EnviroGold Limited

ABN 48 008 031 034

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2010

CHAIRMAN'S LETTER

Dear Shareholder

Another year has passed, again with a series of both positive and negative impacts on the Company.

On the negative front, construction of the Las Lagunas Gold Tailings Project in the Dominican Republic has been delayed for approximately nine months due primarily to the refusal of the minority participant in the Project to sign one of the loan documents required by the project financier, Macquarie Bank. All other security documents have been signed.

More positively, the minority participant, Grimston World Inc, has recently been directed by a decision from an Arbitration hearing in Canada that it must sign a mortgage over its shares in the project developer, EnviroGold (Las Lagunas) Limited, in favour of Macquarie Bank. This should then allow access to US$45 million of funding to be provided by the Bank and permit the proposed forward sale of 50% of the first four years of gold production (126,000 oz) prior to accelerating construction.

The other positive element is that current high gold prices will obviously add to potential profit from the Project.

The Arbitration panel also confirmed that under the existing financing structure, Grimston World is entitled to 7.5% of Project profits and the EnviroGold Group to 92.5%, plus Management Fees equal to 2.5% of bullion sales. EnviroGold's share of profits is expected to increase to around 94% when it provides an additional US$6.0 million of equity to offset cost increases due to delays, which may be recoverable in a claim for damages against Grimston World. Approximately US$4.0 million of this amount has already been advanced to the Project. Fortunately, increased capital costs should be offset by increased income as a result of strong gold and silver prices.

Based on the key assumptions shown on page 6 of this Report, the EnviroGold Group currently expects to make an average after tax profit from the Las Lagunas project of approximately US$21 million per year for 6.5 years from late 2011, and benefit from an average positive cash flow of over US$26 million per year for the same period.

In order to extend the life of the Las Lagunas project, the Company has commenced discussions with several Canadian junior exploration companies with the aim of entering into joint venture mining operations within the region, which could provide feed to the process plant.

The Group's second project involves the farm-in to a 65% shareholding in two adjacent small scale underground gold mines in the Azuay region of Ecuador, through the expenditure of US$6.5 million over the next two years on predevelopment costs, in advance of a planned expansion of mining operations to 75,000 oz Au per year.

EnviroGold's Ecuador based Canadian consultants, Buscore Consulting Limited, reported in October 2009 that they had established a target for the Azuay project of 3.0 to 4.0 million tonnes of ore with a gold grade of 5g/t Au to 20g/t Au, which is a mining target in excess of 1.0 million oz Au.

The consultants also considered EnviroGold's objective of developing a mining operation to produce 75,000 oz Au per year for 10 years, to be realistic.

They have recently completed a rigorous sampling program in over 16,000m of drives into the adjoining ore bodies, and will soon report on their updated opinion on the prospectivity of the properties, and a recommended two stage drilling program to establish a JORC compliant resource.

A scoping study involving geology, conceptual mine plan, results of metallurgical test work, process plant flow sheets, and economic modelling will be finalised by the end of October 2010, and is expected to produce robust technical and financial results.

In summary, it has again been a disappointing year as far as progress is concerned but hopefully with perseverance, our dedicated staff and my co-directors will break through past barriers so that the Company can begin to realise its potential.

Yours sincerely

Brian Johnson
Executive Chairman
30 September 2010

COMPANY BACKGROUND

EnviroGold Limited ("EVG") was listed on the Australian Securities Exchange in 2006 specifically to extract gold and silver from refractory ores and tailings utilising Xstrata Technology's ALBION PROCESS which removes toxic sulphur, arsenic, and other impurities in the oxidation process.

EnviroGold is currently focused on Latin America where it has identified a number of business opportunities for the application of the Albion Process:

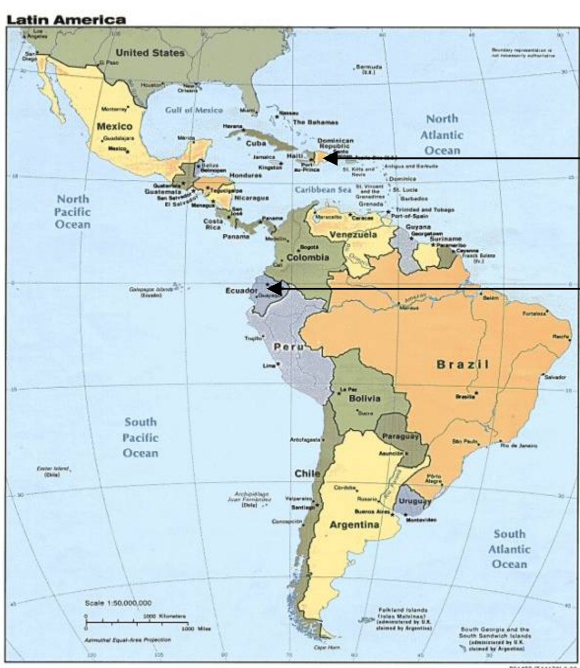
- extraction of gold and silver from refractory ore from existing mines operating without appropriate technology
- the reopening of mines which have closed after depleting oxide ore reserves but with residual deposits of refractory ore,
- processing of high grade gold and silver tailings resulting from inefficient extraction from refractory ore.

The Company plans to emerge with two arms to its business model:

- gold and silver production from refractory ore or tailings using Xstrata's Albion Process technology
- gold and silver production from traditional mining activities using gravity, carbon in leach ("CIL"), or heap leaching processes.

EnviroGold is currently working on two gold projects with near term production potential.

PROJECT	COUNTRY	OPERATION	OWNERSHIP	TARGET PRODUCTION OZ YEAR	TARGET COMMISSIONING	TARGET PROJECT LIFE
Las Lagunas	**Dominican Republic**	**Processing Refractory Tailings**	**94%**	**65,000 Au 600,000 Ag**	**Q4,2011**	**6.5 Yrs**
Azuay	**Ecuador**	**Mining and Processing Sulphide Ore**	**65% (earn-in)**	**75,000 Au**	**Q1,2013**	**10 Yrs**



ENVIROGOLD
GOLD PROJECTS IN LATIN AMERICA

Dominican Republic – Las Lagunas (92.5%)
Processing of Refractory Tailings

Ecuador – Azuay (65% earn-in)
Mining and Processing of Sulphide Ore

EnviroGold is also actively pursuing potential projects in Peru and other locations in Latin America from its regional headquarters in Santo Domingo, Dominican Republic

A potential project in Venezuela was dropped during the past year due to uncertainties regarding the Government's approach to the mining industry

REVIEW OF PROJECTS

LAS LAGUNAS GOLD TAILINGS PROJECT – DOMINICAN REPUBLIC

EnviroGold's 70% owned subsidiary, EnviroGold (Las Lagunas) Limited, signed a development agreement with the Dominican Republic Government in 2004 to reprocess the Las Lagunas gold tailings under a royalty and profit sharing arrangement. The tailings resulted from significantly reduced gold recovery when the Government-operated Pueblo Viejo mine commenced processing refractory ore in 1992 without changing the installed technology, which was suitable only for the previously mined oxide ore.

From 1992 to 1999 the tailings were deposited in a purpose built dam for later gold extraction with appropriate technology. The Las Lagunas dam holds a 5.1mt JORC Inferred Resource of the resultant high grade tailings (3.8g/t Au and 38.6g/t Ag) which contains 621,000 oz Au and 6,378,000 oz Ag. The resource, which was determined by EnviroGold's drilling and sampling, reconciles with the mine's metallurgical records

Subsequent test work at Xstrata's Albion pilot plant in Brisbane established an expected recovery of 421,000 oz Au and 3,868,000 oz Ag over the 6.5 years life of the project.

EnviroGold has spent approximately US$34.0 million on the project to date including acquisition costs, resource definition, metallurgical testwork, pilot plant studies, feasibility studies, engineering, site works, procurement of major equipment, concrete foundations, structural steel, project management and holding costs. Construction commenced in December 2009 with a revised completion date of August 2011 and planned annual production of 65,000 oz Au and 600,000 oz Ag. The anticipated operating costs for the project are currently estimated at US$354 per oz Au.

The total project cost is expected to be around US$81.0 million including capitalised interest during the development period, and an allowance for contingencies. The EnviroGold Group will provide a total of US$36.0 million of equity for an economic interest in the project expected to be approximately 94%, and will act as Manager.

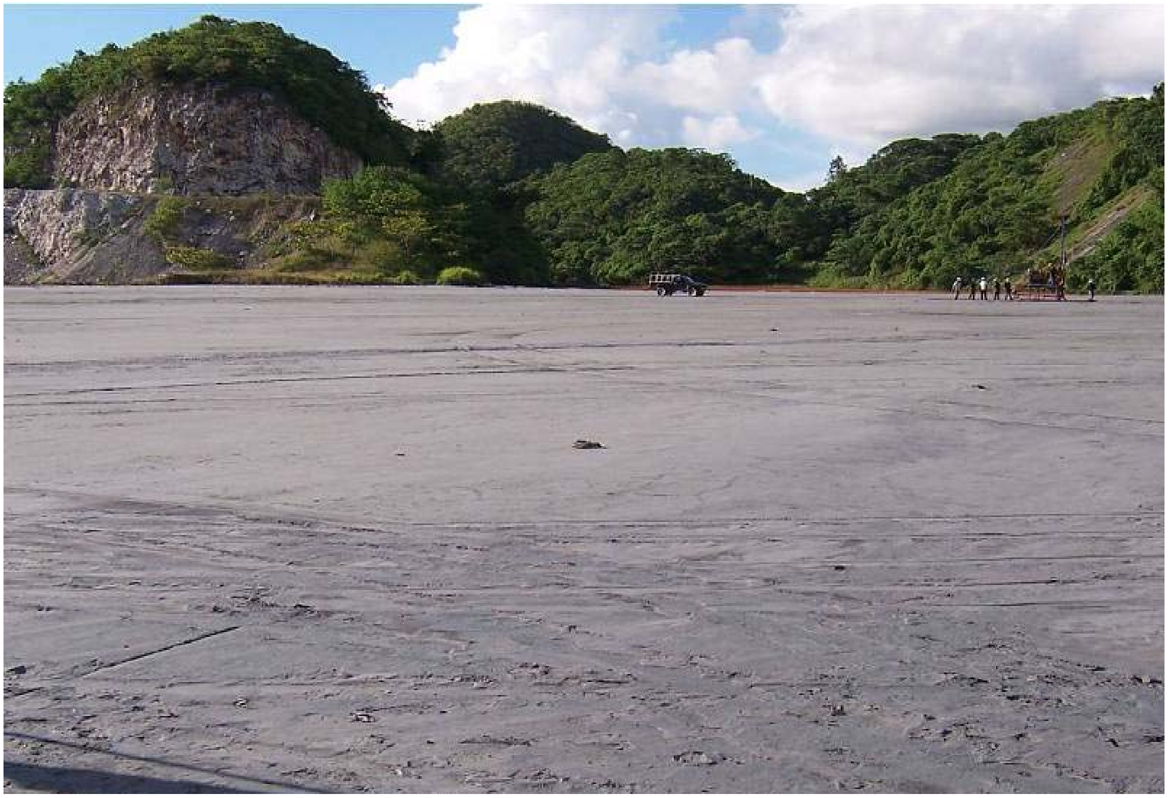
Macquarie Bank will provide US$45.0 million of project financing, and a Dominican Government owned Bank, Ban Reservas, will provide a US$5.0 million standby facility.

Grimston World Inc, which is associated with a Dominican businessman, Mr José Acero, will hold a carried economic interest in the project of approximately 6%.

Unfortunately, construction of the Project has been delayed for nine months due to Grimston World refusing to sign a mortgage over its shares in EnviroGold (Las Lagunas) Limited in favour of Macquarie Bank.

However, a recent decision from Arbitration proceedings in Canada found that Grimston World is required to provide this mortgage to the Bank in accordance with its obligations under a Shareholders Agreement.

The Arbitration panel also found that under the existing financing structure, Grimston World Inc is currently entitled to 7.5% of Project profits. This is likely to decrease as the EnviroGold Group provides additional equity required to meet cost overruns due to construction delays. Construction completion is now scheduled for August 2011 based on accessing Macquarie Bank's funding in the near future.



Las Lagunas Tailings Dam, Dominican Republic

Las Lagunas Concrete Foundations and Structures

REVIEW OF PROJECTS CONTINUED

LAS LAGUNAS GOLD TAILINGS PROJECT – KEY STATISTICS & ASSUMPTIONS

Based on the following data and assumptions, the EnviroGold Group expects to make approximately US$20.7 million average profit per year from project distributions and management fees for the 6.5 year project life, and to recover its US$36.0 million advance to the project over the same period.

