

EUROGOLD LIMITED

ABN 58 009 070 384

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

CONTENTS

	<u>Page No</u>
Directors' Report	2
Directors' Declaration	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Cash Flow	7
Consolidated Statement of Changes in Equity	8
Notes to the Financial Statements	9
Independent Auditor's Review Report	15

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 2014.

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
Arthur Dew (resigned 17 November 2014)
Carlisle (Lyle) Procter (resigned 17 November 2014)
Mark Wong (Alternate resigned 17 November 2014)
Brett Montgomery (appointed 17 November 2014)
Pauline Collinson (appointed 17 November 2014)

Company Secretary

Pauline Collinson

Review and Results of Operations

The loss per share of the Group for the half-year ended 31 December 2014 was 3.04 cents per share based on a net loss totalling \$2,769,429 (31 December 2013: profit per share of 0.016 cents per share based on a net profit totalling \$135,623).

As announced on 2 October 2014 Eurogold sold its 24.33% stake in Dragon Mining Limited ("Dragon") by way of a pro-rata offer to its shareholders ("Offer") on the basis of 0.25 Dragon shares for every 1 share held on the Record Date.

A total of 8,475,741 Dragon shares were purchased by existing shareholders taking up their entitlement under the Offer with the balance of 21,039,855 shares being purchased by the underwriter, Allied Properties Resources Limited ("Allied").

The Company's outstanding loan facility with Allied of \$2,245,920, including interest, was repaid in full.

On 18 November 2014 Eurogold announced that Allied Properties Resources Limited sold, by way of an off-market transaction, its 36.37% stake in Eurogold at 1.75 cents per share.

Messrs Arthur Dew and Carlisle Procter resigned as Directors of Eurogold on 18 November 2014 and Mr Brett Montgomery and Mrs Pauline Collinson were appointed as Non-Executive Directors.

On 24 November 2014 Eurogold announced a non-renounceable rights issue to raise up to \$1,519,094 on the basis of 1 new share for each share held at an offer price of \$0.0175 per share.

A total of 21,215,090 shares were issued to shareholders who participated in the offer. Subsequent to balance date, a further 35,902,857 shortfall shares were issued to participants who took up shortfall under the offer. It is anticipated that the remaining balance of shortfall shares will be placed prior to 18 March 2015.

Ongoing Strategy

It is the Directors intention to continue to examine prospective investment opportunities that will result in re-quotations of Eurogold's shares.

Significant Events After Balance Date

On 30 January 2015 the Company issued 35,902,857 shares to participants who took up the shortfall under the Company's recent rights issue.

EUROGOLD LIMITED
For the Half Year ended 31 December 2014

Other than set out above there have been no other matters or circumstances that have arisen since 31 December 2014 that has significantly affected or may significantly affect:

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

Auditor's Independence Declaration

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

Signed in Perth 16 March 2015 in accordance with a resolution of the Directors.



P Gunzburg
Executive Chairman

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of financial position of the consolidated entity as at 31 December 2014 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 consolidated entity 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 16 March 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
HALF YEAR ENDED 31 DECEMBER 2014**

	Note	Consolidated	
		For the half year ended 31 December 2014 \$	For the half year ended 31 December 2013 \$
Revenue	2	29,864	143
Loss on sale of investment in associate		(3,851,706)	-
Share of profit/(loss) of associate		1,641,399	(1,955,271)
Employee benefits expense		(104,940)	(96,672)
Depreciation expense		(798)	(866)
Consultants fees		(47,833)	(50,732)
Movement in the fair value of investments classified as held for trading		1,520	3,850
Interest expense		(129,268)	(83,671)
Reversal of impairment in associate		-	2,811,077
Foreign exchange loss		(87,320)	(45,106)
Impairment on available-for-sale financial assets		(56,459)	(275,652)
Other expenses		(163,888)	(171,477)
Net profit/(loss) for the period		(2,769,429)	135,623
Income tax (expense)/benefit		-	-
Net profit/(loss) for the period after income tax expense		(2,769,429)	135,623
Other comprehensive income			
Items that may be subsequently reclassified to operating result			
Fair value loss on available-for-sale financial assets		-	(225,832)
Impairment loss reclassified to profit and loss		-	275,652
Share of other comprehensive income of associate		(144,520)	(1,504,455)
Reversal of share of associates reserves on disposal		2,499,515	-
Other comprehensive loss for the period, net of tax		2,354,995	(1,454,635)
Total comprehensive profit/ (loss) for the period attributable to the members of Eurogold Limited		414,434	(1,319,012)
Basic and diluted (loss)/earnings per share (cents per share), for the half-year attributable to members of Eurogold Limited		(3.04)	0.016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

