Mining Plc at 0.91p per share. Accordingly, Eurogold's interest in Brinkley now totals 143,250,000 ordinary shares representing 40.2% of Brinkley's issued capital.

No circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the financial statements.

To the members of Eurogold Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eurogold Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Eurogold Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's review report was signed.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eurogold Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



G H Meyerowitz  
Partner  
Perth  
15 March 2010

## Auditor's Independence Declaration to the Directors of Eurogold Limited

In relation to our review of the financial report of Eurogold Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz  
Partner  
Perth  
15 March 2010

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