Resource	5.137 Mt
Project Life	6.5 years
Annual Mining	800,000 tonnes
Annual Concentrate Feed	225,000 tonnes
Gold Recovery	70.1%
Average Annual Gold Production	65,000 ounces
Total Gold Production	421,000 ounces
Gold Sold Forward (126,000 ounces)	US$1,250/ounce
Gold Production Balance (295,000 ounces)	US$1,010/ounce
Silver Recovery	62.3%
Average Annual Silver Production	600,000 ounces
Total Silver Production	3,868,000 ounces
Silver Price	US$15.40/ounce
Budgeted Operating Costs	US$334/oz Au
Government Royalties	3.2%
Government Share of Operating Profit	13.9%
Dominican Income Tax Rate	25.0%
Total Development Cost (including capitalised interest and contingency)	US$81.0 million
EnviroGold Advances	US$36.0 million
Project Financing – Macquarie Bank Limited	US$45.0 million
Standby Financing – Ban Reservas	US$5.0 million
Management Fees - % of Revenue	2.5%
A$:US$	0.85

The estimated current NPV per EnviroGold share, based on the number of shares on issue and a 10% discount rate, is A$0.26 per share.

Las Lagunas Concrete Foundations and Structures

Las Lagunas Concrete Foundations and Structures

REVIEW OF PROJECTS CONTINUED

AZUAY MINING PROJECT, ECUADOR

EnviroGold has entered into formal agreements with two Ecuadorian companies to farm-in to a 65% interest in two adjacent mining leases totalling approximately 700 ha in the Azuay region of south western Ecuador. A new holding company, EnviroGold (Azuay) SA ("EVGA"), has been registered in Ecuador and will issue US$1.5 million of EVGA shares to Grumintor SA, the vendor of the first property, and US$2.0 million of EVGA shares to Empresa Minera Papercorp SA, the vendor of the second property, as consideration for the purchase of the leases. EnviroGold can progressively subscribe US$6.5 million of equity to EVGA at its option over the next two years to earn up to a 65% interest in the company and the two leases.

The funds to be subscribed to EVGA will be expended on exploration, resource definition, metallurgical testwork, mine planning, environmental and other permitting, and engineering. EnviroGold will manage the Azuay project.

Placer Dome Ecuador carried out a review of mapping and chip sampling of surface mineralisation, and the results of 9000m of drilling which was undertaken on the leases in 1992–93, and stated in an internal report dated March 1995 that "According to the data evaluation a prospective area of 3km² with gold potential for over one million ounces, is defined". The report did not quantify resources or grades and is not JORC compliant, but indicated a high level of prospectivity.

EnviroGold has engaged Canadian mining and geological consultants, Buscore Consulting Limited, who have extensive experience in Ecuador, to undertake a review of existing drilling information, underground workings, and surface mineralisation, and report on the prospectivity of the two leases together with a recommended drilling program and budget.

During the period January to September 2010, Buscore reviewed and channel sampled over 7200m of mineralised drives within the Azuay ore bodies, which were surveyed and the assay results entered into a computerised data base.

The report on their investigations will be released shortly and are expected to confirm their assessment in October 2009 that the two mining leases presented a mining target containing in excess of 1.0 million oz Au.

EnviroGold's current development concept is to establish a number of headings on the two properties with the predominantly free-milling ore crushed and ground at a centralised mill prior to transporting 20km downhill to a process plant.

A scoping study of the technical and economic viability of a planned 75,000 oz Au per year mining operation will be completed in October 2010, prior to commencement of a two stage drilling program to establish a JORC compliant resource.

Competent Person Statements

Las Lagunas, Dominican Republic

The information in this report that relates to Indicated Resources is based on information compiled by Rick Adams, BSc MAusIMM MAIG, Director Geological Resource Services who is a consultant to EnviroGold Limited. Mr Adams is a Member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Adams consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Azuay, Ecuador

The information in this report that relates to results of underground sampling is based on information compiled by Mr Dale Schultz, Managing Director of Buscore Consulting Ltd, which is a consultant to the EnviroGold Group, is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS) which is a Recognised Overseas Professional Organisation ("ROPO") accepted for the purpose of reporting in accordance with Appendix 5A of the ASX listing rules. Mr Schultz has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Schultz consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

EXECUTIVE DIRECTORS & SENIOR MANAGEMENT

Brian Johnson – Executive Chairman

Mr Johnson is a civil engineering with extensive experience in the construction and mining industries in Australia, South East Asia and North America. As Chief Executive, Mr Johnson was instrumental in establishing both Portman Limited and Mount Gibson Iron Limited in the iron ore industry. He has previously been a director of two listed gold producers and of companies with Stock Exchange listings in London, New York, Toronto and Australia. His particular skills lie in taking emerging resource companies from their concept stage through listing and development to profitability, and in the process significantly increasing shareholder value.

James Tyers – Executive Director, Operations

Mr Tyers has a BAppSci in Mineral Exploration and Mine Geology from Western Australian School of Mines, an MBA from the University of Western Australia and a Western Australian Quarry Managers Certificate of Competency and is a member of the AusIMM. He has 20 years experience in the mining industry with the last 10 years involving senior management roles in both gold and iron ore operations. Mr Tyers was the alternate manager for the Palm Springs gold mine and manager of the Cornishman gold mines in Western Australia, and more recently he was the Development and Operations Manager of the Tallering Peak iron ore mine. He is currently responsible for the development of the Las Lagunas Project and will be responsible for the evaluation and development of future projects in Latin America.

Dean Young – Manager Metallurgy

Mr Young holds a BSc in Extractive Metallurgy from Murdoch University in Western Australia. He has been employed by Fluor Australia and Intermet Engineering over a six year period as a process engineer on design, construction, commissioning and operation of gold plants in Australia, Papua New Guinea, Guatemala and Spain. Mr Young is responsible for metallurgical testwork, feasibility studies, supervision of engineering consultants, and plant commissioning.

Peter Symons – Business Development Manager: Latin America

Mr Symons is a geologist with 30 years experience, the last 15 of which were spent in Latin America. Mr Symons, who is fluent in Spanish, was most recently General Manager-Business Development "the Americas" for Xstrata Copper and brings to the company a wealth of experience in dealing with government agencies and private organisations within Latin America as well as establishing professional investigation teams to evaluate new projects.

Jose Sena – Las Lagunas Project Director

Mr Sena qualified as a Mining Engineer in Arizona and acts as Project Director for the Las Lagunas Gold Tailings Project in the Dominican Republic. During the years 1984 to 1992, he held senior managerial positions at the Pueblo Viejo Gold Mine in the Dominican Republic, and was General Manager from 1989 to 1992. He spent a number of years with Billiton as a senior mining engineer in Cuba, Indonesia and Australia. Mr Sena is fluent in Spanish and English and is a resident of Santo Domingo.

Jean-Pierre Leblanc – Construction Manager

Mr Leblanc is a qualified mechanical engineer with over 30 years experience in consulting engineering, construction contracting, and project management of industrial and mining process plants in Canada, the Middle East and Latin America. He has recently successfully completed the construction of a copper/gold project in the Dominican Republic.

DIRECTORS' REPORT

Your Directors submit their Report for the year ended 30 June 2010.

DIRECTORS

The names of the Directors of the Company who held office during the financial year and up to the date of this Report are set out below. Directors were in office for the entire period unless otherwise stated.

Brian Johnson	Executive Chairman
James Tyers	Executive Director
Angela Dent	Non-Executive Director

PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

During the reporting period EnviroGold Limited was focussed on developing the Las Lagunas Gold Tailings Project in the Dominican Republic, in which it has a 92.5% economic interest, and the Azuay gold Mining Project in Ecuador where it is earning a 65% interest.

FINANCIAL POSITION & PROSPECTS

The net assets of the Consolidated Entity and Company at balance date were $35,849,072 (2009: $15,138,403) and $44,187,968 (2009: $30,821,045).

In December 2009, the EnviroGold Consolidated Entity formally accepted a credit approved offer from Macquarie Bank Limited for a US$45 million financing facility for the Las Lagunas project.

The Company issued 171,250,000 shares in 2009/10 to raise $12.5 million and it raised an additional $186,000 from a non-renounceable rights issue of share options.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as detailed above and in the Review of Projects.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this Report or in the consolidated accounts.

EVENTS SUBSEQUENT TO REPORTING

There has not been any circumstance, other than that stated or referred to in the Review of Projects, financial statements or notes to the accounts, that has arisen since the end of the financial period which has significantly affected, or may affect, the operations of the Company in future financial years.

LIKELY DEVELOPEMENTS AND EXPECTED RESULTS

Other than as referred to in this Report and the further information as to the likely developments in the operations of the Consolidated Entity, any likely results of those operations, in the opinion of the Directors would be speculation and would not be in the best interest of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company through a subsidiary has entered into a contract with the Dominican Government which specifies the environmental regulations applicable to the Las Lagunas Gold Tailings Project in the Dominican Republic. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

INFORMATION ON DIRECTORS

Mr Brian Johnson. *Executive Chairman. Appointed 4 October 2005*.

Experience and expertise
Mr Johnson is a civil engineer with extensive experience in the construction and mining industries in Australia, South East Asia and North America. As Chief Executive, Mr Johnson was instrumental in establishing both Portman Limited and Mount Gibson Iron Limited in the iron ore industry. He has previously been a director of two listed gold producers and of companies with Stock Exchange listings in London, New York, Toronto and Australia. His particular skills lie in taking emerging resource companies from their concept stage through listing and development to profitability, and in the process significantly increasing shareholder value.

Other current directorships of listed entities
Linc Energy Limited – Non-Executive Chairman

Former listed company directorships in last 3 years
None

Interests in shares and options
51,320,230 shares
44,065,465 options

Mr James Tyers. *Executive Director. Appointed 24 November 2004.*

Experience and expertise
Mr Tyers has a BAppSci in Mineral Exploration and Mine Geology from Western Australian School of Mines, an MBA from the University of Western Australia and a Western Australian Quarry Manager's Certificate of Competency and is a member of AusIMM. He has 20 years experience in the mining industry with the last 10 years involving senior management roles in both gold and iron ore operations. Mr Tyers was the Alternate Manager for the Palm Springs Gold Mine in the Kimberley district of Western Australia, and managed the Cornishman Project, a joint venture between Troy Resources Limited and Sons of Gwalia Limited. Mr Tyers spent three years developing iron ore projects in the mid west of Western Australia and was the Operations Manager of the Tallering Peak Hematite Project for Mount Gibson Iron Limited. Mr Tyers is currently responsible for the development of the Las Lagunas Project and will be responsible for the evaluation and development of future projects.

Other current directorships of listed entities
None

Former listed company directorships in last 3 years
None

Interests in shares and options
867,522 shares
2,933,761 options

Ms Angela Dent. *Non-Executive Director. Appointed 9 October 2007.*

Experience and expertise
Ms Dent is a Chartered Accountant with experience in mining and other industries. Ms Dent provides management, accounting and company secretarial services to various businesses in Australia and overseas. Ms Dent was Company Secretary of EnviroGold Limited until 9 October 2007.

Other current directorships of listed entities
Central Asia Resources Limited – Executive Director

Former directorships of listed entities in last 3 years
Enerji Limited (April 2007 to August 2007)

Interests in shares and options
1,017,199 shares
500,000 options

COMPANY SECRETARY

Ms Pamela Bardsley. *Appointed Company Secretary 14 December 2009*.

Experience and expertise
Ms Bardsley is a lawyer with over 16 years experience in general commerce, banking and finance. She also has over nine years experience in Company Secretary roles and was appointed Company Secretary of EnviroGold Limited on 14 December 2009.

Other current directorships of listed entities
None

Former directorships of listed entities in last 3 years
None

Interests in shares and options
7,000 shares
503,500 options

MEETINGS OF DIRECTORS

The numbers of meetings Directors were eligible to attend during the year and the number of meetings attended by each Director was as follows:

	Eligible Directors' Meetings	Directors' Meetings Attended
Brian Johnson	4	4
James Tyers	4	4
Angela Dent	4	4

EMPLOYEES

The Consolidated Entity employed 24 employees as at 30 June 2010 (2009: 15 employees).

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

SHARE OPTIONS

At the date of this report there were 212,457,098 unissued ordinary shares for which options were outstanding.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence because the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants and CPA Australia's Professional Statement F1: Professional Independence.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Fees of $12,500 were paid/payable to the external auditors by the Consolidated Entity for taxation advice and preparation of the 2008-09 Income Tax Return during the year ended 30 June 2010.

