



European
GOLDFIELDS LIMITED

ANNUAL INFORMATION FORM

For financial year ended 31 December 2006

22 March 2007

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ITEM 3: CORPORATE STRUCTURE

Certain statements and information contained in this document, including any information as to European Goldfields Limited's (the "**Company**") future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute forward-looking information under provisions of Canadian provincial securities laws. When used in this document, the words "anticipate", "expect", "will", "intend", "estimate", "forecast", "planned" and similar expressions are intended to identify forward-looking statements or information. Forward-looking statements include, but are not limited to, the estimation of mineral reserves and resources, the timing and amount of estimated future production, costs and timing of development of new deposits, permitting time lines and expectations regarding metal recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: changes in the price of gold, base metals or certain other commodities (such as fuel and electricity) and currencies; uncertainty of mineral reserves, resources, grades and recovery estimates; uncertainty of future production, capital expenditures and other costs; currency fluctuations; financing and additional capital requirements; the successful and timely permitting of the Company's Skouries, Olympias and Certej projects; legislative, political, social or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; the speculative nature of gold and base metals exploration and development, including the risks of diminishing quantities or grades of reserves; the risks normally involved in the exploration, development and mining business; and risks associated with internal control over financial reporting. For a more detailed discussion of such risks and material factors or assumptions underlying these forward-looking statements, see **Item 5.2** of this Annual Information Form. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

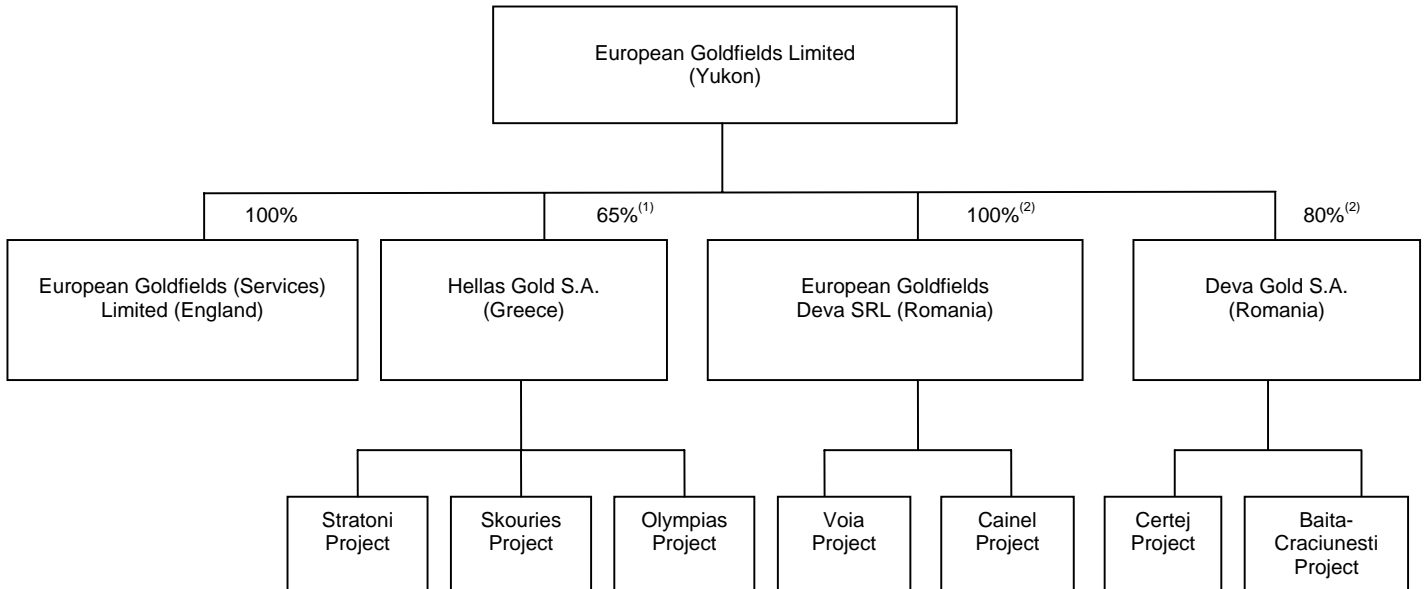
3.1 Name, Address and Incorporation

The Company was incorporated on 1 March 2000 under *Yukon Business Corporations Act*, under the name "European Goldfields Limited". The authorised capital of the Company consists of an unlimited number of common shares without par value, and an unlimited number of preferred shares, issuable in series, without par value.

The Company's registered office is located at Suite 200, Financial Plaza, 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2.

3.2 Intercorporate Relationships

The following corporate chart sets forth, as at 31 December 2006 (except otherwise indicated), all of the Company's subsidiaries, their jurisdictions of incorporation, the percentage of voting securities or ownership held by the Company and the principal mineral resource properties owned by each of them:



NOTES:

- (1) Shares held indirectly through the following wholly-owned subsidiaries: European Goldfields Mining (Netherlands) B.V. (Netherlands) and European Goldfields (Greece) B.V. (Netherlands).
- (2) Shares held indirectly through wholly-owned subsidiary Deva Gold (Barbados) Limited (Barbados). The Company is required to fund 100% of all the exploration and development costs incurred by Deva Gold S.A. and, as a result, the Company is entitled to the refund of such costs (plus interest) out of future cash flows, prior to any dividends being distributed to shareholders.

ITEM 4: GENERAL DEVELOPMENT OF THE BUSINESS

BUSINESS OF THE COMPANY

4.1 Three Year History

Since its incorporation in March 2000, the Company has been involved in the acquisition, exploration and development of mineral properties in Greece, Romania and South-East Europe.

Greece – The Company holds a 65% interest in Hellas Gold S.A. (“**Hellas Gold**”). Hellas Gold owns three major gold and base metal deposits in Northern Greece. The deposits are the polymetallic projects of Stratoni and Olympias which contain gold, zinc, lead and silver, and the Skouries copper/gold porphyry body. Hellas Gold commenced production at Stratoni in September 2005 and selling an existing stockpile of Olympias gold concentrates in July 2006. Hellas Gold is applying for permits to develop the Skouries and Olympias projects.

Romania – The Company owns 80% of the Certej gold/silver project in Romania. The Company submitted in March 2007 a technical feasibility study to the Romanian government, in support of a permit application to develop the project.

4.2 Significant Acquisitions

The Company has not completed any significant acquisition during the financial year ended 31 December 2006 for which disclosure is required under Part 8 of Canadian National Instrument 51-102.

ITEM 5: DESCRIPTION OF THE BUSINESS

5.1 General

5.1.1 Results of Operations

The Company's results of operations for the year and three-month period ended 31 December 2006 were comprised primarily of activities related to the results of operations of the Company's 65%-owned subsidiary Hellas Gold in Greece and the Company's exploration and development program in Romania.

In Q4 2005, Hellas Gold commenced production at its Stratoni mine in Greece. The following table summarises operational results at Stratoni for the four most recently completed quarters.

		Stratoni Mine (Greece)				
		Q1 2006	Q2 2006	Q3 2006	Q4 2006	Total
Inventory (start of period)						
Ore mined (wet tonnes)		10,963	1,155	12,326	3,617	-
Zinc concentrate (tonnes)		95	1,034	1,562	1,199	-
Lead/silver concentrate (tonnes)		1,268	308	674	1,345	-
Production						
Ore mined (wet tonnes)		31,752	47,966	49,652	47,321	176,691
Ore milled (tonnes)		40,333	35,810	56,769	47,038	179,950
- Average grade:	Zinc (%)	8.89	9.45	10.54	10.73	10.00
	Lead (%)	7.28	5.83	5.78	6.56	6.33
	Silver (g/t)	183.45	146.09	142.29	161.73	157.35
Zinc concentrate (tonnes)		6,222	6,041	10,768	9,263	32,294
- Containing:	Zinc (tonnes)	3,229	3,098	5,468	4,619	16,414
Lead concentrate (tonnes)		3,662	2,703	4,368	3,993	14,726
- Containing:	Lead (tonnes)	2,667	1,881	2,997	2,818	10,363
	Silver (oz)	207,496	141,809	227,817	216,586	793,708
Sales						
Zinc concentrate (tonnes)		5,283	5,513	11,130	10,425	32,351
- Containing payable:	Zinc (tonnes)*	2,335	2,320	4,702	4,418	13,775
Lead concentrate (tonnes)		4,623	2,337	3,696	5,124	15,780
- Containing payable:	Lead (tonnes)*	3,166	1,554	2,418	3,329	10,467
	Silver (oz)*	252,559	121,350	189,349	254,881	818,139
Cash operating costs per tonne milled (\$)		90	115	109	147	113
Inventory (end of period)						
Ore mined (wet tonnes)		1,155	12,326	3,618	2,499	-
Zinc concentrate (tonnes)		1,034	1,562	1,200	37	-
Lead/silver concentrate (tonnes)		308	674	1,345	214	-
Financial information <i>(in thousands of US dollars)</i>						
Sales (\$)**		9,083	8,274	15,211	19,870	52,438
Gross profit (\$)**		4,295	4,330	7,958	10,669	27,252
Capital expenditure (\$)		526	1,351	1,487	4,202	7,566
Amortisation and depletion (\$)		456	942	796	1,119	3,313

* Net of smelter deductions

** Includes the sale of approximately 6,500 wmt of gold concentrates from an existing stockpile at Olympias.

Cash operating costs per tonne milled increased in Q4 2006 to \$147 (€114) per tonne, compared to \$109 (€85) per tonne in Q3 2006. Of the \$39 per tonne increase, the majority (\$22) was the result of the 17% fall in milled tonnages in Q4 2006. In addition, \$8 related to unaccrued bonuses and salary increases both at Hellas Gold and Aktor S.A. (Hellas Gold's mining contractor), \$4 represented additional warehouse and consumable costs, and a further \$3 resulted from

increased insurance and overhead at Stratoni. For the year ended 31 December 2006, the cash operating cost per tonne milled averaged \$113 (€90) per tonne. Hellas Gold is in the final stages of agreeing a new mining contract with Aktor S.A., on a fixed price per tonne basis. Under the new contract, quarterly targets will be agreed with Aktor S.A. and Hellas Gold will benefit from a reduced cost per tonne as mining throughput increases.

5.1.2 Stratoni Operation – Greece

Background information – Stratoni consists of a stratabound lead-zinc-silver replacement deposit and lies approximately 4 km from the coastal town of Stratoni and just to the west of the village of Stratoniki.