Consolidated		
Note	31 December 2014	30 June 2014
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	5 789,020	29,906
Trade and other receivables	40,839	24,791
Investments classified as held for trading	6 5,410	3,890
	835,269	58,587
NON-CURRENT ASSETS		
Available for sale investments	7 112,920	169,379
Plant and equipment	645	1,443
Investment in associate	8 -	2,594,845
	113,565	2,765,667
TOTAL NON-CURRENT ASSETS		
	948,834	2,824,254
CURRENT LIABILITIES		
Trade and other payables	81,981	86,489
Interest bearing liabilities	-	1,821,074
Provisions	21,896	28,563
	103,877	1,936,126
TOTAL CURRENT LIABILITIES		
	103,877	1,936,126
TOTAL LIABILITIES		
	844,957	888,128
NET ASSETS		
	844,957	888,128
EQUITY		
Contributed equity	9 60,410,845	60,039,582
Reserves	45,680	(2,309,315)
Accumulated losses	(59,611,568)	(56,842,139)
	844,957	888,128
EQUITY		
	844,957	888,128

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	For the half year ended 31 December 2014 \$	For the half year ended 31 December 2013 \$
Cash flows from operating activities		
Payments to suppliers and employees	(327,000)	(264,149)
Interest received	1,822	143
Other revenue	28,042	-
Net cash used in operating activities	(297,136)	(264,006)
Cash flows from investing activities		
Proceeds on sale of investment in associate	2,811,077	-
Net cash from investing activities	2,811,077	-
Cash flows from financing activities		
Issue of shares	371,263	-
Underwriting fee	(71,552)	-
Borrowing fees	-	(60,000)
Borrowings	191,382	304,060
Repayment of borrowings	(2,245,920)	-
Net cash (used in)/from financing activities	(1,754,827)	244,060
Net increase/(decrease) in cash and cash equivalents	759,114	(19,946)
Cash and cash equivalents at the beginning of the period	29,906	74,721
Cash and cash equivalents at the end of the period	789,020	54,775

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2014

	Issued Capital \$	Accumulated Losses \$	Employee Benefit Reserve \$	Net Unrealised Gain Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance at beginning of period	60,039,582	(56,842,139)	45,680	65,227	(2,420,222)	888,128
Loss for the period	-	(2,769,429)	-	-	-	(2,769,429)
Other comprehensive income	-	-	-	(65,227)	2,420,222	2,354,995
Issue of shares	371,263	-	-	-	-	371,263
Balance at End of Period	60,410,845	(59,611,568)	45,680	-	-	844,957

For the half year ended 31 December 2013

	Issued Capital \$	Accumulated Losses \$	Employee Benefit Reserve \$	Net Unrealised Gain Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance at beginning of period	60,039,582	(56,083,210)	45,680	15,411	(1,100,411)	2,917,052
Profit for the period	-	135,623	-	-	-	135,623
Other comprehensive income	-	-	-	49,820	(1,505,400)	(1,455,580)
Balance at End of Period	60,039,582	(55,947,587)	45,680	65,231	(2,605,811)	1,597,095

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 2014 was authorised for issue in accordance with a resolution of the Directors on 16 March 2015.

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 Unit B1, Tempo Building, 431 Roberts Road, Subiaco WA 6008.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2014 and considered together with any public announcements made by Eurogold Limited during the half year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

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

(b) New and amending Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the half-year consolidated financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2014, except for the adoption of new standards and interpretations as of 1 July 2014, including:

Reference	Title	Summary
AASB 2012-3	<i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2013-3	<i>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.
AASB 2014-1 Part A -Annual Improvements 2010-2012 Cycle	<i>Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010-2012 Cycle</i>	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

<p><i>AASB 2014-1 Part A -Annual Improvements 2011-2013 Cycle</i></p>	<p><i>Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011-2013 Cycle</i></p>	<p>Annual Improvements to IFRSs 2011-2013 Cycle addresses the following items:</p> <ul style="list-style-type: none"> ▶ AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ▶ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.
---	---	---

The adoption of the new and amended standards and interpretations had no impact on the financial position or performance of the Group.