INSURANCE OF OFFICERS

During the year the Company had in place an insurance policy with QBE covering Directors & Officers Liability. The Interest Insured and Limits of Liability are as follows:

> *Insuring Clause A: Directors and Officers Liability*
> QBE shall pay on behalf of each Director or Officer all Loss for which the Director or Officer is not indemnified by the Corporation, arising from a Claim first made against such Director or Officer, individually or collectively, during the Period of Indemnity and notified to QBE during the Reporting Period.
>
> *Insuring Clause B: Company Reimbursement*
> QBE shall pay on behalf of the Company all Loss for which it has granted indemnification to any Director or Officer, arising from a Claim first made against such Director or Officer, individually or collectively, during the Period of Indemnity and notified to QBE during the Reporting Period.
>
> *Limits of Liability*
> $5,000,000 any one Claim and in the aggregate.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of EnviroGold support the principles of good corporate governance. The Company's Corporate Governance Statement is contained in the additional ASX Information Section of this annual report.

REMUNERATION REPORT (audited)

This Remuneration Report outlines the director and executive arrangements of the Company and the Consolidated Entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 Related Party Disclosures, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the five executives in the Company and the Consolidated Entity receiving the highest remuneration.

Remuneration philosophy
The performance of the Company depends on the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled management personnel.

To achieve this, the Company continues to develop and refine its remuneration policy to ensure that:

- provides competitive rewards to attract high calibre executives; and
- links executive rewards to shareholder value.

Non-executive director remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Non-executive directors' fees are determined within an aggregate director's fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $150,000 for all non-executive directors.

Executive remuneration
The Company is continuing to develop its executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered. The framework will align executive reward with achievement of strategic objectives and the creation of value for shareholders.

Employment contracts
The key terms of employment contracts signed with key management personnel are:

<u>Brian Johnson – Executive Chairman</u>

- Term of 3 years from 1 January 2008 to 31 December 2010;
- Management fees as follows:
  - $290,000 per annum for the first year
  - $425,000 per annum for the second year
  - $470,000 per annum for the third year
- Bonus payment to be considered by the Board of Directors annually in December;
- Termination notice required is 3 months by the employee; and
- If the Company terminates the agreement, the Company is required to pay the amount that would have been payable during the following two years, had there been no termination.

<u>James Tyers – Executive Director</u>

- Term of 4 years from 1 January 2007 to 31 December 2010;
- Fixed remuneration of $299,750 per annum reviewed annually in December;
- Bonus payment to be considered by the Board of Directors annually in December;
- Annual increase and bonus dependent on employee performance against KPI's and financial performance of the Consolidated Entity;
- Termination notice required is 3 months by the employee, 1 month by the Company; and
- No termination benefits are payable unless the Company terminates the agreement without cause or the employee is made redundant, then the Company is required to payout the remaining term of the contract to a maximum of 2 years.

<u>Dean Young - Manager Metallurgy</u>

- Term of 3 years from 29 August 2008 to 28 August 2011;
- Fixed remuneration of $200,000 per annum reviewed annually in December;
- Termination notice required is 2 months by the employee, 1 month by the Company; and
- No termination benefits are payable unless the Company terminates the agreement without cause or the employee is made redundant, then the Company will be required to pay 2 months remuneration.

<u>Pamela Bardsley – Legal Counsel/Company Secretary</u>

- Employment commenced on 1 April 2008 on a part-time basis and converted to a full-time basis on 13 October 2009 with no fixed term;
- Fixed remuneration of $109,000 per annum reviewed annually in December;
- Termination notice required is 8 weeks notice, in writing, by either party

DIRECTORS’ REPORT CONTINUED

Tracey Aitkin – Manager, Finance & Administration

- Employment commenced on 1 July 2009 with no fixed term;
- Fixed remuneration of $109,000 per annum reviewed annually in December;
- Termination notice required is 3 months notice, in writing, by either party;
- No termination benefits are payable unless the Company terminates the agreement without the required period of notice, in which case the Company shall pay three months salary (or part thereof) as the case may be.

Remuneration of key management personnel

2010	Base Fee	Superannuation	Options	Total	% Remuneration Performance Related	% Remuneration that consists of options
Brian Johnson	433,100	-	-	433,100	-	-
James Tyers	275,000	24,750	14,235	313,985	-	4.5
Jose Sena	139,220	-	-	139,220	-	-
Angela Dent	35,000	-	7,273	42,273	-	17.2
Dean Young	183,486	16,514	23,567	223,567	-	10.5
Pamela Bardsley	83,628	7,527	9,395	100,550	-	9.3
Tracey Aitkin	100,000	9,000	-	109,000	-	-
Total	**1,249,434**	**57,791**	**54,470**	**1,361,695**		

2009	Base Fee	Superannuation	Options	Total	% Remuneration Performance Related	% Remuneration that consists of options
Brian Johnson	357,400	-	-	357,400	-	-
James Tyers	275,000	24,750	28,993	328,743	-	8.8
Jose Sena	129,550	-	2,790	132,340	-	2.1
Peter Symons	38,229	-	20,975	59,204	-	35.4
Ross Hatten **	240,000	16,200	34,803	291,003	-	11.9
Angela Dent	35,000	-	34,451	69,451	-	49.6
Dean Young	145,378	13,084	17,399	175,861	-	9.9
Total	**1,220,557**	**54,034**	**139,411**	**1,414,002**		

** Ross Hatten’s position of Chief Financial Officer was made redundant on 1 July 2009

Options granted during the year to key management personnel

No options were granted by the Company to key management personnel during the year.

No options were exercised during the year.

Signed in accordance with a resolution of the Directors.

B Johnson

Brian Johnson
Executive Chairman
30 September 2010

Chartered Accountants
& Business Advisers

Auditors' Independence Declaration

As lead auditor for the review of EnviroGold Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of EnviroGold Limited and the entities it controlled during the half year.

PKF

Bruce Gordon
Partner

30 September 2010
Sydney

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $	PARENT ENTITY 2010 $	PARENT ENTITY 2009 $
Revenue	4	41,065	197,420	1,167,559	1,316,142
Administrative and operating expenses		(620,781)	(680,023)	(600,882)	(656,108)
Occupancy costs		(44,934)	(45,998)	(44,934)	(45,998)
Legal and professional costs		(462,166)	(725,763)	(178,068)	(98,494)
Exploration and evaluation expenditure		(66,567)	(257,039)	(46,106)	(78,726)
Depreciation and amortisation expense		(78,648)	(72,623)	(29,712)	(43,080)
Finance costs		(270,305)	(378,612)	(92,112)	-
Foreign exchange (loss)/gain		(1,916,306)	3,343,949	768,111	2,868,900
Reversal of impairment loss		2,536,254	-	-	-
(Loss) / Profit before income tax expense	5	**(882,388)**	**1,381,311**	**943,856**	**3,262,636**
Income tax benefit/ (expense)	6	-	52,075	-	-
(Loss) / Profit from continuing operations		(882,388)	1,433,386	943,856	3,262,636
(Loss) / Profit for the period		**(882,388)**	**1,433,386**	**943,856**	**3,262,636**
Other comprehensive income/(loss)					
Foreign currency translation movement		(233,667)	1,641,322	-	-
Movement relating to the disposal/(acquisition) of 30% interest in a subsidiary	18	9,403,657	(9,403,657)	-	-
Total other comprehensive income/(loss) for the period, net of tax		**9,169,990**	**(7,762,335)**	**-**	**-**
Total comprehensive income/(loss) for the year		**8,287,602**	**(6,328,949)**	**943,856**	**3,262,636**
Attributable to:					
Equity holders of the Parent Entity		8,287,602	(6,328,949)	943,856	3,262,636
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		**8,287,602**	**(6,328,949)**	**943,856**	**3,262,636**
Basic (loss)/earnings per share (cents per share)	27	(0.26)	0.68		
Diluted (loss)/earnings per share (cents per share)	27	(0.26)	0.68		

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2010

		CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
	Note	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	22	851,634	2,402,590	603,075	2,310,948
Receivables	7	31,961	41,563	1,187	1,157,195
TOTAL CURRENT ASSETS		**883,595**	**2,444,153**	**604,262**	**3,468,143**
NON-CURRENT ASSETS					
Receivables	7	-	-	40,372,484	30,140,605
Other financial assets	8	-	-	5,435,427	5,435,428
Property, plant and equipment	10	338,241	203,912	89,292	111,430
Prepayments and deposits	11	8,939,477	1,720,018	10,943	14,834
Intangible assets	12	28,369,300	20,194,357	-	-
TOTAL NON-CURRENT ASSETS		**37,647,018**	**22,118,287**	**45,908,146**	**35,702,297**
TOTAL ASSETS		**38,530,613**	**24,562,440**	**46,512,408**	**39,170,440**
CURRENT LIABILITIES					
Trade and other payables	13	694,913	1,892,032	360,235	837,300
Provisions	14	94,516	74,245	72,093	54,335
Convertible note liability	15	-	7,457,760	-	7,457,760
TOTAL CURRENT LIABILITIES		**789,429**	**9,424,037**	**432,328**	**8,349,395**
NON-CURRENT LIABILITIES					
Borrowings	16	1,892,112	-	1,892,112	-
TOTAL NON-CURRENT LIABILITIES		**1,892,112**	**-**	**1,892,112**	**-**
TOTAL LIABILITIES		**2,681,541**	**9,424,037**	**2,324,440**	**8,349,395**
NET ASSETS		**35,849,072**	**15,138,403**	**44,187,968**	**30,821,045**
EQUITY					
Contributed equity	17	38,775,907	26,628,650	38,775,907	26,628,650
Reserves	18	1,386,969	(8,058,831)	1,525,558	1,249,748
(Accumulated losses)/Retained profits	18	(4,313,804)	(3,431,416)	3,886,503	2,942,647
TOTAL EQUITY		**35,849,072**	**15,138,403**	**44,187,968**	**30,821,045**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

	Ordinary Shares	Equity Reserve	Options Reserve	Foreign Currency Translation Reserve	Retained Earnings/ (Accumulated Losses)	Owners of the Parent	Non-Controlling Interest	Total
Balance as at 1 July 2009	26,628,650	(9,403,657)	1,249,748	95,078	(3,431,416)	15,138,403	-	15,138,403
(Loss)/Profit for the year	-	-	-	-	(882,388)	(882,388)	-	(882,388)
Other comprehensive income	-	9,403,657	-	(233,667)	-	9,169,990	-	9,169,990
Total comprehensive income for the year	-	9,403,657	-	(233,667)	(882,388)	8,287,602	-	8,287,602
Transactions with owners in their capacity as owners:								
Shares issued	12,500,000	-	-	-	-	12,500,000	-	12,500,000
Transaction costs on share issue	(352,743)	-	-	-	-	(352,743)	-	(352,743)
Share based payment	-	-	89,366	-	-	89,366	-	89,366
Rights issue	-	-	186,444	-	-	186,444	-	186,444
Balance as at 30 June 2010	**38,775,907**	**-**	**1,525,558**	**(138,589)**	**(4,313,804)**	**35,849,072**	**-**	**35,849,072**

CONSOLIDATED

	Ordinary Shares	Equity Reserve	Options Reserve	Foreign Currency Translation Reserve	Retained Earnings/ (Accumulated Losses)	Owners of the Parent	Non-Controlling Interest	Total
Balance as at 1 July 2008	24,685,937	-	1,099,697	(1,546,244)	(4,864,802)	19,374,588	-	19,374,588
(Loss)/Profit for the year	-	-	-	-	1,433,386	1,433,386	-	1,433,386
Other comprehensive income	-	(9,403,657)	-	1,641,322	-	(7,762,335)	-	(7,762,335)
Total comprehensive income for the year	-	(9,403,657)	-	1,641,322	1,433,386	(6,328,949)	-	(6,328,949)
Transactions with owners in their capacity as owners:								
Shares issued	2,069,297	-	-	-	-	2,069,297	-	2,069,297
Transaction costs on share issue	(126,584)	-	-	-	-	(126,584)	-	(126,584)
Share based payment	-	-	150,051	-	-	150,051	-	150,051
Balance as at 30 June 2009	**26,628,650**	**(9,403,657)**	**1,249,748**	**95,078**	**(3,431,416)**	**15,138,403**	**-**	**15,138,403**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	PARENT			
	Ordinary Shares	Options Reserve	Retained Earnings/ (Accumulated Losses)	Total
Balance as at 1 July 2009	26,628,650	1,249,748	2,942,647	30,821,045
(Loss)/Profit for the year	-	-	943,856	943,856
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	943,856	943,856
Transactions with owners in their capacity as owners:				
Shares issued	12,500,000	-	-	12,500,000
Transaction costs on share issue	(352,743)	-	-	(352,743)
Share based payment	-	89,366	-	89,366
Rights issue	-	186,444	-	186,444
Balance as at 30 June 2010	**38,775,907**	**1,525,558**	**3,886,503**	**44,187,968**