Stratoni is a robust business with minimal capital investment due to the extensive existing infrastructure. It also has well-defined reserves and exciting exploration upside as the orebody is open in all directions. The new decline is crossing the zone between old, mined-out areas and the current reserve of the Mavres Petres orebody, providing excellent access for exploration of potential upside.

In addition to existing underground access and tailings facilities, Stratoni benefits from recently refurbished and fully operational mill and flotation plant, offices and a fully equipped analytical services laboratory, together with a ship-loading facility that can accept vessels of up to 8,000 tonnes capacity, all located at Stratoni.

In September 2005, Hellas Gold was awarded all necessary environmental and mining permits to commence operations at Stratoni. The Stratoni concentrator immediately commissioned without any technical problems and quickly confirmed historic metal recoveries consistently high at above 90%.

The mining method is conventional drift-and-fill, which is ideally suited to this high-grade orebody as it minimises dilution and maximises recovery of high-grade ore, allowing headings to change direction with changing ore geometry.

The equipment underground at Stratoni was previously producing at a rate of 450,000 tonnes per annum (tpa) prior to shutdown in 2003. As well as service vehicles, Hellas Gold has four Tamrock Quasar single-boom drill rigs for face and roofbolt drilling, five Wagner 6yd LHDs for moving ore to ore passes, and four Wagner 16- and 20-tonne underground haul trucks. All are in good operating condition. Thus there is no restriction on production caused by equipment.

Hellas Gold commenced production in an environment of strong metal demand and depleting global stockpiles, especially for zinc. Stratoni was the only lead and zinc start-up in 2005.

Hellas Gold has entered into off-take agreements for the sale of lead/silver and zinc concentrates produced at Stratoni, in which it is agreed to sell approximately 90% of concentrates produced until 2007, and 65% of lead/silver and 25% of zinc production in 2008. The agreements provide for fixed penalties and treatment charges for the contract term, without hedging of metals. Hellas Gold intends to sell excess production on the spot market.

The new reserve has allowed Hellas Gold to ramp-up its planned yearly ore production schedule as follows:

- Year 2006: 170,000 tonnes
- Year 2007: 250,000 tonnes
- Year 2008: 350,000 tonnes
- Year 2009: 400,000 tonnes
- Year 2010: 400,000 tonnes
- Year 2011: 400,000 tonnes
- Year 2012: 400,000 tonnes

This new reserve is based on an updated measured & indicated resource estimate for the Stratoni orebody, which results from a new optimised geological model based on revised geological mapping, additional data from underground sampling, and a more reliable understanding of the orebody after a full year of mining at Stratoni.

A better understanding of the orebody has also allowed Hellas Gold to define increased inferred resources comprising some 555,000 tonnes grading 7.3% lead, 10.2% zinc and 181 g/t silver.

In addition, Hellas Gold recently started a new exploration drilling programme at Stratoni, which is expected to increase life of mine by another two years at least. Initial drilling results are expected in Q1 2007. An important objective of the drilling programme is to upgrade existing inferred resources to full Canadian NI 43-101 compliant reserves.

Development underway for continued production ramp-up in 2007 – A ramp to access the upper parts of the mine has been commenced, along with infrastructure to connect the upper part of the mine with existing ore bins to improve ore handling and ventilation. This infrastructure will provide access to new working ends in the upper part of the mine to ensure the ramp-up in production continues in 2007.

Significant progress has also been made on the new decline to the Mavres Petres orebody, which is now approximately 1,100 metres in and advancing at over 5m per day on average. The new decline is not necessary for mining in 2007 but becomes critical for the future production ramp-up involving the deeper portions of the orebody, as well as providing better ventilation.

Tailings strategy outlined – In order to ensure tailings storage capacity for the life of mine, a global strategy for the management of tailings has been developed by Hellas Gold. Additional tailings storage space has been created by removing coarse tailings material from existing storage facilities to backfill old mine workings. Dried fine material has also been moved from the existing tailings ponds and placed in the voids created by removing the coarse tailings. Following successful trials, two filter presses have been bought and will be commissioned in Q2 2007. The filter press at the mill will be used for processing the current production of fine tailings and water treatment sludge to allow the maximum utilisation of the space created at the existing facility. The second filter press will eventually be installed close to the new water treatment plant, but will initially be used to treat the wet tailings and water treatment sludge for dried cake storage. Current production of coarse tailings from production will be used for backfill of current workings.

Water management programme adopted – To reduce future water pumping and treatment costs, Hellas Gold commenced backfilling of the old Madem Lakkos mine workings. A total of 13,000m³ of void has been filled so far. In addition, a second water treatment plant at the Stratoni mine site will be commissioned in 2007 to improve efficiency and provide capacity for extreme rainfall events. The new plant will include the second filter press to allow dry storage of treatment residue as filter cake.

5.1.3 Skouries Project – Greece

The Skouries deposit is a typical gold-copper porphyry deposit that forms a near vertical pipe and is currently located 35 km by road from the Stratoni port in northern Greece. Skouries is located on a high plateau with no habitation in the immediate vicinity.

Hellas Gold has completed most technical studies for the final bankable feasibility study on its Skouries project in Northern Greece. Skouries is a typical gold-copper porphyry deposit that forms a near vertical pipe. These studies include:

- A cost and definition study for the process plant and associated infrastructure, undertaken by Aker Kvaerner Engineering Services
- A cost and definition study for underground mechanical and electrical utilities, undertaken by Scott Wilson Mining
- The design of the tailings management facility, undertaken by Golder Associates
- A study of hydrogeology and creek boundaries by the Greek Institute of Geology & Mineral Exploration (IGME), to be used in the development of a new hydrogeological model
- A reserves estimate, undertaken by SRK Consulting.

Mining studies confirm that Skouries could be mined as a low strip open pit (0.6:1) operation and as a highly productive underground mine, either in sequence or concurrently, at a rate between 6 and 8M tonnes per annum. This would produce annually approximately 40,000t of copper and 200,000 oz of gold over a mine life of over 20 years. This production rate is shown to be sustainable based on the detailed mine design carried out by SRK Consulting and benchmarking with other comparable mines. Other international consultants involved in these mining studies are Scott Wilson Mining, Diogo Caupers and Steve Nicol.

The metallurgy at Skouries is considered to be straight-forward. The mine will feed a process plant designed for a nominal throughput of 21,000 tonnes per day. The processing will comprise gyratory crushing for open pit and underground ore, single-stream SAG and ball-mill grinding. Approximately 30% of gold will be recovered by a gravity circuit to produce doré on site. A highly-marketable copper/gold concentrate will also be produced by conventional froth flotation, thickening and filtration.

Extensive testwork completed by Lakefield Research and other consultants has shown average recoveries of 84% gold and 91% copper can be achieved. Concentrate grades of approximately 26% copper and averaging 27g/t gold are expected.

The concentrates will be trucked to Hellas Gold's port storage facility at Stratoni, which will be approximately 15km away by road from the Skouries plant site. Skouries is located on a high plateau with no habitation in the vicinity.

The study by Golder Associates incorporates the latest paste production technology in a phased tailings management facility (TMF) that will minimise land take and embankment height and provides increased tailings stability. The study shows that the paste tailings are inert. The use of paste tailings and a phased TMF also allows sequential rehabilitation of the tailings management facility to minimise active tailings areas.

The technical studies indicate to date that the project will require approximately US\$270 million in initial capital expenditure under the following categories:

- \$188 million for the process plant and associated infrastructure
- \$53 million for the tailings management facility
- \$21 million for the open pit
- \$8 million for other costs

Operating costs for the open pit mining are expected to be \$1.28 per tonne, and \$6.05 per tonne for the underground mining.

Hellas Gold plans to publish the results of the final feasibility study on Skouries once the final Environmental Impact Study (EIS) is completed in Q2 2007. The EIS is being carried out by the Greek consulting group Enveco.

Hellas Gold has initiated discussions with Outokumpu Oy for the purchase of mill and plant equipment and with Aktor S.A. for the construction of the plant and related infrastructure.

Skouries reserves increased by 13% – In July 2006, the Company announced a 13% increase in reserve tonnes for Hellas Gold's Skouries deposit, which were reported as follows:

Reserve category	'000t	Gold (g/t)	Gold (Moz)	Copper (%)	Copper ('000t)
Proven	77,535	0.87	2.18	0.54	415
Probable	68,667	0.78	1.73	0.55	374
Total	146,202	0.83	3.91	0.54	789

The increase in reserves resulted from a new mine plan and schedule which includes the adoption of a deeper open pit, an optimised sub-level cave underground mine design and improved long-term metal price forecasts. The updated reserve was estimated by SRK Consulting (UK) Ltd at a gold price of \$425/oz and a copper price of \$1.1/lb.

The updated reserve is based on a new pit optimisation and subsequent practical pit design along with a detailed underground mine design based on relevant net smelter return (NSR) cut-offs and practical mining constraints which takes into account mining recoveries and dilution.

5.1.4 Olympias Project – Greece

Olympias is a polymetallic deposit located 8 km north of the Stratoni mine. Olympias benefits from extensive mining and plant infrastructure already in place, including a shaft down to a depth of 400 metres below surface, and a port facility nearby at Stratoni.

Phasing of Olympias established – Development at Olympias will progress in three phases to allow refurbishment and construction of infrastructure and the subsequent construction of new gold processing facilities at Stratoni. This staged approach also allows the phasing of capital investment, as follows:

- Phase 1 will consist in the processing old tailings at Olympias, which will have the added benefit of cleaning up the valley, together with underground refurbishment and limited mining in the upper levels of the mine. These tailings contain 2,400,000 tonnes of material grading 3.4 g/t gold and 14.2 g/t silver, which could yield 385,000 tonnes of marketable concentrates grading 19.2 g/t gold and 75.7 g/t silver.
- Phase 2 will consist in underground mining around the existing shaft and other infrastructure, thereby minimising capital investment. Hellas Gold has recently completed a mining schedule for Phase 2, which indicates that ore will be extracted at a rate progressing between 200,000 and 400,000 tonnes per annum, expected to commence in 2008. Revenue during Phase 2 will be generated from the sale of lead/silver, zinc and gold pyrite/arsenopyrite concentrates.