The Group has not elected to early adopt any 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

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Revenue		
Interest revenue	1,822	143
Other income	28,042	-
	29,864	143

3 CONTINGENT ASSETS AND LIABILITIES

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

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

- (b) The Group has guaranteed the payment of a royalty by Saulyak Limited Liability Company based on gold output from the Saulyak Gold Project which was disposed of by the Group on 10 July 2007. The royalty is up to 2% net smelter royalty per ounce of gold produced from the Saulyak Gold project payable only in respect of ounces of gold produced over 750,000 ounces in total. Gold production from the Saulyak Gold Project has not commenced with the current owners of the project yet to secure a mining licence. At the time of the sale of the project by the Group total reserves identified at the project were not in excess of 750,000 ounces.

4 SEGMENT INFORMATION

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

5 CASH AND CASH EQUIVALENTS

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

	31 December 2014	30 June 2014
	\$	\$
Cash at bank and on hand	789,020	29,906

6 INVESTMENTS HELD FOR TRADING

	31 December 2014	30 June 2014
	\$	\$
Shares in listed companies classified as held for trading (at fair value)	5,410	3,890

7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2014	30 June 2014
	\$	\$
Shares in listed companies classified as available-for-sale (at fair value)	112,920	169,379

8 INVESTMENT IN ASSOCIATE

	31 December 2014	30 June 2014
	\$	\$
a) Investment details		
<i>Listed</i>		
Dragon Mining Limited	-	2,594,845

The Group disposed of its interest in Dragon Mining Limited ("Dragon") during the period.

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

Cost of investment:

Carrying value at 30 June 2014	2,594,845	3,459,726
Share of associate's profit/(loss) after income tax	1,641,399	(2,139,915)
Share of associate's other comprehensive income	(144,520)	(1,319,811)
Reversal of previous impairment	-	2,594,845
Disposal of interest in associate	(4,091,724)	-
Carrying value at 31 December 2014	-	2,594,845
Fair value of investment	-	2,594,845

9 CONTRIBUTED EQUITY

Issued and paid up capital	31 December 2014	30 June 2014
	\$	\$
Ordinary fully paid shares	60,410,845	60,039,582
<i>Movements in fully paid ordinary shares on issue:</i>		
Balance at 31 December 2013	86,805,402	60,039,582
Balance at 1 July 2014	86,805,402	60,039,582
Issued during period	21,215,090	371,263
Balance at 31 December 2014	<u>108,020,492</u>	<u>60,410,845</u>

10 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 30 January 2015 the Company issued 35,902,857 shares to participants who took up the shortfall under the Company's recent rights issue raising \$628,300.

Other than set out above there have been no other matters or circumstances that have arisen since 31 December 2014 that has significantly affected or may significantly affect:

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

11 EXPENDITURE COMMITMENTS

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

12 FINANCIAL INSTRUMENTS

Risk Management Activities

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

Financial Instruments

Set out below is an overview of financial instruments held by the Group.

	As at 31 December 2014	30 June 2014
	Unaudited	Audited
	\$	
Financial assets:		
Cash and cash equivalents	789,020	29,906
Trade and other receivables - at amortised cost	40,839	24,791
Investments classified as held for trading	5,410	3,890
Other	-	-
Total current assets	835,269	58,587
Available for sale financial assets - at fair value	112,920	169,379
Total non-current	948,189	227,966

EUROGOLD LIMITED

For the Half Year ended 31 December 2014

Financial liabilities:

Trade and other payables - at amortised cost	81,975	86,489
Interest bearing loans and borrowings - at amortised cost	-	1,821,074
Total current liabilities	81,975	1,907,563
Total	81,975	1,907,563

The carrying value of the Group's financial instruments is considered to approximate fair value at 31 December 2014.

Fair value hierarchy:

The Group uses the following method in estimating the fair value of financial instruments:

Level 1 - the fair value is calculated using quoted prices in active markets.

At the balance date the following classes of financial instruments were measured at fair value (level 1).

Investments classified as held for trading	5,410	3,890
Available for sale financial assets	112,920	169,379
	118,330	173,269

To the members of Eurogold Limited

Report on the financial report

We have reviewed the accompanying financial report for the half year ended 31 December 2014 of Eurogold Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report for the half year ended 31 December 2014 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 2014 and of its performance for the half-year ended on that date
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



G H Meyerowitz
Partner
Perth
16 March 2015



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the Directors of Eurogold Limited

In relation to our review of the financial report for the half year ended 31 December 2014 of Eurogold Limited, 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
16 March 2015