	PARENT			
	Ordinary Shares	Options Reserve	Retained Earnings/ (Accumulated Losses)	Total
Balance as at 1 July 2008	24,685,937	1,099,697	(319,989)	25,465,645
(Loss)/Profit for the year	-	-	3,262,636	3,262,636
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,262,636	3,262,636
Transactions with owners in their capacity as owners:				
Shares issued	2,069,297	-	-	2,069,297
Transaction costs on share issue	(126,584)	-	-	(126,584)
Share based payment	-	150,051	-	150,051
Balance as at 30 June 2009	**26,628,650**	**1,249,748**	**2,942,647**	**30,821,045**

The accompanying notes form part of these financial statements

STATEMENTS OF CASH FLOWS

YEAR ENDED 30 JUNE 2010

		CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Reimbursement of expenditures		(111)	26,513	(131)	372
Payments to suppliers and employees		(1,082,618)	(1,356,887)	(819,724)	(341,243)
Payments for exploration and evaluation activities		(451,486)	(79,815)	-	(39,222)
Interest received		40,685	170,727	39,442	170,689
Interest paid		(556,805)	(985)	-	(985)
NET CASH USED IN OPERATING ACTIVITIES	22(b)	**(2,050,335)**	**(1,240,447)**	**(780,413)**	**(210,389)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(227,495)	(13,008)	(7,575)	(390)
Loans advanced to subsidiaries		-	-	(15,053,586)	(7,915,275)
Payments for project development activities		(13,406,827)	(6,620,802)	-	-
Purchase of investments		-	(229,358)	-	-
NET CASH USED IN INVESTING ACTIVITIES		**(13,634,322)**	**(6,863,168)**	**(15,061,161)**	**(7,915,665)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		11,000,000	1,979,297	11,000,000	1,979,297
Payment of share issue costs		(352,743)	(36,421)	(352,743)	(36,421)
Proceeds from non-renounceable rights issue		186,444	-	186,444	-
Proceeds from borrowings		3,300,000	-	3,300,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**14,133,701**	**1,942,876**	**14,133,701**	**1,942,876**
NET DECREASE IN CASH HELD		**(1,550,956)**	**(6,160,739)**	**(1,707,873)**	**(6,183,178)**
Cash at the beginning of the financial year		2,402,590	7,585,356	2,310,948	7,516,153
FX movement in opening balances		-	977,973	-	977,973
CASH AT THE END OF FINANCIAL YEAR	22(a)	**851,634**	**2,402,590**	**603,075**	**2,310,948**

The accompanying notes form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for EnviroGold Limited as an individual entity as well as the Consolidated Entity consisting of EnviroGold Limited and its subsidiaries for the year ended 30 June 2010.

(a) Reporting Entity

EnviroGold Limited (the 'Company') is a company incorporated and domiciled in Australia. The address of the Company's registered office is Level 2, 12-14 O'Connell Street, Sydney.

(b) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Statement of Compliance
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of EnviroGold Limited complies with International Financial Reporting Standards (IFRS).

Financial statement presentation
The Group applied AASB101 Presentation of Financial Statements which became effective on 1 January 2009. The standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statements of comprehensive income. As a consequence, the Consolidated Entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The carrying value of the intangible assets for the Las Lagunas Gold Tailings Project are based on a discounted cash flow using a 10% discount rate, an average gold price of US$1,010 and an AUD/USD foreign exchange rate of 0.85.

The financial statements were approved by the Board of Directors on 29 September 2010. The Directors have the power to amend and reissue the financial statements.

(c) New accounting standards and interpretations

New accounting standards and interpretations in issue not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and Consolidated Entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
9	Financial Instruments	Dec 2009	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	June 2010	1 Jul 2013
2009 – 5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	May 2009	1 Jan 2010
2009 – 8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	Jul 2009	1 Jan 2010
2009 – 10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	Oct 2009	1 Feb 2010
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	June 2010	1 Jul 2013
2010 – 3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	June 2010	1 Jul 2010
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	June 2010	1 Jul 2011

Australian Interpretations

Int No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
19	Extinguishing Financial Liabilities with Equity Instruments	Dec 2009	1 Jul 2010

Analysis of changes - Accounting Standards

The following standards are considered applicable to the Consolidated Entity and will be adopted during the first annual reporting period after the effective date of each pronouncement.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the requirements of AASB 139. The IASB plans to complete its work on financial liabilities during 2010 and will issue requirements for financial liabilities that will be included in AASB 9 in due course.

The main changes from AASB 139 are described below.

(a) Financial assets are classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. Application guidance has been included in AASB 9 on how to apply the conditions necessary for amortised cost measurement.

(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Hybrid contracts with financial asset hosts are classified and measured in their entirety in accordance with the classification criteria. Embedded derivative assets that are separated from financial liability or non-financial hosts in accordance with AASB 139 are to be accounted for in accordance with AASB 9.

(e) Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.

(f) Investments in contractually linked instruments that create concentrations of credit risk (tranches) are classified and measured using a 'look through' approach. Such an approach looks to the underlying assets generating cash flows and assesses the cash flows against the classification criteria (discussed in (a) above) to determine whether the investment is measured at fair value or amortised cost.

(g) Financial assets are reclassified when there is a relevant change in the entity's business model changes.

AASB 1053 Application of Tiers of Australian Accounting Standards

This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.
The following entities apply Tier 1 requirements in preparing general purpose financial statements:

(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and

(b) the Australian Government and State, Territory and Local Governments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

(a) for-profit private sector entities that do not have public accountability;

(b) all not-for-profit private sector entities; and

(c) public sector entities other than the Australian Government and State, Territory and Local Governments.

Public accountability means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs. A for-profit private sector entity has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

AASB 2009-5 Amendments Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]

AASB 2009-5 results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to accounting standards.

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The subjects of the principal amendments to the Standards are set out in the preface to the standard.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]

AASB 2009-8 clarifies the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]

The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.

AASB 2009-12 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

This Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.

These amendments have no major impact on the requirements of the amended pronouncements.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]

The subjects of the principal amendments to the Standards are set out below:

AASB 3 Business Combinations

- Measurement of non-controlling interests
- Unreplaced and voluntarily replaced share-based payment awards
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 (2008)

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]

The subjects of the principal amendments to the Standards are set out below:

AASB 1 First-time Adoption of Australian Accounting Standards

- Accounting policy changes in the year of adoption
- Revaluation basis as deemed cost
- Use of deemed cost for operations subject to rate regulation

AASB 7 Financial Instruments: Disclosures

- Clarification of disclosures

AASB 101 Presentation of Financial Statements

- Clarification of statement of changes in equity

AASB 134 Interim Financial Reporting

- Significant events and transactions

Interpretation 13 Customer Loyalty Programmes

- Fair value of award credits

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Main features of newly issued or amended Australian Interpretations

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

This Interpretation addresses the following issues:

- The issue of an entity's equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with paragraph 41 of AASB 139. An entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished in accordance with paragraph 39 of AASB 139.

- When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, an entity shall measure them at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured.

- If the fair value of the equity instruments issued cannot be reliably measured then the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. In measuring the fair value of a financial liability extinguished that includes a demand feature (e.g. a demand deposit), paragraph 49 of AASB 139 is not applied.

- If only part of the financial liability is extinguished, the entity shall assess whether some of the consideration paid relates to a modification of the terms of the liability that remains outstanding. If part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. The entity shall consider all relevant facts and circumstances relating to the transaction in making this allocation.

- The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss, in accordance with paragraph 41 of AASB 139. The equity instruments issued shall be recognised initially and measured at the date the financial liability (or part of that liability) is extinguished.

- When only part of the financial liability is extinguished, consideration shall be allocated in accordance with above. The consideration allocated to the remaining liability shall form part of the assessment of whether the terms of that remaining liability have been substantially modified. If the remaining liability has been substantially modified, the entity shall account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by paragraph 40 of AASB 139.

- An entity shall disclose a gain or loss recognised as a separate line item in profit or loss or in the notes.

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of EnviroGold Limited ("Company" or "EnviroGold") as at the 30 June 2010 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity [refer to note 1(i)].

Intercompany transactions, balances and unrealised gains on transactions between companies in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Minority interests in the results and equity of the subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost, less any impairment in the Parent Entity.

(ii) Acquisition of additional shares in a subsidiary

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie. transactions with owners in their capacity as owners).

In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

(e) Segment reporting

The Consolidated Entity applies AASB 8 *Operating Segments* and determines its operating segments to be based on its projects as this is how the business is organised and reported internally. Operating segments are subject to risks and returns that are different to those of segments operating in other economic environments.

(f) Foreign currency translation

(i) Functional and presentation currency

All items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is EnviroGold Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Income Statement.

(iii) Companies in the Consolidated Entity

The results and financial position of all the Companies in the Consolidated Entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the day of that balance sheet;

  income and expenses for each income statement are translated at average exchange rate (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- all resulting exchange differences are recognised in the foreign exchange reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to foreign exchange reserve in equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) Revenue recognition

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset, and when there is control of the right to receive the interest payment.

(h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributed to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

EnviroGold Limited and its wholly-owned Australian subsidiary, EnviroGold Holdings Pty Ltd implemented the tax consolidation legislation from 14 November 2005. EnviroGold Limited is the head entity in the tax consolidated group. On adoption of the tax consolidation legislation, the entities in the tax consolidated group did not enter into a tax sharing agreement.

(i) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instrument is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less that the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a simular borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Intangibles

Development assets
When the technical and commercial feasibility of an undeveloped mining project has been demonstrated the project enters its development phase. The cost of the project assets are transferred from exploration and evaluation expenditure and reclassified into development phase and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When full commercial operation commences, the accumulated costs are transferred into producing assets.

(k) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of any outstanding bank overdrafts.

(l) Trade and other receivables

All debtors are recognised at the amounts receivable as they are due for settlement.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when some doubt as to collection exists.

(m) Property, plant and equipment

Cost

All classes of property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on all property, plant and equipment on a diminishing value basis to write-off the net cost amount of each property, plant and equipment over its expected useful life to the Consolidated Entity.

Major depreciation periods are:

Leasehold Improvements	2 – 7 years
Plant and Equipment	2 – 7 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and are carried forward in the balance sheet where:

(i) rights to tenure of the area of interest are current; and

(ii) one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or
- exploration and/or evaluation activities in the area of interest have not, at balance sheet date, 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 relation to, the areas are continuing.

Expenditure relating to pre-exploration activities is written off to the income statement during the period in which the expenditure is incurred. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using effective interest method. Fees paid on establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility. Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in expenses in the period in which they are incurred.

(q) Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(r) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assessments of the time value of money and the risks that are specific to the liability most closely matching the expected future payments, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.

(s) Employee benefits

(i) Wages, salaries, annual and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

(t) Share based payments

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

The fair value at grant date is independently determined using open pricing models, that takes into account the exercise price, the term of the share, the vesting conditions, share price at grant date and the expected dividend yield and the risk-free interest rate for the term of the option.

At each reporting date, the Consolidated Entity revises its estimate of the number of equity instruments that are expected to vest. The impact of the remission of the original estimates, if any, is recognised as profit or loss over the remaining vesting period, with a corresponding adjustment to the option reserve.

(u) Contributed equity

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 as a reduction of the share proceeds received.

(v) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit/(loss) attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), 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 the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

(w) Going concern

The Consolidated Entity and the Company are in the development phase of a gold tailings project and therefore currently do not generate any cash flows or revenues from operations. This along with other conditions detailed below, create a material uncertainty which may cast significant doubt over the Consolidated Entity and the Company's ability to continue as going concerns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The on-going viability of the Consolidated Entity and the recoverability of its non-current assets is dependent on the development or sale of the Las Lagunas Project. The Directors believe that the project will be either developed in the near term or sold and that the non-current assets are included in the Financial Report at less than their recoverable amount.

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Consolidated Entity will be able to fund future operations through debt finance, share placements or sale or joint venturing of interests held in mineral tenements and projects.

The Directors believe that they will be successful in raising sufficient funds through share issues by the Company or by the sale of assets to ensure that the Company can continue to meet its debts as and when they become due and payable. However, if additional funds are not raised, the going concern basis may not be appropriate with the result that the company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.

(x) Impairment of assets

The carrying amounts of the Consolidated Entity's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life or that are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in the circumstances indicate that they might be impaired.

The recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effect interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

2. FINANCIAL RISK MANAGEMENT

The Consolidated Entity is focused on the development of projects which will allow for extraction of gold and silver from existing refractory mine concentrates or historic tailings owned by third parties based outside of Australia. As such, the Consolidated Entity is exposed to market risk (both commodity and foreign exchange), credit risk, interest rate risk and liquidity risk.