- Phase 3 will consist of the expansion of the underground infrastructure in order to increase production. This infrastructure upgrade will include a new decline from the base of the Olympias deposit which will be used to convey the ore to a new centralised concentrator, gold plant and tailings management facility at a brown field site to be located in the Stratoni mine area. Ore will be extracted at a rate of 400,000 tpa for the first two years of Phase 3, ramping-up to 900,000 tpa thereafter. Revenue during the first two years of Phase 3 will be generated from the sale of concentrates for all metals. Thereafter, all of the gold concentrate will be processed to gold and silver bullion at the new gold processing plant.

The mining in all phases will use drift-and-fill methods. In areas of wide orebody, a double-lift drift-and-fill method called “mini bench” has been designed. The drift-and-fill method is well tested at Olympias and is also flexible, allowing headings to change direction with changing ore geometry with maximum recovery of the high-grade ore. This use of drift-and-fill methods minimises surface disposal requirements for tailings by utilising underground backfill methods.

Gold concentrates will be sold through off-take agreements along with the lead/silver and zinc concentrates. Unsold gold concentrates will be stockpiled for subsequent treatment through the gold plant.

The phasing of the project allows time for optimisation and development of the metallurgical process for treating the auriferous arsenopyrite/pyrite concentrates.

Pilot-scale test-work has shown that the well established pyrometallurgical process of flash smelting developed by Outokumpu OY is a technically viable process option for extracting the gold and silver to bullion. The gold recovery is expected to be approximately 92%.

A pre-feasibility level study was also completed in 2005 for treating the gold concentrate through a process route comprising roasting, pressure oxidation and leaching. Testwork has demonstrated that gold extractions in the region of 95% can be achieved from the refractory gold concentrate.

There are therefore two potential treatment routes being investigated to extract the gold to finished doré or bullion. Investigations are continuing particularly into the properties of the residues from the two processes in terms of the long-term storage stability.

The Olympias project is self-sustaining over the initial phases with the sale of concentrates, and the high recoveries for the on-site gold processing are considered promising for the latter phase.

Off-take agreements signed for 70% of Olympias stockpile of gold concentrates – Expressions of interest received for the balance – Hellas Gold’s Olympias project benefits from an existing stockpile of gold concentrates representing a reserve of approximately 258,000 tonnes grading 23.3 g/t gold (containing 193,000 oz of gold), in addition to substantial underground reserves of gold, lead, zinc and silver. An additional 9,000 wet metric tonnes (wmt) of concentrates (containing 6,000 oz of gold) is also located at Hellas Gold’s port facility in Stratoni.

In 2006, Hellas Gold secured the sale of a total of 184,000 wmt of Olympias concentrates (containing approximately 130,000 oz of gold) over a three year period to four different off-takers – Shandong MIC BioGold Ltd (a subsidiary of Michelago Limited of Australia), MRI Trading AG, a subsidiary of Celtic Resources Holdings Plc and Euromin S.A. – with expressions of interest to sell up to an additional 132,000 wmt of concentrates if the initial shipments are successful.

In Q4 2006, Hellas Gold completed six shipments of gold concentrates from the Olympias stockpile, representing half of the 12 shipments completed in 2006. This amounts to the shipment of 9,041 wet metric tonnes of gold concentrates in Q4 2006 and 17,649 for the whole of 2006.

The price payable for the concentrates varies with the prevailing gold price. The agreements produce an attractive return for Hellas Gold at a gold price of US\$500/oz. The monthly shipments may be suspended if certain profitability thresholds are not met.

Hellas Gold plans to resume underground mining operations at Olympias after permits are awarded, producing more gold bearing pyrite concentrates for sale to existing and new off-takers.

5.1.5 Certej Project – Romania

Viability of two development options confirmed – The Company is actively pursuing two viable development options for its 80%-owned Certej project:

- the production and sale of high-grade gold/silver flotation concentrates
- the production of gold doré on site using the Albion Process.

The project is expected to involve the mining and processing of 3.0 Mt per annum over at least nine years. This would yield approximately 275,000 tonnes of concentrate per annum with high grades ranging realistically between 17 – 22 g/t gold and 85 – 165 g/t silver (depending on the source of the ore in the deposit), with a flotation gold recovery of approximately 88%. This translates into an annual planned production of approximately 170,000 oz of contained gold in the concentrate.

Albion Process Technology achieved 92% gold recovery on composite sample – Using the Albion Process to produce gold doré on site is expected to significantly increase project profitability and returns. Recent results using the Albion Process suggest recoveries from concentrates of approximately 92% for gold and up to 95% for silver. The Albion Process is a combination of ultra-fine grinding of concentrates and oxidatative leaching at atmospheric pressure.

Hydrometallurgy Research Laboratories (HRL, a subsidiary of Xstrata PLC) is completing the Stage III pilot plant scale continuous testwork programme using the Albion Process, after which the Company expects to publish Canadian NI 43-101 compliant reserves based on this process. HRL has already successfully completed Stages I and II of the metallurgical testwork programme.

In October 2006, the Company entered into licence agreements securing the Albion Process Technology for the Certej project. The licence agreements were entered into with Xstrata Queensland Limited and Highlands Frieda Limited, the co-owners of the technology.

Resources converted into Canadian NI 43-101 compliant reserves – In April 2006, the Company announced the conversion of resources into Canadian NI 43-101 compliant reserves for the Certej deposit, based on the sale of concentrates option. The reserve estimation was carried out by independent consultants RSG Global Pty Ltd (“**RSG Global**”) and can be summarised as follows:

Reserve category	Million tonnes	Gold (g/t)	Gold (Moz)	Silver (g/t)	Silver (Moz)
Probable	27.7	2.0	1.76	11.6	10.35

Note: Lower cut-off grade of 0.8 g/t gold. Uniform conditioning and based on a selected mining unit model using 6.25 X 12.5 X 2.5 metre blocks.

The reserve was estimated at a gold price of \$425/oz and a silver price of \$7/oz. This estimation followed the completion of extensive metallurgical testwork, an in-house pre-feasibility study and subsequent pit optimisation and pit design work by RSG Global, which included a geotechnical drilling programme and geotechnical pit design parameters completed by Golder Associates of the UK.

The conversion of resources into reserves means that the project can support the necessary capital investment and produce a robust return at a gold price of \$425/oz and above.

Urbanisation Certificate received – First milestone in the permitting process – In September 2006, the Company announced that the Hunedoara County Council has issued a General Urbanisation Certificate for the Certej project. The certificate confirms the designation of Certej as an industrial mining area and confirms local community support for the project. This important milestone is the first official step in the permitting process for Certej.

Technical feasibility study submitted to Romanian government – The Company has established a clear path to applying for permits to develop the Certej project. In 2006, the Company completed the following studies in support of its permit application:

- all necessary Environmental Impact Assessments (Levels I and II)
- a Social Impact Assessment Study
- an Archaeological Study
- a Technical Feasibility Study (TFS), submitted to the government in March 2007

The TFS will provide the majority of technical analysis for a bankable feasibility study to be produced in Q2 2007 for project financing.

Environmental impact study nearing completion – To complete its application for environmental and mining permits, the Company plans to submit a final Environmental Impact Study (EIS) to the Romanian government in Q3 2007, allowing an increase in production at Certej and the processing of ore on site. The Company already holds a mining permit for Certej, which is currently being exploited on a small scale by the Company's partner in Romania.

The permits and a detailed urbanisation plan are expected by the end of 2007 following a standard public consultation process with the local community. Customary construction and public utility permits are expected to follow by mid-2008 when the detailed engineering design has been completed for the site plant.

ECOIND and Cepromin, Romanian companies with proven track records in environmental research and permitting procedures, and the Technical University of Civil Engineering Bucharest have been employed to assist in preparing the TFS and the EIS. These studies also include significant input from international consultants such as RSG Global, Golder Associate and Core Resources.

5.1.6 Exploration

New economic mineralisation discovered at Stratoni – In October 2006, the Company began an exploration drilling programme at Stratoni. Stratoni already has well-defined reserves over a six-year life of mine. Six areas targeted by the drilling are obvious extensions to known mineralisation, in addition to more conceptual targets between the two main Stratoni deposits.

The two targets being investigated first are known extensions to previously mined areas of the Stratoni (Madem Lakkos) deposit, where production grades of 9.0 to 10.7% lead, 9.0 to 9.6% zinc and 160.0 to 185.3 g/t silver are recorded. The programme is aimed at drilling out resources in these areas of known economic mineralisation.

Drilling into the known extensions of the upper part of the eastern deposit at Stratoni (Madem Lakkos) has confirmed the geological model with mineralisation occurring in the fold hinge of an antiform in the upper levels. Mine workings that were not recorded in the old mine plans have been shown to be more extensive than previously thought. A second deeper target at Madem Lakkos will be drilled in Q2 of this year.

The drilling programme will also investigate inferred resources which form extensions to the western deposit at Stratoni (Mavres Petres). The drilling programme is designed to upgrade these inferred resources to the measured and indicated categories. These inferred resources are extrapolations from the known reserves and comprise some 555,000 tonnes grading 7.3% lead, 10.2% zinc and 181 g/t silver.

Economic mineralisation has been encountered in the new decline running between the existing reserve and mined-out areas at Madem Lakkos. The decline exposed some 35 metres of strike length and a minimum of 4 metres width. The zone is located approximately half-way between the two previously known deposits at Stratoni. Average grades from panel sampling of 6.2% lead, 11.2% zinc and 105 g/t silver compare favourably with current reserves. The zone is open along strike, up and down dip and towards the hanging wall and is interpreted as a footwall zone to the main marble horizon. In addition to the intersected zone, there is a high potential for further mineralisation where the zone intercepts the main marble both up dip and to the east. A drill programme designed to define at least 200 metres of strike and 75 metres of dip extent will commence in April 2007. The new decline will enable immediate access for mining of any new discovery.

Additional drilling will also be conducted from the new decline at regular intervals along the rest of the 1.5 kilometre zone between the existing reserve and mined-out areas at Madem Lakkos.

The drilling programme aims to significantly increase reserves and life of mine. The existing environmental and mining permits for Stratoni will allow Hellas Gold to immediately exploit any new discoveries resulting from this drilling programme.

Greece, greater licence area – Hellas Gold holds 317 km² of highly prospective exploration licences in northern Greece. Recent work by the Company has highlighted a total of twenty exploration targets, including six advance targets and extensions to known deposits, seven targets of known mineralisation for follow-up work and seven conceptual targets. The geological context of the targets has been identified and a model for the emplacement of known mineralisation has now been developed.

The model indicates that there are more than 20 km of structural corridors that have acted as mineralising pathways with marble hosted polymetallic massive sulphide mineralisation, including the Stratoni and Olympias deposits. The model also identifies a 10 km intrusive belt which hosts the Skouries copper/gold porphyry.