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The use of financial instruments and the overall risk management strategy of the Consolidated Entity is governed by the Board of Directors and is primarily focused on ensuring that the Consolidated Entity is able to finance its business plans.

a) Market risk

Commodity price risk management

The Consolidated Entity is not currently exposed to commodity price fluctuations.

Foreign exchange risk

The Consolidated Entity is developing projects internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar and to a lesser extent to the Dominican Peso and the Peruvian Nuevo Soles.

The major foreign exchange exposure of the Consolidated Entity is to the US dollar and the development cost of the international projects is specified in US dollars. When production begins revenue will also be in US dollars. The company therefore has a natural hedge on US dollars.

The Consolidated Entity’s exposure to foreign currency risk at the reporting date was as follows:

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	$	$	$	$
US dollar net exposure in AUD	(455,090)	(7,426,091)	-	(7,457,760)

Consolidated Entity sensitivity

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Consolidated Entity's post-tax profit.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

for the year would have been $221,914 higher/lower (2009 – $864,563 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments.

Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than 2009 because of the decreased amount of US dollar denominated borrowings. The Consolidated Entity's exposure to other foreign exchange movements is not material.

Parent entity sensitivity

The parent entity's post-tax profit for the year would have been $41,878 higher/lower (2009 – $2,190 higher/lower) had the Australian dollar weakened/strengthened by 10% against the US dollar as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than 2009 because of the increased amount of US dollar-denominated intercompany loan interest received. The parent entity's exposure to other foreign exchange movements is not material.

(b) Credit risk

The Consolidated Entity is exposed to credit risk if a counterparty to a financial instrument fails to meet its contractual obligation. Such a risk arises principally in relation to receivables due from related parties in regards to the parent and cash deposits with banks or other financial institutions.

Credit risk is managed on a Consolidated Entity basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2010. Credit risk is reviewed regularly. It arises from deposits with financial institutions.

The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the balance sheet date.

All Financial assets held at balance sheet date in respect of the Consolidated Entity and the Parent were neither past due nor impaired.

(c) Interest rate risk

The main exposure of the Consolidated Entity and Parent to interest rate risk arise from the interest received on cash surpluses invested with banks and the interest received from intercompany loan accounts respectively.

The Consolidated Entity's fixed borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Interest rate sensitivity- Consolidated Entity

Based on the financial instruments held at 30 June 2010, had the interest rate increased/decreased by 1% with all other variables held constant, the Consolidated Entity's post-tax profit for the year would have been $7,684 higher/lower (2009 – $33,000 higher/lower), mainly as a result of cash and cash equivalents as detailed in the above table. Profit is less sensitive to movements in the interest rate in 2010 than 2009 because of the decrease in cash and cash equivalents.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity- Parent entity

Based on the financial instruments held at 30 June 2010, had the interest rate increased/decreased by 1% with all other variables held constant, the parent entity's post-tax profit for the year would have been $246,930 higher/lower (2009 – $114,751 higher/lower), mainly as a result of intercompany loans as detailed in the above table. Profit is more sensitive to movements in the interest rate in 2010 than 2009 because of the increase in the intercompany loan balances.

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting its financial obligations as they fall due.

The Consolidated Entity manages liquidity risk by adopting policies to maintain sufficient available funding to meet its commitments. The need for available funds is monitored through the maintenance of future rolling cash flow forecasts.

The following table illustrates the contractual maturities of the Consolidated Entity's and Company's financial liabilities:

	Consolidated		Parent entity	
	2010	2009	2010	2009
	$	$	$	$
Within six months	258,658	1,258,470	127,033	230,756
6 – 12 months	-	7,457,760	-	7,457,760
Between 1 and 2 years	3,498,547	-	3,498,547	-
	3,757,205	8,716,230	3,625,580	7,688,516
Total contractual cash flows	3,757,205	8,716,230	3,625,580	7,688,516
Carrying amount of liabilities	2,150,770	8,716,230	2,019,145	7,688,516

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Techniques such as estimated discounted cash flows, are used to determine fair value of the financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(g) Capital risk management

The Consolidated Entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, maximise returns for shareholders and to reduce the cost of capital. To ensure that all financial obligations are met when required, the Consolidated Entity maintains a rolling cash forecast for the Consolidated Entity as part of its capital risk management strategy.

The Consolidated Entity's capital structure is as follows:

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2010	2009
	$	$
Capital employed	38,775,907	26,628,650
Cash and cash equivalents	851,634	2,402,590
Total equity - funds	39,627,541	29,031,241

3. SEGMENT REPORTING

The Company has identified its operating segment based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segment is identified by Management by project – discrete financial information about this operating segment is reported to the executive management team on at least a monthly basis.

Management have identified Las Lagunas project and others as the Group's main operating segments.

The following table presents revenue and profit information for business segments for the years ended 30 June 2010 and 30 June 2009

3. SEGMENT REPORTING
For the year ended 30 June 2010

	Las Lagunas Project		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue								
External revenue	-	26,492	380	200	-	-	380	26,692
Inter-segment revenue	1,488,653	-	2,402,739	933,339	(3,891,393)	(933,339)	-	-
Total Revenue	1,488,653	26,492	2,403,119	933,539	(3,891,393)	(933,339)	380	26,692
RESULT								
Segment result	3,449,106	(557,276)	(1,350,783)	2,701,199	(2,751,091)	(932,354)	(652,768)	1,211,569
Operating (loss) / profit							(652,768)	1,211,569
Income tax benefit/ (expense)							-	52,075
Interest expense							(270,305)	(985)
Interest income							40,685	170,727
Profit/(Loss)							(882,388)	1,433,386
OTHER INFORMATION								
Segment Assets	65,230,870	34,030,452	56,300,264	58,035,699	(83,000,521)	(67,503,711)	38,530,613	24,562,440
Consolidated total assets							38,530,613	24,562,440
Segment liabilities	63,755,884	36,555,874	14,175,694	26,269,448	(75,250,036)	(53,401,285)	2,681,541	9,424,037
Consolidated total liabilities							2,681,541	9,424,037
Depreciation and amortisation	48,936	29,542	29,712	43,080	-	-	78,648	72,622
Prepaid royalty costs (write back)/write off	(586,390)	621,480	-	-	-	-	(586,390)	621,480
Oxygen plant written back to assets	(1,949,864)	-	-	-	-	-	(1,949,864)	-
Capital expenditure	17,551,823	1,661,399	432,624	390	-	-	17,984,447	1,661,789

		CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
4. REVENUE		$	$	$	$
Interest received		40,685	170,727	1,167,179	1,315,942
Other income		380	26,693	380	200
		41,065	**197,420**	**1,167,559**	**1,316,142**
5. (LOSS) / PROFIT BEFORE INCOME TAX EXPENSE					
(a) Expenses					
Employee costs - salaries		248,355	274,430	248,355	274,430
Employee costs – defined contribution plan		23,521	17,364	23,521	17,364
Operating lease – minimum lease payments		40,236	41,332	40,236	41,332
Depreciation expense		78,648	72,623	29,712	43,080
(b) Losses/(Gains)					
Loss on disposal of subsidiary		-	24,361	-	-
(c) (Reversal of impairment loss) / Impairment loss					
Prepaid royalty costs	11(a)	(586,390)	621,480	-	-
Deposit on equipment		(1,949,864)	-	-	-
(d) Borrowing Costs					
Interest on convertible note		178,193	378,612	-	-
Interest – other		92,112	-	92,112	-

6. INCOME TAX	CONSOLIDATED		PARENT ENTITY	
(a) Numerical reconciliation of income tax expense to prima facie tax payable	**2010**	**2009**	**2010**	**2009**
Profit/(loss) before income tax	(882,388)	1,381,311	943,856	3,262,636
Tax at the Australian tax rate of 30% (2009 - 30%)	(264,716)	414,393	283,157	978,791
Tax effect of amounts which are not deductible /(taxable) in calculating taxable income	264,716	(414,393)	(283,157)	(978,791)
	-	-	-	-
Carry forward tax losses not recognised/(now recouped)	-	(52,075)	-	-
Income tax expense	-	(52,075)	-	-

The Consolidated Entity is of the opinion that tax losses from prior periods will continue to be available to the tax group.

6. INCOME TAX (CONTINUED)

The Consolidated Entity and the Company have an estimated $4,800,605 in carried forward revenue losses and $2,891,145 in carried forward capital losses which have not been recognised as a deferred tax asset as there is uncertainty that future taxable profits will be available against which the losses can be utilised.

The future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be applied with; and

(c) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

	CONSOLIDATED		PARENT ENTITY	
	2010 $	2009 $	2010 $	2009 $
7. RECEIVABLES				
Current				
Other receivables	31,961	41,563	1,187	1,157,195
	31,961	41,563	1,187	1,157,195
Non-current				
Loans to subsidiaries	-	-	40,372,484	30,140,605
	-	-	40,372,484	30,140,605

Interest has been charged by the Company on the intercompany loan balances at a rate of LIBOR + 3.5%. This rate equates to the rate charged by EnviroGold Holdings to EnviroGold Las Lagunas Limited, in accordance with the Las Lagunas Shareholders Agreement. All intercompany loans are unsecured and only become repayable either on the sale of the asset or upon repayment of third party project funding.

	CONSOLIDATED		PARENT ENTITY	
	2010 $	2009 $	2010 $	2009 $
8. OTHER FINANCIAL ASSETS				
Investment in subsidiaries	-	-	5,435,427	5,435,428
	-	-	5,435,427	5,435,428

9. SUBSIDIARIES

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Entity	
		2010	2009
		%	%
EnviroGold Holdings Pty Ltd	Australia	100	100
EnviroGold (Las Lagunas) Limited	Vanuatu*	70	100
EnviroGold (Dominicana) S.A.	Dominican Republic	100	100
EnviroGold (Peru) S.A.	Peru#	100	100
EnviroGold (International) Limited	Vanuatu	-	100
EnviroGold (Finance) Inc.	BVI	100	-
EnviroGold (Holdings) Inc.	BVI	100	-
EnviroGold (Latin America) Inc.^	BVI	100	-

*Investment held by EnviroGold Holdings Pty Ltd.

#Investment held by EnviroGold (Latin America) Inc.

^Investment held by EnviroGold (Holdings) Inc.

Disposal of 30% interest in existing subsidiary

During the year EnviroGold Holdings Pty Ltd ("EVGHPL") transferred 30% of the issued shares in EnviroGold (Las Lagunas) Limited back to Grimston World Inc., reducing EVGHPL's holding of the equity interest in EnviroGold (Las Lagunas) from 100% to 70%.

This transaction represents the reversal of the acquisition by EVGHPL from Grimston World Inc. in November 2008 which was paid for by a combination of cash in the amount of US$150,000 (AUD$224,182) and the issue of a convertible note certificate for a principle sum of US$6,000,000 (AUD$7,457,760) as part of the agreed settlement terms. Under the Share Sale and Purchase agreement entered into by the parties, both the Consolidated Entity and the Vendor had the option to reverse the transaction after 12 months but before 24 months from date of acquisition should the Consolidated Entity be unable to redeem for cash the convertible note issued as consideration for the acquisition of the remaining 30% interest.

As a consequence of the reversal of the transaction the convertible note certificate was cancelled on 30 November 2009 and the cash payment in the amount of US$150,000 (AUD$224,182) was offset against interest accrued on the convertible note up to the date of its cancellation. The balance of interest accrued on the convertible note was paid by EVGHPL to Grimston World Inc. on 21 January 2010.

Disposal of subsidiary

EnviroGold Limited disposed of its interest in EnviroGold (International) Limited on 15 January 2010 for a consideration of $1.00. The investment was sold at cost and no gain or loss was realised on the sale.

10. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED			PARENT ENTITY		
	Leasehold Improvements $	Plant & Equipment $	Total $	Leasehold Improvements $	Plant & Equipment $	Total $
2009						
Cost						
Balance 30 June 2008	71,955	209,686	281,641	71,955	105,879	177,834
Additions	-	13,008	13,008	-	390	390
Effect of FX Movement	-	20,253	20,253	-	-	-
Balance 30 June 2009	71,955	242,947	314,902	71,955	106,269	178,224
Accum Depreciation						
Balance 30 June 2008	(3,615)	(32,545)	(36,160)	(3,615)	(20,099)	(23,714)
Depreciation Expense	(27,336)	(45,287)	(72,623)	(27,336)	(15,744)	(43,080)
Effect of FX Movement	-	(2,207)	(2,207)	-	-	-
Balance 30 June 2009	(30,951)	(80,039)	(110,990)	(30,951)	(35,843)	(66,794)
Carrying Value 30 June 2009	41,004	162,908	203,912	41,004	70,426	111,430
2010						
Cost						
Balance 30 June 2009	71,955	242,947	314,902	71,955	106,269	178,224
Additions	2,989	215,373	218,362	2,989	4,585	7,574
Disposals	-	-	-	-	-	-
Effect of FX Movement	-	(8,265)	(8,265)	-	-	-
Balance 30 June 2010	74,944	450,055	524,999	74,944	110,854	185,798
Accum Depreciation						
Balance 30 June 2009	(30,951)	(80,039)	(110,990)	(30,951)	(35,843)	(66,794)
Depreciation Expense	(16,405)	(62,243)	(78,648)	(16,405)	(13,307)	(29,712)
Disposals	-	-	-	-	-	-
Effect of FX Movement	-	2,880	2,880	-	-	-
Balance 30 June 2010	(47,356)	(139,402)	(186,758)	(47,356)	(49,150)	(96,506)
Carrying Value 30 June 2010	27,588	310,653	338,241	27,588	61,704	89,292

		CONSOLIDATED		PARENT ENTITY	
		2010	2009	2010	2009
		$	$	$	$
11. PREPAYMENTS AND DEPOSITS					
Prepayments and bonds	(a)	1,097,049	71,237	10,943	14,834
Deposit on equipment	(b)	7,842,428	1,648,781	-	-
		8,939,477	1,720,018	10,943	14,834

a) Prepayments

(1) Prepaid royalties of USD$500,000 (AUD$583,900) to Grimston World Inc. were impaired during the 2009 reporting period due to the acquisition by the Consolidated Entity of Grimston World Inc's 30% interest in EnviroGold (Las Lagunas). In November 2009 Grimston World Inc. re-acquired its 30% interest in EnviroGold (Las Lagnuas) and therefore the amount previously written off was reinstated as an asset of the consolidated entity (Prepaid Royalty to GWI) with a corresponding offset against consultancy fees expense.

(2) Costs totalling AUD$425,000 have been prepaid by the Consolidated Entity in relation to its investment in the Ecuador project.

b) Deposit on equipment

Deposit on equipment relates to payments made in prior years and the current year, against purchase orders which were entered into during 2007/08 for a Ball Mill, an Isa Mill and an Oxygen Plant. Refer Note 19 (b) for capital expenditure commitments.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
12. INTANGIBLE ASSETS	$	$	$	$
(a)				
Albion License for China	600,000	600,000	600,000	600,000
Accumulated amortisation	(600,000)	(600,000)	(600,000)	(600,000)
	-	-	-	-

The Company acquired the exclusive rights to negotiate for an Albion license for 5 provinces in China in exchange for 40,000,000 options exercisable at 25 cents on or before 31 December 2009. The license is for a 2 year period and the cost has been amortised over the same time period.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
12. INTANGIBLE ASSETS	$	$	$	$
(b) Development costs – Las Lagunas				
Balance at the beginning of the year	20,194,357	13,044,112	-	-
Effect of FX Movement on opening balance	(1,008,986)	1,860,507	-	-
Costs written off	-	(621,480)	-	-
Current year costs	9,183,929	5,911,218	-	-
Closing balance	**28,369,300**	**20,194,357**	**-**	**-**

12. INTANGIBLE ASSETS (CONTINUED)

In accordance with note 1(x) the Group has assessed intangibles for impairment at year end.

The Consolidated Entity has calculated the recoverable amount of Las Lagunas development costs, being the cash-generating unit ("CGU").

The recoverable amount of the CGU has been based on value in use. Value in use has been calculated using a discounted cash flow forecast. The discounted cash flow forecast is based on the key statistics and assumptions shown on page 6 in the Review of Projects section of this Report and demonstrated a current NPV for the EnviroGold Group's interest in the Las Lagunas project of A$117.3 million at a discount rate of 10%, which is significantly in excess of the current carrying value.

No impairment loss has been recognised during the year in respect of the Las Lagunas Development Costs as the value in use of the project calculated using the discounted cash flow forecast is well in excess of its recoverable amount.

The carrying value of intangibles is sensitive to the following assumptions and potential impact has been determined when both sensitivities are applied simultaneously:

	Discount Rate	Average Gold Price (Not Sold Forward)	Value in Use $'000	+/- Value in Use $'000
Low	12%	-10%	96.7	(20.6)
High	8%	+10%	141.3	24.0

The low case scenario does not result in impairment.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
13. TRADE & OTHER PAYABLES				
Trade creditors				
Other corporations	204,358	1,197,713	72,733	171,449
Director related entities	54,300	60,757	54,300	59,308
Accruals	436,255	633,562	233,202	606,543
	694,913	**1,892,032**	**360,235**	**837,300**

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
14. PROVISIONS				
Current				
Rehabilitation	17,517	18,644	-	-
Employee benefits	76,999	55,601	72,093	54,335
	94,516	**74,245**	**72,093**	**54,335**

14. PROVISIONS (CONTINUED)

Movements in Provisions	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
Carrying amount at 1 July				
Rehabilitation	18,644	15,601	-	-
Employee benefits	55,601	34,887	54,335	32,358
Additional provisions recognised				
Rehabilitation	(1,127)	3,044	-	-
Employee benefits	21,398	20,713	17,758	21,977
Carrying amount at 30 June	**94,516**	**74,245**	**72,093**	**54,335**

A provision for rehabilitation has been recognized and calculated by the Consolidated Entity after a physical site inspection with respect to site works undertaken at the Las Lagunas Project. The exact timing of the outflows for rehabilitation is yet to be determined.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
15. CONVERTIBLE NOTE LIABILITY				
Convertible Note Liability	-	7,457,760	-	7,457,760
	-	**7,456,760**	**-**	**7,456,760**

A convertible note certificate for a principle sum of US$6,000,000 bearing interest at 7% per annum was issued by EnviroGold Limited as part of the agreed settlement terms for EnviroGold Holdings Pty Ltd to acquire the remaining 30% of EnviroGold (Las Lagunas) Limited. The date of issue was 11 November 2008 and was valid for a period of two years from that date.

Based on the Share Sale and Purchase Agreement, both the Consolidated Entity and the Vendor had the option to cancel the convertible note after 12 months but before 24 months from date of acquisition. Upon cancellation the 30% interest reverts to the Vendor.

In accordance with the provisions of the Share Sale and Purchase Agreement the Consolidated Entity subsequently cancelled the convertible note on 30 November 2009 and the 30% interest was returned to the Vendor.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
16. BORROWINGS				
Loan from director related entity	1,892,112	-	1,892,112	-
	1,892,112	**-**	**1,892,112**	**-**

A medium-term loan facility has been provided to EnviroGold Limited by Moonstar Investments Pty Ltd atf The Pemberley Trust, a company of which Brian Johnson is a director and his wife is a director and shareholder. A formal loan deed has been entered into between the parties. The terms of the loan deed are as follows:

16. BORROWINGS (CONTINUED)

i)	Commitment	AUD$3,500,000 including capitalised interest, or such other amount as agreed between the parties from time to time.
ii)	Security	The loan is provided on an unsecured basis
iii)	Interest	The rate of interest payable on the loan is 10% per annum and is payable on all advances and on capitalised interest.
iv)	Repayment terms	The repayment date under the loan agreement is 31 July 2011. The borrower may at any time prior to the repayment date and with the prior written consent of the lender, prepay all or part of the loan to the lender.

17. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
(a) Issued and paid up capital				
Ordinary shares fully paid	38,775,902	26,628,645	38,775,902	26,628,645
Preference shares fully paid	5	5	5	5
	38,775,907	**26,628,650**	**38,775,907**	**26,628,650**

	2010		2009	
	No. Shares	$	No. Shares	$
(b) Movements in ordinary shares on issue				
Beginning of the financial year	266,906,325	26,628,650	197,929,744	24,685,937
Issued at 3 cents 19/04/2009 - 28/06/2009	-	-	68,976,581	2,069,297
Issued at 5 cents 05/08/2009	40,000,000	2,000,000	-	-
Issued at 8 cents 11/11/2009 - 25/06/2010	131,250,000	10,500,000	-	-
Capital raising costs	-	(352,743)	-	(126,584)
Balance at end of year	**438,156,325**	**38,775,907**	**266,906,325**	**26,628,650**

(c) Terms and conditions of contributed equity

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in 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.

The five non-redeemable preference shares were issued to Balmoral Corporation Limited following approval by the members of an ultimately failed merger proposal. The dividend on these shares is 5% per annum and is cumulative.

18. RESERVES AND ACCUMULATED LOSSES

	Consolidated 2010 $	Consolidated 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
(a) Reserves				
Foreign currency translation reserve:				
Balance at the beginning of the year	95,078	(1,546,244)	-	-
Current year movement	(233,667)	1,641,322	-	-
Closing balance	**(138,589)**	**95,078**	**-**	**-**
Option reserve:				
Balance at the beginning of the year	1,249,748	1,099,697	1,249,748	1,099,697
Current year movement	275,810	150,051	275,810	150,051
Closing balance	**1,525,558**	**1,249,748**	**1,525,558**	**1,249,748**
Equity reserve:				
Balance at the beginning of the year	(9,403,657)	-	-	-
Current year movement	9,403,657	(9,403,657)	-	-
Closing balance	**-**	**(9,403,657)**	**-**	**-**
Total Reserves at end of year	**1,386,969**	**(8,058,831)**	**1,525,558**	**1,249,748**

Exchange differences arising on translation of the foreign subsidiaries are taken to the foreign currency translation reserve, as described in Note1(f). The reserve is recognised in profit and loss when the net investment is disposed of.

The Option Reserve records items recognised as expenses on valuation of Directors options. Fair value of options granted is independently determined using the Binomial option valuation methodology which takes into account the risk free interest rate and share price volatility.

The $9,403,657 movement in the Equity reserve during the period is a consequence of the Consolidated Entity returning 30% of the shares in EnviroGold (Las Lagunas) to Grimston World Inc. and cancelling the convertible note which had been issued by EnviroGold Limited as part of the agreed settlement terms. In accordance with Accounting Standards AASB 108 and the principles of the revised AASB 127, the Consolidated Entity retains control of EnviroGold (Las Lagunas) Limited and has therefore accounted for the decrease in ownership from 100% to 70% as an equity transaction.

(b) Movements in options	**Listed Options**	**Unlisted Options**	**Total**	**Weighted Average Exercise Price**	**Range of Exercise Price**	**Weighted Average Days to Maturity**
Balance at the beginning of the year	102,666,660	8,333,336	110,999,996	0.2500	-	-
Options issued	206,457,097	-	206,457,097	0.1500	-	-
Options forfeited	-	(2,333,335)	(2,333,335)	0.2500	-	-
Options expired	(102,666,660)	-	(102,666,660)	0.2500	-	-
Balance at end of year	**206,457,097**	**6,000,001**	**212,457,098**	**0.1528**	**$0.15 to $0.25**	**545**

18. RESERVES AND ACCUMULATED LOSSES (CONTINUED)

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
(c) Accumulated losses / Retained profit	$	$	$	$
Balance at the beginning of the year	(3,431,416)	(4,864,802)	2,942,647	(319,989)
Net (loss) / profit for the year	(882,388)	1,433,386	943,856	3,262,636
Closing balance	**(4,313,804)**	**(3,431,416)**	**3,886,503**	**2,942,647**

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
19. COMMITMENTS	$	$	$	$
(a) Rent expenditure commitments				
Office rent expenditure commitments payable:				
Within one year	134,048	148,085	113,167	127,203
Within one year and no later than five years	101,280	143,957	101,280	143,957
Later than five years	-	-	-	-
Total rental commitments	**235,328**	**292,042**	**214,447**	**271,160**

(b) Capital expenditure commitments				
Capital expenditure commitments payable:				
Within one year	6,042,504	2,766,431	-	-
Later than 1 year	7,589,911	-	-	-
Total capital commitments	**13,632,415**	**2,766,431**	**-**	**-**

20. PROJECT FUNDING

In December 2009, the EnviroGold Consolidated Entity formally accepted a revised credit approved offer from Macquarie Bank Limited for a US$45 million financing facility for the Las Lagunas project. The development of the Las Lagunas Gold Tailings Project in the Dominican Republic is dependent on the Company accessing this project finance.

Access to funding has been delayed by the minority participant in the Project, Grimston World Inc., refusing to sign a Mortgage over its shares in the development company, EnviroGold (Las Lagunas) Limited.

Arbitration proceedings in Canada resulted in Grimston World being advised on 17 September 2010 that they were required to provide Macquarie Bank with this security document. At the date of this Report, Grimston World had not provided the security document.

In the event enforcement of the Arbitration panel's ruling becomes necessary, Macquarie Bank will be requested to waive the provision of the mortgage as a Condition Precedent to providing funding on the basis

20. PROJECT FUNDING (CONTINUED)

enforcement proceedings against Grimston World will be initiated and pursued diligently by the EnviroGold Group as a Condition Subsequent to draw down.