A phased exploration programme is planned which will include drilling of advanced targets. Further targets will be generated from a focused programme of remote sensing and ground investigation along the structural corridors identified in the geological model.

Priority targets have already been identified by historic exploration, including the massive sulphide target at Piavitsa 800 metres to the west of the Mavres Petres reserves at Stratoni, and the copper/gold porphyry target at Fisoka 2.5 Km south of the Stratoni mine.

Previous drilling at Piavitsa identified a zone of massive sulphide mineralisation adjacent to the Stratoni fault, grading 3 to 14 g/t gold, 58 to 198 g/t silver and combined lead and zinc ranging between 1% and 20% over true widths of 2 to 7 metres, indicating a similar mineralisation style to Olympias. At Fisoka, a total of 26 diamond cores were drilled into the target area which returned grades of 0.3 to 0.5% copper and 0.2 to 0.9 g/t gold over true widths of 10 to 72 metres hosted in a dacitic porphyry with similar mineralisation style to Skouries.

In 2007, brown field exploration focusing on drilling these priority targets will commence in parallel with targeted geophysical and geochemical surveys along the mineralised belts in order to generate further drill targets and with the aim of discovering major new massive sulphide and porphyry deposits.

Target exploration underway to extend Certej life-of-mine – Exploration in Romania will focus on extending the life-of-mine of the Certej project and increasing the number of conceptual and regional targets for further exploration in the South Apuseni Mountain area.

Certej life-of-mine extension work comprises drilling out inferred resources and deeper, potentially high grade feeder zones, in-fill drilling and metallurgical testwork on satellite deposits, investigation of high grade vein deposits near to the project that could sweeten the feed grade in the early project life and the development of targets that could enhance the value of concentrates produced, by the addition of copper rich material for example. Drilling to convert inferred resources (currently treated as waste where they fall in the open pit) to the indicated category has now commenced and will be completed in two phases, the second phase being results dependant. Phase one comprises a total of eight diamond drillholes and phase two comprises seven diamond drillholes. The Company has identified thirteen targets in total within its current concessions and plans to carry out exploration work on six of them in 2007. The two most advanced targets, Teascu and Pitigus, are effectively contiguous to one another and are located some seven kilometres from Certej. In-house resource estimates on these two targets are expected by Q3 2007 following in-fill drilling.

The Company is planning a major programme of airborne geophysics and regional mapping and geochemical surveys in order to generate and prioritise regional and conceptual targets in the region. The results will be used to further develop the model built up during recent generative work which highlighted the importance of the overall structural framework in controlling intrusives and for the channeling, concentrating and trapping of mineralisation. Systematic investigation of these targets, including drilling, metallurgical testwork and resource definition, is planned for 2008.

Diamond drilling at the Pitigus satellite prospect in the Baita-Craciunesti concession, some 7 km from Certej, intersected vein mineralisation over a strike of 300m with an average true width of 12m and returned values ranging between 1.1 and 3.5 g/t gold. Diamond drilling and surface channel sampling was also undertaken at the Hondol Carol prospect 0.5 km from Certej over 100 metres of strike length. This intersected mineralisation of between 0.9 and 6.8 g/t gold over intercepts of between 1 and 26 metres.

Mineralised dumps in the Certej and Baita-Craciunesti concessions were drilled to define further material that would be economic to process at a future Certej operation. An additional 1.2Mt of material grading 1.3 g/t gold has been defined from this work to date.

Following an in-house review of satellites, HQ diamond drilling was undertaken at two of the satellite prospects. A program of 14 drillholes, aimed at defining an open pitable resource, was completed at the Pitigus prospect, located 7 km from the Certej deposit in the Baita-Craciunesti concession. The Pitigus prospect is a moderately east dipping, north striking quartz-calcite-barite vein system with several associated splay veins near surface. Mineralisation is hosted in the veins and in the potassic/argillic altered andesites between the veins over a strike of 300m and an average true width of 12m. Drilling was completed on approximately 80m spaced sections with 30m between holes due to topographical constraints. Intersections from the recent drilling are tabulated below. Four samples of the Pitigus mineralisation have been submitted to Cepromin for preliminary flotation testwork.

Hole/Channel ID	Type	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
CRSD055	DDH	20	28	8	1.8	2
CRSD055	DDH	35	37	2	1.9	2
CRSD055	DDH	52	57	5	1.6	1
CRSD056	DDH	16	24	8	3.5	2
CRSD057	DDH	57	75	18	1.0	1
CRSD058	DDH	59	71	12	1.7	3
CRSD059	DDH	14	26	12	2.1	1
CRSD060	DDH	0	3	3	1.9	5
CRSD060	DDH	9	32	23	2.8	3
CRSD061	DDH	69	73	4	1.8	2
CRSD061	DDH	80	86	6	1.1	5
CRSD062	DDH	50	60	10	1.1	1
CRSD063	DDH	27	34	7	1.1	2
CRSD064	DDH	66	71	5	2.2	5
CRSD064	DDH	75	79	4	2.5	4
CRSD065	DDH	22	23	1	1.1	4
CRSD066	DDH	66	73	7	1.2	1
CRSD067	DDH	28	32	4	1.1	10
CRSD068	DDH	55	58	3	1.1	7
TR39001	UGC	115	132	17	2.6	4

Note: Intercepts calculated using a 0.8g/t Au lower cut-off grade, no upper grade cut-off and a maximum of 3m consecutive internal waste. The deposit is irregular in nature, however drilling has been conducted perpendicular to mineralisation wherever possible and as such drilled widths correspond to true widths.

Diamond drilling is currently in progress at the Hondol Carol prospect (in the Certej concession) located 0.5 km from the Certej deposit in an effort to define an open pit resource. Drilling is being completed on five 20m spaced sections with approximately 30m between holes. Mineralisation is hosted in three cross-cutting quartz-barite vein systems and in the strongly potassically altered andesites hosting the veins. Recently completed surface and underground channel sampling was utilised to focus the drilling program.

Results to date from the channel sampling and drilling are presented in the table below.

Hole/Channel ID	Type	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
CJ40501	UGC	0	9	9	3.2	6
HCSC004	SC	29	42	13	2.4	0
HCSC005	SC	2	9	7	2.3	0
CJSD252	DDH	11	23	12	2.0	9
CJSD252	DDH	47	57	10	1.2	1
CJSD252	DDH	61	73	12	1.1	4
CJSD252	DDH	90	91	1	6.8	7
CJSD205*	DDH	18	44	26	0.9	2

Note: Intercepts calculated using a 0.8g/t Au lower cut-off grade, no upper grade cut-off and a maximum of 3m consecutive internal waste. Only intercepts > 2 g/t Au are quoted, except in holes where no intercept is >2g/t. 'Including' results have a minimum composite grade of 4 g/t. The deposit is irregular in nature, however drilling has been conducted perpendicular to mineralisation wherever possible and as such drilled widths correspond to true widths. *2m composite assays.

Mineralised dumps in the Certej and Baita Craciunesti concessions were drilled to define further material that would be economic to process at a future Certej operation. An additional 1.2Mt of material has been defined from this work to date. Recent 2m surface channel sampling of dumps in the Baita-Craciunesti concession returned hanneli results presented below.

Channel ID	Area	From	To	Width (m)	Au (g/t)
MAWC002	Barbura	24	30	6	1.2
"	"	52	72	20	2.1
TSWC001	Teascu	4	34	30	1.0
TSWC002	"	0	14	14	2.5
TSWC004	"	0	18	18	2.1
TSWC005	"	2	18	16	1.5
TSWC007	"	0	14	14	2.7
TWSC008	"	0	12	12	5.5

Note: Intercepts calculated using a 0.6g/t Au lower cut-off grade, no upper grade cut-off and a maximum of 3m consecutive internal waste. The surface trenches have been completed across the dumps and are an indication of the grade of the dump only.

Future work will focus on defining additional satellites in the Certej and Baita Craciunesti concessions. Additional drilling at Hondol Carol, Pitigus and Teascu will focus on further defining these satellites, with a resource estimate for the Hondol Carol prospect to be completed after the first phase of drilling. Additional flotation testwork for the Teascu prospect is planned after the preliminary testwork gave promising results. Additional dumps in existing concessions will be evaluated for their tonnage and grade.

All drill core was sampled (except where noted) at one metre intervals and assayed at the Gura Rosiei laboratory in Romania, which is managed by SGS Analabs, using a standard fire assay technique and an atomic absorption finish. The Company has implemented a quality assurance and quality control ("QAQC") program to ensure that the analysis of all exploration work is conducted in accordance with the best possible practices. Under the QAQC measures, the Company introduces sample duplicates and repeats, and known gold standards. As a further measure, the Company has 5% of all sample pulps shipped to Ultratrace in Perth Australia for re-analysis and size verification.

Note: The potential quantity and grade of the targets mentioned above is conceptual in nature, there has been insufficient exploration to define a mineral resource on such targets and it is uncertain if further exploration will result in such targets being delineated as a mineral resource.

5.1.7 Employees

As at 31 December 2006, the Company and its subsidiaries had approximately 190 employees and contract workers, of which 13 were located in the United Kingdom, 117 in Greece and 60 in Romania. The Company considers its employee and contractor relations to be good.

5.2 Risk Factors

The risks and uncertainties affecting the Company, its subsidiaries and their business include the following:

Foreign country risk – Any changes in regulations in Greece and Romania or shifts in political attitudes are beyond the Company's control and may adversely affect its business. Exploration and development of any one or more of the Company's mineral properties may be affected in varying degrees by government regulations or policies with respect to restrictions on future exploitation and production, labour, environmental protection, price controls, royalties, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety.

Currently there are no restrictions on the repatriation from Romania and Greece of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Romania and Greece will not be imposed in the future.

Exploration and mining risks – The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored are ultimately developed into producing mines.

At present, none of the Company's properties in Romania have proven or probable reserves and the resource and reserve estimates relating to the Company's properties in Greece are historic. Although substantial benefits may be derived from the discovery of a major mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations.

The grade of mineralisation ultimately mined may differ from that indicated by drilling results and such differences could be material. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

The Company's operations may be disrupted by a variety of risks and hazards which are beyond the Company's control, including fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the operation of mines and the conduct of exploration programmes. It is not always possible to fully insure against such risks and hazards as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increased costs, have a material adverse effect on the Company's results.