All of the Bank's other security documents have been signed by the Bank and the EnviroGold Group.

The Company has also received approval from a major Government owned Dominican Bank, BanReservas, for a four year US$2.5 million project loan and a US$2.5 million overdraft facility for the Las Lagunas project to complete the financing arrangements.

The Company issued 40,000,000 shares in August 2009 to raise $2.0 million, 45,000,000 shares in November 2009 to raise $3.6 million and a total of 86,250,000 shares between March and June 2010 to raise a further $6.9 million, the majority of which has been applied as equity in the Project.

21. CONTINGENT LIABILITIES

Dispute with Intermet Engineering Pty Ltd

On 1 December 2008, EnviroGold (Las Lagunas) Limited, a wholly owned subsidiary of EnviroGold Limited, filed a Statement of Claim ("Claim") in the Federal Court of Australia against Intermet Engineering Pty Ltd ("IME"), having previously terminated its contract with IME for the provision of engineering design and procurement services. The Claim alleges breach of contract and misleading and deceptive conduct and seeks damages in the amount of US$9.094 million and A$5.509 million respectively. IME has filed a counter claim against EnviroGold (Las Lagunas) for A$1.876 million alleging unpaid fees. The claim of A$1.876 million is being refuted by EnviroGold (Las Lagunas), and as such, this amount is not included in current creditors.

EnviroGold Limited has to date provided bank guarantees totalling A$119,101 in settlement of an application for security of costs with IME provided up to, but not including the first day of trial.

In the view of the directors, the outcome is unknown and they cannot estimate the likelihood of an unfavourable decision. As a result, no provision has been made at 30 June 2010.

22. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES

(a) Cash at bank on hand

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding overdrafts. Cash at the end of the financial year as shown on the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
Cash at bank and on hand	851,634	2,402,590	603,075	2,310,948

Included in cash is an amount of $163,651 (2009: $163,651) which serves as collateral for a bank guarantee.

22. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES (CONTINUED)

(b) Reconciliation

(Loss)/Profit after income tax	(882,388)	1,433,386	943,856	3,262,636
Add/(Less) Non-cash Items				
Depreciation	78,648	72,623	29,712	43,080
Foreign exchange movement	1,916,307	(3,343,949)	(768,112)	(2,868,900)
Employee Options	89,365	150,051	58,606	150,051
Interest on convertible note	-	378,612	-	-
Loss on disposal of subsidiary	-	24,361	-	-
(Write back)/write off prepaid royalty	(586,390)	621,480	-	-
Oxygen plant write back	(1,949,864)		-	
Income tax expense	-	(52,075)	-	-
EnviroGold Holdings – expense reimbursement	-	-	-	-
EnviroGold International – expense Reimbursement	-	-	30,759	57,873
Accrued Interest – Subsidiary loans	-	-	(1,127,736)	(1,145,252)
Changes in operating assets and liabilities				
(Increase)/Decrease in receivables	9,602	(12,238)	10,756	(3,983)
(Increase)/Decrease in deferred project expenditure	(425,049)	-	(425,049)	-
(Increase)/Decrease in other assets	3,891	43,308	3,891	3,008
(Decrease)/Increase in payables	(304,457)	(556,006)	11,418	291,098
Net cash flows used in operating activities	**(2,050,335)**	**(1,240,447)**	**(1,231,899)**	**(210,389)**

23. KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

Brian Johnson	Executive Chairman	Appointed 4 October 2005
James Tyers	Executive Director	Appointed 24 November 2004
Angela Dent	Non-Executive Director	Appointed 9 October 2007
Dean Young	Manager Metallurgy	Appointed 29 August 2008
Pamela Bardsley	Company Secretary/In-House Legal Counsel	Appointed 1 April 2008
Tracey Aitkin	Manager Finance & Administration	Appointed 1 July 2009
Jose Sena	Project Manager	

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

	CONSOLIDATED		PARENT ENTITY	
	2010	**2009**	**2010**	**2009**
(b) Compensation of Key Management Personnel	**$**	**$**	**$**	**$**
Short-term employee benefits	1,249,435	1,075,179	1,110,215	945,629
Share-based payment	54,470	122,013	54,470	119,223
Superannuation	57,790	40,950	57,790	40,950
	1,361,695	**1,283,142**	**1,222,475**	**1,105,802**

The Company has applied the option under Corporations Amendment Regulation 2008 to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus25.4 to Aus25.7.2 to the Remuneration Report section of the Directors' report. The transferred disclosures have been audited.

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Option holdings of Key Management personnel (Consolidated)

	Held at 1 July 2008	Expired	Granted as remuneration	Acquired	Held at 30 June 2009	Expired	Granted as remuneration	Acquired	Held at 30 June 2010
Brian Johnson	27,000,000	-	-	11,488,200	38,488,200	(38,488,200)	-	44,065,465	44,065,465
James Tyers	4,000,000	-	-	-	4,000,000	(3,000,000)	-	1,933,761	2,933,761
Angela Dent	1,000,000	-	-	-	1,000,000	(500,000)	-	-	500,000
Jose Sena	750,000	-	-	-	750,000	(750,000)	-	-	-
Dean Young	-	-	2,000,000	-	2,000,000	-	-	-	2,000,000
Pamela Bardsley	-	-	500,000	-	500,000	-	-	3,500	503,500

(d) Options Vested and Exercisable as Ordinary Shares, and Options Unvested and Unexercisable

	Vested 31 December 2009, Exercisable 31 December 2010	Vesting 31 December 2010, Exercisable 31 December 2011	Fully Vested Exercisable 31 December 2011	Vesting 31 December 2011, Exercisable 31 December 2012	Total
Brian Johnson	-	-	44,065,465	-	44,065,465
James Tyers	500,000	500,000	1,933,761	-	2,933,761
Angela Dent	500,000	-	-	-	500,000
Dean Young	666,666	666.667	-	666,667	2,000,000
Pamela Bardsley	166,666	166,667	3,500	166,667	503,500

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(e) Shareholdings of Key Management Personnel (Consolidated)

	2009			2010		
	Held at 1 July 2008	Acquired	Held at 30 June 2009	Granted as remuneration	Acquired	Held at 30 June 2010
Brian Johnson	20,401,673	15,490,763	35,892,436	-	15,427,794	51,320,230
James Tyers	817,356	50,166	867,522	-	-	867,522
Angela Dent	963,866	53,333	1,017,199	-	-	1,017,199
Dean Young	-	-	-	-	200,000	200,000
Pamela Bardsley	-	-	-	-	7,000	7,000

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length.

(f) Other transactions and balances with Key Management Personnel and their related parties

Fees were paid during the year to Western Ventures Consulting Pty Ltd ("WVCPL") for company secretarial, accounting and administrative services. Ms Dent is the sole shareholder and director of WVCPL. Services provided by WVCPL were on the same basis as that provided to other entities.

Payments were made during the year to Ferrous Metals Pty Ltd ("FMPL") for reimbursement of expenditures incurred by FMPL on behalf of EnviroGold. Corresponding payments in 2009 were made to TransPacific Capital Pty Ltd ("TCPL"). Brian Johnson is a director and shareholder of FMPL and TCPL. Services provided by FMPL (2009: TCPL) were on the same basis as that provided to other entities.

EnviroGold made payments to OTR Properties Pty Ltd ("OTR") during the year for reimbursement of expenses in relation to an apartment owned by OTR and used by Brian Johnson during business trips to Sydney. Brian Johnson's wife is a director of OTR.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
	$	$	$	$
Payments to:				
WVCPL – Directors fees	35,000	35,000	35,000	35,000
WVCPL – Company secretarial and administrative services	33,293	45,000	21,343	21,606
FMPL – Management fees	276,433	-	276,433	-
FMPL – Expense reimbursements	19,300	-	9,855	-
TCPL – Management fees	67,600	261,000	67,600	261,000
TCPL – Expense reimbursements	-	3,587	-	2,060
OTR – Management fees	28,800	28,800	28,800	28,800
	460,426	373,387	439,031	348,466
Income from:				
FMPL – Expense reimbursements	1,245	-	1,245	-
TCPL – Expense reimbursement	-	7,423	-	7,423
	1,245	7,423	1,245	7,423

At the end of the reporting period the following invoiced amounts were outstanding:
OTR - $4,800; FMPL - $43,085; WVCPL - $6,417

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

In addition, an amount of $156,667 has been accrued at the end of the reporting period to recognise management fees payable to FMPL but not yet invoiced.

At the end of the reporting period the following invoiced income was outstanding:
FMPL - $888

24. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in Note 9.

(b) Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 23.

(c) Transactions with related parties

Details of loans made to subsidiaries are set out in Note 7.

25. SHARE-BASED PAYMENTS

(a) Directors, Officers, Employees and Other Eligible Persons Option Plan

On 24 November 2006 Shareholders approved the Option Plan to:

- recognise the ability and efforts of eligible persons who have contributed to the success of the Company; and
- provide eligible persons with an incentive to achieve the long term objectives of the Company and improve the performance of the Company.

The Board determines the eligibility of persons to participate and the extent of that participation after considering:

- the seniority and position of the eligible person;
- the length of service and record of employment of the eligible person;
- the potential future contribution of the eligible person; and
- any other matters which the Board considers relevant.

During the year no options were granted under the Option Plan and none were exercised.

Fair value of options granted is independently determined using the Binomial option valuation methodology which takes into account the risk free interest rate and share price volatility.

(b) Other Share-Based Payments

During the reporting period no options were granted under the same terms and conditions as under the Option Plan.

An expense of $120,125 (2009: $131,523) has been recognised during the reporting period for options granted.

There were no other share based payments made during the reporting period.

	CONSOLIDATED		PARENT ENTITY	
	2010	2009	2010	2009
26. AUDITORS REMUNERATION	$	$	$	$
Amounts received or due and receivable by PKF for:				
An audit or review of the financial report of the entity and any other entity in the Consolidated Entity	98,168	70,893	66,500	52,000
Other services in relation to the entity and any other entity in the Consolidated Entity	31,340	3,000	31,340	3,000
Amounts received or due and receivable by Bentley MRI Perth Partnership for:				
Other services in relation to the entity and any other entity in the Consolidated Entity	-	1,340	-	1,340

	CONSOLIDATED	
	2010	2009
27. EARNINGS PER SHARE ("EPS")	$	$
Numerator used for basic and diluted EPS:		
(Loss)/Profit for year	(882,388)	1,433,386
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares outstanding during the year used in calculating the basic and diluted EPS.	341,560,434	209,429,575

For the current year, all options were antidilutive because conversion would reduce loss per share, therefore these have been excluded from the weighted average number of ordinary shares for the purposes of calculating diluted EPS.

28. SUBSEQUENT EVENTS

Since year end the following subsequent events should be noted:

i) all of Macquarie Bank's security documents for the loan facilities for the Las Lagunas project have been signed by the Bank and the EnviroGold Group;

ii) the minority participant in the Project, Grimston World Inc, has refused to sign a mortgage over its shares in the developer EnviroGold (Las Lagunas) Limited in favour of Macquarie Bank

iii) on 17 September 2010, Grimston World was advised that it was required to sign the mortgage as a result of Arbitration proceedings conducted in Canada in relation to this matter

iv) the shareholders loan provided by Moonstar Investments Pty Ltd has increased to $2,920,000 as at the date of this Report

DIRECTOR'S DECLARATION

FOR THE YEAR ENDED 30 JUNE 2010

The directors of EnviroGold Limited declare that:

(a) In the Directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on pages 1 to 16, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's and the company's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and

(c) there are reasonable grounds to believe that the consolidated entity and the company will be able to pay their debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Executive Director and Manager – Finance & Administration for the financial year ended 30June 2010

Signed in accordance with a resolution of the directors.

Brian Johnson
Executive Chairman
30 September 2010

PKF
Chartered Accountants
& Business Advisers

INDEPENDENTAUDITORS' REPORT

To the members of EnviroGold Limited

Report on the Financial Report

We have audited the accompanying financial report of EnviroGold Limited, which comprises the Statements of Financial Position as at 30 June 2010, and the Statements of Comprehensive Income, Statements of Changes In Equity and Cash Flow Statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration for both EnviroGold Limited (the company) and the entities it controlled (consolidated entity) at the year end.

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 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' 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. 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. 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.

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Chartered Accountants
& Business Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditors' Opinion

In our opinion:

(a) the financial report of EnviroGold Limited is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's and the company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis on Matter - Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(w) in the financial report which indicates that the consolidated entity and the company are in the development phase of a gold tailings project and currently do not generate any revenue from operations.