Financing risks – Exploration and development of one or more of the Company's properties will be dependent upon the Company's ability to obtain financing through joint ventures, equity or debt financing or other means, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's projects with the possible loss of such properties.

Mineral prices – The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the Company's control may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. Depending on the price of gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Environmental and other regulatory requirements – The Company's activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental

impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The Company's current exploration and development activities require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration and development activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for exploration and development will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to the Company's activities. However, there may be unforeseen environmental liabilities resulting from exploration, development and/or mining activities and these may be costly to remedy.

Amendments to current laws, regulations and permits governing operations and activities of exploration and development companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, or require abandonment, or cause delays in developing new mining properties.

Exploration, development, mining and other licences – The Company's exploration, development and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents ("**Authorisations**") which may not be granted or may be withdrawn or made subject to limitations. There can be no assurance that such Authorisations will be renewed following expiry or granted (as the case may be) or as to the terms of such grants or renewals.

Title matters – While the Company has diligently investigated title to all mineral concessions and, to the best of the Company's knowledge, title to all of its properties is in good standing, this should not be construed as a guarantee of title. Title to the properties may be affected by undisclosed and undetected defects.

Dependence on management – The Company's development to date has largely depended and in the future will continue to depend on the efforts of key management. Loss of any of these people could have a material adverse effect on the Company and its business. The Company has not taken out and does not intend to take out key man insurance in respect of any directors, officer or other employees.

Joint ventures – The Company holds, and expect to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may (i) have economic or business interests or targets that are inconsistent with ours; (ii) take action contrary to the Company's policies or objectives with respect to their investments, for instance by veto of proposals in respect of joint venture operations; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the Company's results of operations or financial condition. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the Company's results of operations or financial condition.

5.3 Description of Mineral Properties in Greece

Overview of mineral properties – As at 31 December 2006, the Company held a 65% interest in Hellas Gold. Hellas Gold owns assets in northern Greece which consist of three deposits within 70-year mining concessions covering a total area of 317 km². The deposits are the polymetallic projects of Stratoni and Olympias which contain gold, zinc, lead and silver, and the Skouries copper/gold porphyry body.

The resources and reserves for the Stratoni, Skouries and Olympias properties as at 31 December 2006 are reported in **Appendix 1** hereto.

Detailed disclosure on Hellas Gold's Stratoni, Skouries and Olympias properties is included in a report entitled "*Technical Review of the Cassandra Mines Property, Chalkidiki Prefecture, Greece*" dated 15 May 2004 prepared by A C A Howe International Limited and filed on SEDAR at www.sedar.com on 20 July 2004 under the category "Technical Report", which report is incorporated herein by reference. The Summary of such report is reproduced as **Appendix 2** hereto. The Qualified Persons under Canadian National Instrument 43-101 responsible for preparing such report are mentioned in the Summary.

Mining legislation – The following is a brief summary of mining legislation in Greece:

(a) Mineral ownership – All mineral resources located in Greece belong to the Greek State. Mineral rights in Greece are acquired by way of exploration licences and exploitation licences.

(b) Exploration licence – An exploration licence is granted by the Prefect of the region in which the resources are located. An application for an exploration licence creates a priority right in favour of the applicant. An exploration licence is granted for 3 years. The holder of the licence is obliged to compensate the owner of the land for any suspension or loss of income due to the use of the land by the licence holder.

(c) Mine concession – the right of exploitation – The holder of an exploration licence is entitled to apply to the Prefect for a mine concession, at any time during the period of the exploration licence. The mine concession is given by a decree for 50 years and is renewable for a further 25 years. In extraordinary circumstances, the extension of the 25 years is renewable for an additional 25 years. The mine concession right is a property right, distinct and independent from the ownership of the land on or under which the mine is located. The owner of the mine concession has the exclusive right to explore, excavate and generally to exploit all mineral substances lying within the mine concession area (except for certain reserved minerals and deposits which only the Greek Government has the right to search for and to exploit). The holder of a mine concession has the right to carry out necessary works to the surface of the land as well as underground.

(d) Contracts concerning mineral rights – All contracts concerning the establishment, the alteration or the transfer of mining rights deriving from exploration licences or from a mine concession should be made before a notary public and are required to be approved by the competent Greek authority.

Taxes – Under the income tax law of Greece, companies of the legal form of a *societe anonyme* such as Hellas Gold are taxed on their profits at the rate of 25%. Under the Greek mining law, additional benefits are attributed to mining activities including exemptions from duties, customs, taxes relating to the importation of machinery and spare parts and from any specific taxation in favour of local authorities. As at the date of this Annual Information Form, there are no restrictions on the repatriation of capital, dividends or profits.

5.4 Description of Mineral Properties in Romania

Overview of mineral properties – As at 31 December 2006, the Company held four mineral properties located within the “Golden Quadrilateral” area of Romania, a mining district in the Apuseni Mountains of Transylvania (Western Romania) covering an area of approximately 500 km² immediately to the north of the city of Deva.

The Company’s four mineral properties were Certej and Baita-Craciunesti (held through the Company’s 80% interest in Deva Gold S.A.) and Cainel and Voia (held through the Company’s 100% interest in European Goldfields Deva SRL).

The resources and reserves for the Certej property as at 31 December 2006 are reported in **Appendix 1** hereto.

Detailed disclosure on the Company’s Certej, Baita-Craciunesti and Voia properties is included in a report entitled “*Technical Review of a Portfolio of Properties in Romania*” dated 10 March 2004 prepared by A C A Howe International Limited and filed on SEDAR at www.sedar.com on 11 March 2004 under the category “Technical Report”, which report is incorporated herein by reference. Relevant sections of the Executive Summary of such report are reproduced as **Appendix 3** hereto. D Patrick of A C A Howe International Limited was the Qualified Person under Canadian National Instrument 43-101 responsible for preparing such report.

On 28 February 2005, the Company published an update of resources on its Certej project. A report entitled “*Certej Project Resource Estimation*” dated 22 March 2005 prepared by RSG Global Pty Ltd (“**RSG Global**”) on the Certej resource was filed on SEDAR at www.sedar.com on 23 March 2005 under the category “Technical Report”, which updated RSG Global’s previous report entitled “*Certej Project Resource Estimation*” dated January 2002 and filed on SEDAR on 29 January 2004 under the category “Engineering Report”. These reports are incorporated herein by reference. The Executive Summary of the report dated January 2002 is reproduced as **Appendix 4** hereto, and the Executive Summary of the report dated 22 March 2005 is reproduced as **Appendix 5** hereto. Ben Palich, Brett Gossage and Jan de Visser of RSG Global were the Qualified Persons under Canadian National Instrument 43-101 responsible for preparing the report dated 22 March 2005.

On 10 April 2006, the Company published a reserve estimate for its Certej project. A report entitled “*Technical Report – Certej Gold Silver Project, Romania*” dated 26 April 2006 prepared by RSG Global on the Certej reserve was filed on SEDAR at www.sedar.com on 24 May 2006 under the category “Technical Report”, which report is incorporated herein by reference. The Summary of such report is reproduced as **Appendix 6** hereto. Harry Warries of RSG Global was the Qualified Person under Canadian National Instrument 43-101 responsible for preparing such report.

Please refer to **Item 5.1.5** of this Annual Information Form for additional information on the Company’s Certej and Baita-Craciunesti properties in Romania.

New Cainel licence – In January 2005, the Company announced that its wholly-owned subsidiary European Goldfields Deva SRL has been awarded an exploration license for the Cainel perimeter located in the historic gold producing area of the “Golden Quadrilateral” area of Romania. The licence was awarded following a public tender in which two other exploration companies participated.

The licence is for an initial term of three years, renewable for an additional term of three years under certain conditions. The licence covers an area of 31.3 km² and lies only 10 km to the north-west of the Company’s 80%-owned Certej deposit and surrounding satellite bodies, where the Company has undertaken an in-house resource development and pre-feasibility programme, expected to be completed by the second quarter of 2005.

Mineralisation in the Cainel perimeter occurs as brecciation, alteration and veining associated with intermediate intrusive and extrusive Neogene volcanics within Neogene sediments and occurs along the same north-west trending structural belt as the Certej deposit. Historic workings indicate that the mineralised systems occur over a strike length of some 1000 metres and over a discontinuous width of some 250 metres.

The Cainel perimeter has never been available to a commercial exploration company. However, the area has been the subject of sporadic small scale underground mining since 1844, though records show that this only exploited at depth with the top 200 metres being preserved. Simple gravity recovery methods utilised in the historic operations indicate that the gold occurred freely and the ore is non-refractory.

Furthermore, exploration of known veining was conducted by the Romanian State minerals company Minexfor between 1958 and 1977. Exploration indicated that the average grade of the veins was between 3.4 and 3.9 g/t Au based on gravimetric assays only, further supporting the evidence for free gold.

Neither the historic production nor the exploration tested the extensive wall rock alteration and brecciation around the veining.

Initial drilling has confirmed that the main north-south mineralisation trend is continuous over 400 metres of strike. The mineralisation occurs as veining and narrow breccia zones with gold values ranging from 0.9 to 3.2 g/t over drilled widths of 1 to 11.5 metres.

A programme of surface mapping and soil geochemistry is planned with the objective of testing extensions to the main zone and for any spurs off the main zone.

The Cainel perimeter is adjacent to the Company's Baita-Craciunesti property along the continuation of the same geological belt. The disclosure above on the Company's Baita-Craciunesti property also applies to the Cainel property.

The quantity and grade of the possible Cainel mineral deposit is conceptual in nature, there has been insufficient exploration to define a mineral resource on the property and it is uncertain if further exploration will result in discovery of a mineral resource on the property.

Mining legislation – Romania is a mineral resource rich country and has a long history of mining dating back to Roman times. The operating environment in Romania is generally favourable for exploration and mine development and the government promulgated a western-based mining law in June 1998, a move designed to encourage foreign investment in the mining sector. Romania's mining and environmental legislation satisfies both the World Bank and the European Union guidelines.

A new Romanian mining law (Law 85/2003) came into force on 27 March 2003 (the "**Mining Law**"), which provides that all mineral resources are administered by the National Agency for Mineral Resources in Romania ("**NAMR**"). Subsequently, the NAMR has issued secondary legislation regarding resources and reserves computation, development plans and feasibility studies.