This condition, along with other matters as set forth in Note 1(w), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and the company's ability to continue as going concerns, and therefore whether the consolidated entity and the company may realise their assets and extinguish their liabilities in the ordinary course of business and at the amounts stated in the financial report.

The financial report of the consolidated entity and the company do not include any adjustments in relation to the recoverability and classification of recorded net asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity and the company not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 16 of the Directors' Report for the year ended 30 June 2010. 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.

Auditors' Opinion

In our opinion the Remuneration Report of EnviroGold Limited for the year ended 30 June 2010 complies with Section 300A of the *Corporations Act 2001*.

PKF

Bruce Gordon
Partner

Sydney
30 September 2010

ASX ADDITIONAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2010

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current as at 16 September 2010.

(a) Twenty largest shareholders

The names of the twenty largest holders of quoted Shares are:

	Listed Ordinary Shares	
	Number of Shares	**Percentage of Ordinary Shares**
Denman Investments Limited	45,302,467	10.34%
Macquarie Bank Limited	30,000,000	6.85%
Moonstar Investments Pty Ltd <BGJ Super Fund A/C>	26,425,800	6.03%
PT Asia Pacific Mineral Resources	25,950,000	5.92%
Moonstar Investments Pty Ltd <The Pemberley A/C>	25,609,033	5.84%
Shairco for Trading Industry & Contracting	20,000,000	4.56%
Lujeta Pty Ltd <The Margaret Account>	19,000,000	4.34%
UBS Nominees Pty Ltd	14,500,000	3.31%
UBS Wealth Management Australia Nominees Pty Ltd	8,960,000	2.04%
Mr John Michael Moore <The Mike Moore S/F A/C>	8,003,121	1.83%
Mr Willem van Dongen	6,333,333	1.45%
Goncang Pty Ltd <DGA Superannuation Fund A/C>	6,200,000	1.42%
National Nominees Limited	6,066,699	1.38%
Sinom Investment Limited	6,000,000	1.37%
Public Trustee <IFTC Broking Services Ltd A/C>	5,124,053	1.17%
Merrill Lynch (Australia) Nominees Pty Limited	4,823,099	1.10%
Vector Nominees Pty Limited <The Vector Super Fund A/C>	4,000,000	0.91%
Mr Simon Patrick Bowman	3,016,580	0.69%
Mr James Robert McCormack	3,013,666	0.69%
Armco Barriers Pty Ltd	3,000,000	0.68%
Total for Top 20	**271,327,851**	**61.92%**

(b) Twenty largest option holders

The names of the twenty largest holders of quoted Options are:

	Listed Options	
	Number of Options	Percentage of Options
Moonstar Investments Pty Ltd <BGJ Super Fund A/C>	32,457,000	15.72%
Denman Income Limited	18,750,000	9.08%
Moonstar Investments Pty Ltd <The Pemberley A/C>	11,608,465	5.62%
Macquarie Bank Limited	10,000,000	4.84%
Mr John Michael Moore <The Mike Moore S/F A/C>	10,000,000	4.84%
Lujeta Pty Ltd <The Margaret Account>	9,500,000	4.60%
UBS Nominees Pty Ltd	6,000,000	2.91%
PT Asia Pacific Mineral Resources	3,600,000	1.74%
UBS Wealth Management Australia Nominees Pty Ltd	3,480,000	1.69%
Mr Willem van Dongen	3,166,666	1.53%
Goffacan Pty Ltd	3,100,000	1.50%
Clodene Pty Ltd	3,000,000	1.45%
Chem Link (Qld) Pty Ltd <A Mastrodomenico S/F A/C>	2,820,000	1.37%
Merrill Lynch (Australia) Nominees Pty Limited	2,750,029	1.33%
Custodial Services Limited <Beneficiaries Holdings A/C>	1,936,818	0.94%
Dubotu Pty Ltd	1,750,000	0.85%
Mr James Robert McCormack	1,570,833	0.76%
Mr Gary William Wilson <The Wilson Family A/C>	1,537,922	0.74%
Mr Scott Duncan	1,500,000	0.73%
Mrs Shelly Mary Therese Duncan	1,500,000	0.73%
Total for Top 20	**130,027,733**	**62.98%**

(c) Substantial shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	Percentage of Ordinary Shares
Denman Investments Limited	44,525,527	10.16%
Mr Willem van Dongen	33,616,666	9.07%
Macquarie Bank Limited	30,000,000	7.88%
Moonstar Investments Pty Ltd <BGJ Super Fund>	26,425,800	6.05%
Moonstar Investments Pty Ltd <Pemberley A/C>	25,144,430	5.74%

(d) Distribution of equity securities

The number of Shareholders, by size of holding, in each class of Share are:

	Ordinary Shares		Non-redeemable Preference Shares	
	Number of Holders	Number of Shares	Number of Holders	Number of Shares
1 - 1,000	133	56,369	1	5
1,001 - 5,000	103	312,469	-	-
5,001 - 10,000	107	919,019	-	-
10,001 - 100,000	580	27,156,042	-	-
100,001 and over	326	409,712,426	-	-
Total	**1,249**	**438,156,325**	**1**	**5**
The number of Shareholders holding less than a marketable parcel of Shares are:	**358**	**1,452,086**	**1**	**5**

The number of Option holders, by size of holding, are:

	Options	
	Number of Holders	Number of Shares
1 - 1,000	12	5,136
1,001 - 5,000	49	187,451
5,001 - 10,000	63	529,278
10,001 - 100,000	344	14,577,906
100,001 and over	176	191,157,326
Total	**644**	**206,457,097**

(e) Voting rights

Ordinary shares
On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote.

On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

Non-redeemable preference shares
One vote for each share, but limited to matters affecting the rights of such shares.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

As the framework of how the Board of Directors at EnviroGold Limited ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Corporate Governance Principles and Recommendations, 2nd Edition ("Principles").

The eight principles of corporate governance are:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision-making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

There are a number of recommendations in the Principles with which the Company does not comply due to the size of the Company and the Board, and its practical management requirements. The Company has instituted management procedures like weekly meetings between the Chairman and the Executive Directors to ensure good corporate governance rather than compliance with the Principles for compliance sake.

The Principles and the recommendations with which the Company does not comply are detailed below.

Principle 1 – Lay solid foundations from management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Besides governing the Company, members of the board are also executives of the Company and play an integral part in the day to day management of the Company's activities.

The Board is responsible for:

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of those policies and strategies and the achievement of those financial objectives and performance against the strategic plan and budgets;
- monitoring compliance with control and accountability systems, significant disclosures to the market regulatory requirements and ethical standards;
- ensuring the preparation of accurate financial reports and statements;
- reporting to Shareholders and the investment community on the performance and state of the Company;
- ensuring that appropriate audit arrangements are in place;
- ensuring that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Chairman is responsible for assessing the performance of the key executives within the Company. The basis of evaluation of senior executives will be on agreed performance measures.

Principle 2 – Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

The majority of the Board is not independent. The membership and structure of the Board is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board considers that the Company is not currently of a size to justify the appointment and further expense of additional independent Non-Executive directors and believes that the individuals on the Board can, and do, make quality and independent judgments in the best interests of the Company on all relevant issues.

The Board currently consists of 3 members, all non-independent. One members is non-executive.

The Directors in office at the date of this statement are:

Brian Johnson	Executive Chairman
James Tyers	Executive Director
Angela Dent	Non-executive Director

Refer to the Director's report for details of each director's profile.

Recommendation 2.2: The chair should be an independent director.

Recommendation 2.3: The roles of the chair and managing director should not be exercised by the same individual.

The Chairman is not an independent director and the Company does not have a Managing Director. Mr Brian Johnson and Mr James Tyers manage the daily operations of the Company, so that the Company maximising its benefits from the extensive but different skills and experience. As the Company grows the management structure will be reviewed and changed to maximise shareholder value and corporate governance.

Recommendation 2.4: The board should establish a nomination committee.

The Board has not established a nomination committee. The Board, as a whole, deals with areas that would normally fall within the Charge of the Nomination Committee. These include matters relating to the renewal of Board Members and Board Performance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board will undertake an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its charter; and
- effects any improvements to the Board charter and corporate governance policies and procedures deemed necessary or desirable.

Given the specific nature of the Company's activities and that a majority of board members are executives of the Company, performance evaluation is an on going process. Achievement of goals and business development and compliance issues is evaluated regularly on an informal basis.

Principle 3 – Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- The practices necessary to maintain confidence in the company's integrity
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices

The Company is committed to Directors and employees maintaining high standards of integrity and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies.

Directors acquaint themselves with obligations imposed on them and the Company by the Corporations Act. They will also familiarise themselves with other documents prepared by the Company to meet corporate governance requirements:

- the Employee Code of Conduct –sets out minimum standards of conduct and integrity to be observed by all employees and Directors;
- the Corporate Governance Statement –advises Shareholders and ASX of the corporate governance practices put in place by the Board.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Policy on Directors and Senior Executives dealing in Securities objective is to:

- minimise the risk of Directors and Senior Executives of the Company contravening the laws against insider trading;
- ensure the Company is able to meet its reporting obligations under the ASX Listing Rules; and
- increase transparency with respect to trading in securities of the Company by Directors and Senior Executives.

The Chairman will generally not allow Directors and Senior Executives to deal in securities of the Company as a matter of course in the following periods:

- within the month prior to the release of annual or half yearly results;
- within the month prior to the issue of a prospectus; and
- where price sensitive information has not been disclosed because of an ASX Listing Rule exception.

Directors and Senior Executives should wait at least 3 business days after the release of the relevant information before dealing in securities so that the market has had time to absorb the information.

In specific circumstances however, such as financial hardship, the Chairman may waive the prohibition on a Director or Senior Executive dealing in securities at any of the above times on the condition that the Director or Senior Executive can demonstrate to him that they are not in possession of any price sensitive information that is not generally available to the public.

Principle 4 – Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:

- *consists of only non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the board*
- *has at least three members.*

The Board has not established an Audit Committee because it does not have sufficient non-executive and independent directors to do so. The Board, as a whole, deals with areas that would normally fall within the Charge of the Audit Committee.

Recommendation 4.3: The audit committee should have a formal charter.

The board has not established a formal charter for an Audit Committee.

Principle 5 – Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company discharges these obligations by releasing information to ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company Secretary is responsible to the Board, through the Chairman, on all governance matters and maintaining compliance systems which ensure the Board and Company adhere to ASX Listing Rules and the Corporations Act.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company is committed to the promotion of investor confidence by ensuring that trade in its securities takes place in an efficient, competitive and informed market. The Board Charter recognises the importance of forthright communication as a key plank in building shareholder value and that to prosper and achieve growth the Company must (among other things) earn the trust of employees, customers, suppliers, communities and security holders by being forthright in its communications and consistent in its fulfilment of obligations.

Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, fuel prices, ground water flows, product quality, investments in new projects.

To mitigate these risks, the company has in place an experienced board, regular board meetings, six monthly financial and internal audits, rigorous appraisal of new investments, and advisers familiar with the company.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Executive Chairman and the Manager - Finance and Administration confirm in writing to the board that the financial reports of the Company for the financial year:

- present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards;
- the statement given in paragraph (a) above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The board should establish a remuneration committee.

The Board has not established a remuneration committee. The Board, as a whole, deals with areas that would normally fall within the Charge of the Remuneration Committee.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company Remuneration Policy has been put in place to ensure that:

- remuneration policies and systems support the Company's wider objectives and strategies;
- Directors' and Senior Executives' remuneration is aligned to the long-term interests of Shareholders within an appropriate control framework; and
- there is a clear relationship between the executive's performance and remuneration.

The policy defines the overall remuneration structure and document the structure of remuneration for three main groups:

- Executive Directors;
- Senior Executives; and
- Non-Executive Directors.

Further information on directors' and executives' remuneration is set out in the directors' report.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

Departure from Best Practice Recommendations

From 1 July 2009 to 30 June 2010, the Company complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than in relation to the table below.

Recommendation	Notification of Departure	Explanation from Departure
2.1	A majority of the board are not independent directors.	The Board believes that the individuals on the Board can, and do, make quality and independent judgements in the best interests of the Company on all relevant issues.
2.2	The chair is not an independent director.	
2.4	The board has not established a nomination committee.	The whole board carries out the duties which would otherwise be undertaken by the nomination committee. The need for a nomination committee will be reviewed annually.
4.1, 4.2 & 4.3	The board has not established an audit committee.	The whole board carries out the duties which would otherwise be undertaken by an audit committee. The need for an audit committee and formal charter will be reviewed annually.
8.1	The board has not established a remuneration committee.	The whole board carries out the duties which would otherwise be undertaken by the remuneration committee. The need for a remuneration committee will be reviewed annually.