The following is a brief summary of the Mining Law:

(a) Mineral ownership – All mineral resources located in Romania and in the portion of the continental shelf of the Black Sea adjoining Romania belong to the State of Romania. Mineral rights in Romania are acquired by way of prospecting permit, exploration concession or exploitation concession granted by NAMR. Under the Mining Law, an exploration or exploitation concession is a property-related right, distinct and independent from the ownership of the land

on and under which it is located, even when both belong to the same person. The rights granted by an exploration or exploitation concession are exclusive to the holder, chargeable, defensible against third parties and are transferable with the consent of NAMR.

(b) Exploration concessions – An exploration concession may be obtained for a maximum period of five years, with a renewal right of three years. The title holder may apply through NAMR for permit relinquishment at any time after the first year. An annual fee of RON 10 per km² is payable to the State of Romania. The annual fee doubles after two concession years and quintuples after four concession years. The holder of an exploration concession must provide NAMR with annual reports of all exploration activities conducted on an exploration concession. Exploration concessions confer on the holder the exclusive right to explore for mineral substances outlined in the initial contract agreement, namely base and precious metals, lying within the perimeter of the concession. Exploration concessions may be converted into exploitation concessions at any time upon the preparation of and approval by NAMR of a feasibility study on the exploration concession, a mine plan, an environmental impact assessment, an environment rehabilitation plan, a technical design, a social impact assessment and a social impact mitigation plan. In addition, exploration concessions confer on the holder the right or way to use the surface of the land through compensation to the land owners and access to available water to undertake exploration and/or mining activities.

(c) Exploitation concessions – An exploitation concession is granted for an initial term of 20 years and is renewable for successive five year periods. An annual fee of RON 2,500 per km² is payable to the State of Romania. Holders of exploitation concessions must pay to the State of Romania a gross production royalty (the royalty computation basis is gross production less processing) ranging from 2% to 10% depending on the particular resource being extracted, on all production. For non-ferrous deposits, the royalty fee is 6%. Exploitation concessions confer on the holder the right to exploit, process, refine and trade the concessioned mineral substances (except oil, gas and radioactive substances) lying within the perimeter of the concession. In addition, exploitation concessions confer on the holder the right to use the surface of the land and available water to undertake mining activities.

Applicants for an exploitation concession must prepare and submit to NAMR an environmental impact study and rehabilitation plan as part of their application and provide a bank guarantee for a minimum of 1% of the value of the development plan.

(d) Surface rights – The Mining Law provides that a titleholder of a mining licence has the legal right to obtain surface rights through any of the methods permitted by Romanian law (i.e. sale-purchase, exchange of properties, rental, concession, association or expropriation). However, the Mining Law does not provide for any special mechanism/procedures in order to enforce such right. Therefore, the titleholder of a mining licence does not benefit from any preferential rights/mechanism in obtaining access to surface rights, but has to follow the generally applicable legal provisions in order to acquire the surface rights (i.e. conclusion of sale-purchase agreements).

Real-estate ownership, in particular land, has gone through extensive changes in the last 50 years: private ownership before 1950, nationalisation, expropriation and eviction during the communist regime, and restitution after 1990. Cadastral records have also gone through changes (in Transylvania some records were in Hungarian before 1920), whilst improvements to survey techniques result in differences between the current survey results and the real-estate records.

Taxes – Under Romania's tax laws, companies are taxed at the rate of 16%. There are no restrictions on the repatriation of capital, dividends or profits. Additional benefits attributed to mining activities, as conveyed through the mining law, include customs duties and value added tax exemptions for the life of the concession licence.

Environmental laws – In December 2005, new legislation regarding the environment came into force in order to harmonise its environmental laws and regulations with those of the European Union. The new laws will enable the Company to apply for and receive an integrated approval aspect of the development and operation of the Certej project, as well as to ensure appropriate public participation in the permitting process, consistent with the European Union's current practice.

The procedure for the environmental assessment, the structure of the report on the environment and the conditions for issuing the environmental opinion for plans and programs are to be established by a decision of the Romanian Government, at the proposal of the central public authority for environmental protection. Also, the legislation regarding dams was recently updated in order to harmonise it with European Union legislation. The Ministry of Waters and Environmental Protection administers environmental matters.

ITEM 6: DIVIDENDS

The Company has never paid dividends and it is not expected that the Company will be in a position to pay dividends for the foreseeable future. Any earnings will be reinvested in developing the business of the Company and its subsidiaries. The declaration and payment by the Company of any future dividends and the amount of any such dividends will depend upon the Company's results, financial condition, cash requirements, future prospects, profits available and other factors deemed by the directors of the Company to be relevant at the time.

ITEM 7: DESCRIPTION OF CAPITAL STRUCTURE

7.1 General Description of Capital Structure

The Company is authorised to issue an unlimited number of common shares, without par value, and an unlimited number of preferred shares, issuable in series, without par value. As at 31 December 2006, there were 114,801,848 common shares and Nil preferred shares issued and outstanding in the capital of the Company. As at the date hereof, there were 114,846,595 common shares and Nil preferred shares issued and outstanding in the capital of the Company.

Special rights and restrictions attaching to common shares – The common shares of the Company (the "Common Shares") have attached thereto the following special rights and restrictions:

(a) Voting – The holders of the Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of the members of the Company and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the members of the Company, other than meetings of the holders of any other class of shares of the Company.

(b) Dividends – Subject to the rights of the holders of the Preferred Shares, the holders of the Common Shares shall in each year, in the discretion of the directors of the Company, be entitled out of monies lawfully available for dividends to pay dividends in such amounts as may be determined in the absolute discretion of the directors from time to time.

(c) Liquidation, dissolution or winding-up – Subject to the rights of the holders of the Preferred Shares, in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its members for the purposes of winding up its affairs, the remaining property and assets of the Company shall be distributed rateably to the holders of the Common Shares.

Special rights and restrictions attaching to the preferred shares – The preferred shares of the Company (the “Preferred Shares”) have attached thereto the following special rights and restrictions:

(a) **Issued in series** – The Preferred Shares may, upon compliance with the applicable provisions of the *Yukon Business Corporations Act* (the “Yukon Act”), be issued at any time and from time to time in one or more series.

(b) **Directors to alter articles** – The directors of the Company may, by resolution passed before the issuance of Preferred Shares of any series, alter the Articles to fix the number of Preferred Shares in, and to determine the designation of the Preferred Shares of each series and alter the Articles to create, define and attach special rights and restrictions to the Preferred Shares of each series, subject to the special rights and restriction attached to all Preferred Shares and subject to the provisions of the Yukon Act.

(c) **Rights and restrictions** – The Preferred Shares of any series may have attached thereto such special rights and restrictions as may be determined by director’s resolution with respect to each series including (as examples only), without in any way limiting the generality of the foregoing, special rights and restrictions concerning:

- (a) the entitlement to or the rate or amount of dividends, whether cumulative or non-cumulative, the currency or currencies of payment, the date or dates and place or places of payment and the date or dates from which such dividends are to accrue;
- (b) the right to receive notice of or to attend or to vote at any meeting of members of the Company;
- (c) the right to convert or exchange Preferred Shares of that series into Common Shares or other shares, bonds, debentures, securities, or otherwise;
- (d) the right of the Company to redeem or to purchase Preferred Shares of that series and the amount to be payable on redemption or purchase;
- (e) the right of the holder of a Preferred Share to present that Preferred Share to the Company for retraction or repurchase and the amount to be payable on the retraction or repurchase;
- (f) obligations with respect to sinking funds or funds for purchase or redemption of Preferred Shares of that series, rights of retraction or share purchase plans;
- (g) restrictions upon the payment of dividends on, or retirement of, any other shares of the Company or of any subsidiary of the Company;
- (h) the exercise by the Company of any election open to it to make any payments of corporation, income or other taxes;
- (i) the subdivision, consolidation or reclassification of any shares of the Company;
- (j) restrictions upon borrowing by the Company or by any subsidiary of the Company, or the issue by the Company of any Preferred Shares in addition to the Preferred Shares of any series at any time outstanding;
- (k) restrictions upon the reduction of capital by the Company or by any subsidiary of the Company;
- (l) restrictions upon the retirement of notes, bonds or debentures or other indebtedness of the Company or of any subsidiary of the Company;
- (m) limitations or restrictions upon or regulations concerning the conduct of the business of the Company or the investment of its funds;
- (n) the holding of meetings of the holders of the Preferred Shares of any series;
- (o) restrictions upon the creation or issuance of any other shares or securities of the Company; and
- (p) the entitlement to the distribution of assets in the event of liquidation, dissolution or winding up of the Company whether voluntary or involuntary.

(d) Participation – When any fixed cumulative dividends or amounts payable on return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends including accumulations, if any, in accordance with the sums which would be payable on the Preferred Shares if all such dividends were declared and paid in full, and on any return of capital in accordance with the sums which would be payable on such return of capital if all such sums so payable were paid in full.

(e) Preferential rights – The Preferred Shares shall be entitled to preference over the Common Shares with respect to the payment of dividends and may also be given such other preferences over the Common Shares as may be fixed by the directors of the Company as to the respective series authorised to be issued.

(f) Distribution assets – In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of assets of the Company among its members for the purpose of winding-up its affairs, the holders of the Preferred Shares shall be entitled to receive the amount payable on redemption, retraction or repurchase of such shares before any amount shall be paid or any property or assets of the Company distributed to the holders of the Common Shares.

(g) Parity – The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company whether voluntary or involuntary.

(h) Priority for dividends – No dividends shall at any time be declared or paid on or set apart for payment on the Common Shares unless all dividends up to and including the dividend, if any, payable for the last completed period for which such dividends shall be payable on each series of Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such Common Shares nor shall the Company call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of the Preferred Shares (less than the total amount then outstanding) or the Common Shares unless all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment thereof.

(i) Procedure for amendments – The provisions governing the Preferred Shares may be repealed, altered, modified, amended or amplified only with the approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Yukon Act.

(j) Approval of holders – The approval of holders of the Preferred Shares as to any and all matters may be given by resolution in writing signed by all the holders of Preferred Shares or by resolution passed at a meeting of holders of Preferred Shares duly called and held upon at least 21 days' notice at which the holders of at least a majority of the outstanding Preferred Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than 2/3 of the Preferred Shares represented and voted at such meeting cast on a poll, in addition to such other vote (including the vote of other classes of members) as may be required by the Yukon Act. If at any such meeting the holders of a majority of the outstanding Preferred Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than 21 days later and to such time and place as may be appointed by the Chairman and at least 14 days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares present or represented by proxy may transact the business for which the

meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than 2/3 of the Preferred Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Preferred Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the Articles of the Company with respect to meetings of members. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares shall be entitled to one vote in respect of each Preferred Share.

(k) Directors to set stated capital – Subject to the Yukon Act, the directors of the Company, on conversion, exchange or change under section 175, 194, 195 or 243 of the Yukon Act of issued shares of the Company (the “**Old Shares**”) into shares of another class or classes or series, as the case may be (the “**New Shares**”), may set the stated capital of each class or classes or series of New Shares, as the case may be, provided the total stated capital of the class or all of the classes or series of New Shares shall not exceed the total stated capital of the Old Shares.

7.2 Constraints

There are no constraints imposed on the ownership of securities of the Company.

7.3 Ratings

The Company has not received any ratings or provisional ratings from any rating organisation for securities of the Company.

ITEM 8: MARKET FOR SECURITIES

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange (TSX) and on the AIM Market of the London Stock Exchange under the symbol "EGU".

Set forth below are the closing price ranges and volume traded for the common shares of the Company on the Toronto Stock Exchange (TSX) on a monthly basis for each month of the Company's most recently completed financial year.

Month (2006)	High (C\$)	Low (C\$)	Close (C\$)	Volume (#)
January	3.61	2.42	3.48	6,091,885
February	3.80	3.01	3.65	13,834,455
March	4.25	3.02	4.05	6,681,247
April	4.70	3.93	4.33	15,210,352
May	4.53	3.16	3.70	6,204,092
June	3.89	2.57	3.30	4,012,059
July	3.75	3.22	3.35	3,221,348
August	3.69	3.11	3.61	3,432,125
September	3.95	3.36	3.54	650,000
October	3.80	3.22	3.80	4,759,064
November	4.80	3.70	4.75	6,169,789
December	5.10	4.47	4.84	2,678,074

Set forth below are the closing price ranges and volume traded for the common shares of the Company on the AIM Market of the London Stock Exchange on a monthly basis for each month of the Company's most recently completed financial year.

Month (2006)	High (p)	Low (p)	Close (p)	Volume (#)
January	175.0	109.8	169.0	16,770,000
February	185.1	152.0	179.0	2,420,000
March	205.8	155.0	195.0	2,060,000
April	230.0	194.0	204.5	3,450,000
May	217.9	158.3	180.0	4,900,000
June	178.5	135.3	157.5	3,290,000
July	173.0	157.0	167.5	692,000
August	177.0	151.5	171.5	1,190,000
September	191.0	173.9	176.5	529,000
October	178.0	160.0	171.5	3,000,000
November	212.0	172.0	206.5	8,280,000
December	221.0	203.0	208.5	2,090,000

ITEM 9: ESCROWED SECURITIES

To the Company's knowledge, the Company had the following number of securities held in escrow or in respect of which trading restrictions applied as at 31 December 2006:

Escrowed Securities		
Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Common Shares	Nil	-

ITEM 10: DIRECTORS AND OFFICERS

10.1 Name, Occupation and Security Holding

The following table sets forth the name and municipality of residence of each director and executive officer of the Company, their current position and office with the Company, their respective principal occupation during the five preceding years and the date on which they were first elected or appointed as a director or officer of the Company.

Name, Office and Place of Residence ⁽¹⁾	Position with the Company (if any) and Principal Occupations during the Five Preceding Years ⁽¹⁾	Director or Officer Since
Dimitrios Koutras Director Resident of Athens, Greece	Non-executive Chairman of the Company, November 2004 to date; President & General Manager, Aktor S.A. (a construction company), 1995 to date	November 2004
David J. Reading Director & Officer Resident of London, England	Chief Executive Officer of the Company, September 2004 to date; General Manager, Exploration, Randgold Resources Limited (a gold mining company), until 2004	October 2004
Timothy M. Morgan-Wynne Director & Officer Resident of London, England	Chief Financial Officer of the Company, June 2006 to date; Director of the Resources and Energy Group at HSBC Bank plc and member of HSBC's mining sector corporate finance team, 1997 to 2006	June 2006
Philip I. Johnson ⁽²⁾ Director Resident of Toronto, Ontario, Canada	President, Pinnacle Reefs Ltd. (a management consulting services company for the energy industry), 1988 to date; Vice Chairman of the North South Institute (an institute that develops policy on international economic development and conflict resolution), 2004 to date; Director of Canadian Income Management (CIM) Limited (an investment management company), 2006 to date; Director of C.A. Bancorp Inc. (an investment bank), 2006 to date; Director of CAPVEST Income Corp. (an investment fund), 2006 to date; Director of Global Alternative Investments Inc. (a capital pool company), 2006 to date; Director of Universal Infrastructure Corp. (a capital pool company), 2006 to date	May 2004
Hon. Robert P. Kaplan ⁽²⁾⁽³⁾ Director Resident of Toronto, Ontario, Canada	Trustee, H&R REIT (a real-estate investment trust), 1996 to date; Director, Platexco Inc. (a platinum mining company), 1998 to 2000; Director, PetroKazakhstan Inc. (a crude oil production company), 1998 to 2003; Director, Rex Diamond Mining Corporation (a diamond mining company), 1988 to April 2002; Director, Mooney Aerospace Group Ltd. (a general aviation holding company), 2001 to 2003	February 2004
Jeffrey O'Leary ⁽²⁾ Director Resident of Isleworth, England	Employed by HSBC plc (an investment bank, formerly the Midland Bank), 1985 to 2005 where he was Director Metals & Mining; Director (non-executive), Palladex plc (a gold exploration company), 2004 to date; Director (non-executive), Goldstar Resources NL (a gold exploration company), 2005 to date; Director (non-executive), Moto Goldmines Limited (a gold exploration company), 2005 to date; Director (non-executive), Monterrico Metals plc (a resource development company), 2004 to date	December 2005

Name, Office and Place of Residence ⁽¹⁾	Position with the Company (if any) and Principal Occupations during the Five Preceding Years ⁽¹⁾	Director or Officer Since
François Dupuis Officer Resident of London, England	Vice President, Corporate Development, General Counsel & Secretary of the Company, July 2004 to date; Partner, Ogilvy Renault (a Canadian law firm) July 2002 to July 2004; Vice President, Legal Affairs & Secretary, Dolphin Telecom plc (a mobile telecommunications operator), September 1998 to October 2001	July 2004
Neil Hepworth Officer Resident of Sesimbra, Portugal	Vice President, Operations of the Company, March 2006 to date; Senior Mining Engineer of the Company, June 2005 to March 2006; Mine Manager of Semincor's (Rio Tinto) Neves Corvo mine, 1998 to June 2005	March 2006
Petros Stratoudakis Officer Resident of Athens, Greece	General Manager of Hellas Gold S.A., January 2005 to date; previously Mining-Metallurgical Engineer at Aktor S.A. (a construction and engineering company)	July 2006

NOTES:

- (1) The information as to country of residence, principal occupation and shares beneficially owned is not within the knowledge of the management of the Company and has been furnished by the respective nominees. The description of the principal occupation or employment for all of the nominees is for the past five years.
- (2) Members of the Audit Committee, the Compensation Committee and the Corporate Governance & Nominating Committee.
- (3) Mr. Kaplan was a director of PetroKazakhstan, Inc. (formerly known as Hurricane Hydrocarbons Ltd), listed on the TSX Venture Exchange, when it sought bankruptcy protection in 1999. The assets of the company consisted solely of crude oil production all of which was sold to a refinery in Kazakhstan. With the 1998-1999 collapse in the world oil prices, the refinery reduced the price it paid for the company's crude, forcing it into bankruptcy protection. It emerged from court protection in mid 2000 following its acquisition of the refinery in March 2000. Mr. Kaplan was a director of Mooney Aerospace Group Limited that sought Chapter 11 protection in July 2004.

Each director holds office until the next annual meeting of shareholders of the Company or until his successor is elected or appointed, unless his office is earlier vacated in accordance with the By-Laws of the Company, or with the provisions of the *Yukon Business Corporations Act*.

As at the date hereof, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 14,241,536 common shares of the Company, representing approximately 12.4% of the outstanding common shares of the Company.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than disclosed in **Item 10.1**, there is no additional disclosure required pursuant to Section 10.2 of Form 51-102F2 under Canadian National Instrument 51-102.

10.3 Conflicts of Interest

There are no existing or potential material conflict of interest between the Company or a subsidiary of the Company and any director or officer of the Company or a subsidiary of the Company, except that Mr. Dimitrios Koutras, who is the Non-executive Chairman of the Company, is also President and General Manager of Aktor S.A., which owns 35% of the issued and outstanding shares of the Company's subsidiary, Hellas Gold. Under the terms of the Shareholders Agreement of Hellas Gold, the Company agreed that Aktor S.A. will be the contractor for all civil engineering and construction work required for development of Hellas Gold's assets, subject to competitive pricing.

Certain officers and directors of the Company are officers and directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations

may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

ITEM 11: PROMOTERS

Within the three most recently completed financial years and during the current financial year, there have not been any promoters of the Company or of a subsidiary of the Company.

ITEM 12: LEGAL PROCEEDINGS AND REGULATORY ACTIONS

12.1 Legal Proceedings

The Company, from time to time, is involved in various claims, legal proceedings and complaints arising in the ordinary course of business, including with respect to its licences and permits. Such legal proceedings are, in the opinion of management, either unfounded (in fact or in law) or would not have a material adverse effect on the consolidated financial condition or future results of the Company. There are no such proceedings known to the Company to be contemplated.

12.2 Regulatory Actions

During the financial year ended 31 December 2006, there has been no:

- (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority;
- (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and
- (c) settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority.

ITEM 13: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed under **Item 4.2** of this Annual Information Form, there has been no transaction involving the Company or any of its subsidiaries within the three most recently completed financial years or during the current financial year that has or will materially affect the Company and its subsidiaries, taken as a whole, and in which the following persons or companies had a material interest, direct or indirect: (a) a director or executive officer of the Company; (b) a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of the Company's outstanding voting securities; or (c) an associate or affiliate of any of the persons or companies referred to in (a) or (b).

ITEM 14: TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the common shares of the Company is Computershare Trust Company of Canada of 100 University Avenue, 11th Floor North Tower, Toronto, Ontario, Canada M5J 2Y1.

ITEM 15: MATERIAL CONTRACTS

Set forth below are the particulars of every contract, other than a contract entered into in the ordinary course of business, that is material to the Company and its subsidiaries, taken as a whole, and that was entered into within the most recently completed financial year, or before the most recently completed financial year but is still in effect.

Greek State Contract – On 12 December 2003, Hellas Gold entered into a contract with the Greek Government (the “**Greek State Contract**”) pursuant to which Hellas Gold acquired certain assets in Greece which included mining concessions over a total area of 317 km² including two deposits known as the Skouries and Olympias deposits, together with two existing producing mines, known as the Stratoni Mines, base metal mining facilities and a ship-loading facility on the Aegean Sea (the “**Greek Assets**”). The Greek State Contract was ratified by the Greek parliament on 8 January 2004 and passed into law on 28 January 2004. The purchase price paid by Hellas Gold to the Greek Government for the Greek Assets was €11 million payable in cash. Under the Greek State Contract, among other things:

- (a) Hellas Gold must prepare an investment plan for development of the Greek Assets and construction/operation of a gold processing plant on or before 28 January 2006 and the Greek Government must review the investment plan within two months of its submission and issue necessary licences and approvals within ten months;
- (b) Hellas Gold must commence preparatory work in respect of the Madem Lakkos and Mavres Petres mines in order to allow recommencement of production activities within a reasonable period of time;
- (c) Hellas Gold must take all required actions and procedures to protect the environment as directed by the Minister of Development for Greece, including the adoption of measures for water retreatment;
- (d) Hellas Gold does not have any environmental liabilities arising before the date of ratification of the Greek State Contract;
- (e) all licences and approvals which were issued by an administrative or other government authority and which expire before 31 December 2006 were automatically extended to 31 December 2006;
- (f) if Hellas Gold is evicted from any of the transferred property, no claim can be made by Hellas Gold in order to reduce the purchase price; and
- (g) if either party breaches the terms of the Greek State Contract, the party which is in breach may terminate the contract and, on termination, all assets are to be returned to the Greek Government and the purchase price repaid without interest. The non-defaulting party may be entitled to compensation for damages resulting from the termination.

Hellas Gold Shareholders’ Agreement – On 29 November 2004, the Company, through wholly-owned subsidiaries, entered into a shareholders agreement with Greek Mines with respect to Hellas Gold (the “**Hellas Gold Shareholders Agreement**”).

Hellas Gold is a Greek company formed in December 2003 for the purposes of entering into the Greek State Contract. The Company has a 65% interest in Hellas Gold.

Under the terms of the Hellas Gold Shareholders’ Agreement, the Company, through a wholly-owned subsidiary, agreed to provide mining expertise and know-how and facilitate non-recourse third party financing for the Greek Assets. Greek Mines S.A. agreed to be responsible for local

Greek issues affecting Hellas Gold such as dealing with the Greek State, ministries or other authorities, labour issues, local environmental issues and approvals and obtaining licences required in connection with the Greek Assets. Greek Mines S.A. also agreed to provide engineering and construction expertise and know-how and facilitate the provision of construction services for development of the Greek Assets. Aktor S.A., Greek Mines S.A.'s parent company, will be the contractor for all civil engineering and construction work required for development of the Greek Assets, subject to competitive pricing.

The board of directors of Hellas Gold consists of five directors with three representatives from the Company and two from Greek Mines.

A quorum for a board meeting is three directors and decisions of the board are made by majority vote with the exception of certain key issues affecting Hellas Gold to which increased quorum and voting requirements will apply.

The Hellas Gold Shareholders' Agreement provides distribution of profits to the shareholders by way of dividend at the end of each fiscal year, subject to working capital requirements and applicable law.

The Hellas Gold Shareholders' Agreement contains provisions granting to the shareholders of Hellas Gold rights of first refusal on the transfer of shares in Hellas Gold and pre-emptive rights to subscribe to additional shares issued by Hellas Gold.

Greek exploitation and exploration licences – Please refer to **Item 5.3** of this Annual Information Form for particulars of Hellas Gold's exploitation and exploration licences in Greece.

Constitutive act of Deva Gold S.A. – On 21 July 2000 (as later amended), the Company, through a wholly-owned subsidiary, entered into the Constitutive Act of Deva Gold S.A. ("**Deva Gold**") with Minvest S.A. (a Romanian State exploration and mining company), Cartel Bau S.A., Foricon S.A. and Comat-Trading S.A. (the "**Constitutive Act**").

The Constitutive Act contains the articles of association and the shareholders' agreement of Deva Gold, a Romanian company formed to pursue the exploration and development of some of the Company's mineral properties in Romania. The Company has an 80% interest in Deva Gold. Minvest S.A. (19.25%) and the other three shareholders mentioned above (0.75%) hold the remaining shares in Deva Gold.

The board of directors of Deva Gold consists of five directors with one representative from the Company and four from the other shareholders.

A quorum for a board meeting is three directors and decisions of the board are made by majority vote.

Under the Constitutive Act, the Company is required to fund 100% of all costs related to the exploration and development of Deva Gold's mineral properties in Romania and, as a result, the Company is entitled to the refund of such costs (plus interest) out of future cash flows, prior to any dividends being distributed to shareholders.

The Constitutive Act contains provisions granting to the shareholders of Deva Gold rights of first refusal on the transfer of shares in Deva Gold and pre-emptive rights to subscribe to additional shares issued by Deva Gold.

Romanian exploitation and exploration licences – Please refer to **Item 5.4** of this Annual Information Form for particulars of the Company's exploitation and exploration licences in Romania.

ITEM 16: INTERESTS OF EXPERTS

16.1 Names of Experts

The following are the names of each person or company who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under Canadian National Instrument 51-102 by the Company during, or relating to, the Company's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or company:

- (a) BDO Dunwoody LLP, Chartered Accountants, who have audited the Company's consolidated balance sheets as at 31 December 2004 and 2003 and the consolidated statements of equity, loss and deficit and cash flows for the years then ended, and who published an Auditors' Report thereon dated 23 March 2005;
- (b) Mr. Patrick Forward, General Manager, Exploration of the Company, who is a Qualified Person under Canadian National Instrument 43-101 and who has reviewed all of the Company's disclosure of scientific or technical information, including disclosure of mineral resources and reserves, made by or on behalf of the Company in respect of its mineral projects during, or relating to, the Company's most recently completed financial year.
- (c) Mr. Harry Warriess of RSG Global Pty Ltd, who is a Qualified Person under Canadian National Instrument 43-101 and who was responsible for preparing the report entitled "*Technical Report – Certej Gold Silver Project, Romania*" dated 26 April 2006 on the Certej reserve; and
- (d) Mr Geoff Bull and Mr. Michael J. Beare of SRK Consulting (UK) Ltd, Mr. Philip Newman of Golder Associates (UK) Limited and Mr. Antony Francis, Senior Metallurgist of the Company, who are Qualified Persons under Canadian National Instrument 43-101 and who were responsible in part for preparing the report entitled "*Skouries Project, Update of 2004 Behre Dolbear Prefeasibility Study*" dated July 2006 on the Skouries reserve.

16.2 Interests of Experts

To the knowledge of the Company, the persons or companies named above do not have any registered or beneficial interests, direct or indirect, in the securities or other property of the Company or of its associates or affiliates, except that Mr. Patrick Forward held as at 31 December 2006 (i) options to subscribe to 85,000 common shares of the Company issued under the Company's Share Option Plan (of which 35,000 were granted on 11 November 2004 and 50,000 were granted on 22 September 2005), and (ii) 100,000 restricted share units issued on 7 April 2006 under the Company's Restricted Share Unit Plan.

ITEM 17: INFORMATION ON THE AUDIT COMMITTEE

17.1 Audit Committee Charter

The terms of reference of the audit committee of the board of directors of the Company (the “**Audit Committee**”) are reproduced as **Appendix 7** hereto.

17.2 Composition of the Audit Committee

The Audit Committee is comprised of three independent and financially literate directors, being Dr. Jeffrey O’Leary (Chairman), Philip Johnson and Hon. Robert Kaplan.

17.3 Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an audit committee member.

Dr Jeffrey O’Leary

When at HSBC, attended numerous courses on the preparation of budgets and financial statements, and on accounting principles

As a consultant, gave advice which often involved preparing budgets and economic justifications for large mining projects

As part of the senior management of the Peru Privatisation Fund, prepared budgets for the fund but also reviewed the budgets and financial statements of investee companies

Taught Masters courses at two major UK universities involving valuation methodologies for valuing mining companies

As a director of HSBC Investment Bank, was involved in advising many international mining companies including analysis and preparation of budgets and financial statements

Philip Johnson

Received a Masters in International Relations, a large portion of which related to international economics

Attended a financial course for non-financial executives offered by the Chamber of Commerce, which taught one how to read financial statements, the accounting principles that underpinned these statements, the array of accounting conventions one could use and the different results one could portray depending upon the accounting convention employed

Attended a six-week executive management course at the University of Houston, of which critical reading and analysis of financial statements was an important part

President of Pinnacle Reefs Ltd. (a management consulting services company for the energy industry), which involves the preparation of annual financial statements

Performed consulting work which often involves preparing budgets and economic justifications for large energy projects

When at Imperial Oil, started the petroleum futures trading function, a specialised system to help manage the risk of volatile oil prices

As Imperial Oil's Vice President, Commercial until 1988, oversaw the Commercial Comptrollers group which prepared that department's financial statements for management decision-making and for integration into the corporate whole

**Hon. Robert Kaplan P.C.,
Q.C.**

While a student, attended Shaw Business School (Toronto) to learn basic business accounting, and created a number businesses and performed basic accounting therefor

From 1963 to 1968, practiced law in the firm of McDonald, Davies and Ward (now Davies, Vineberg & Co.), specialising in taxation and working with financial advisers of client companies

From 1968, as an elected member of the Parliament of Canada, served on the Standing Committee on Finance, Trade and Economic Affairs, including two years as Chairman – this committee reviews amendments to the Income Tax Act, and many other taxation statute

From 1980 to 1984, as Solicitor General of Canada, responsible for the preparation of the budget of one of the largest Departments in Government, including the Correctional Service of Canada and The Royal Canadian Mounted Police – presented and defended budgets before the Treasury Board, and eventually before Parliament

Since 1984, served on the boards of several public companies, including a number of Audit Committees

Served as Chairman and effective Chief Executive Officer of PetroKazakhstan Inc. (a crude oil production company) while the Company was in bankruptcy protection and presided over its emergence, payment of all debts in full and development as a successful business

17.4 Reliance on Certain Exemptions

During the Company's most recently completed financial year, the Company has relied on the exemption in Section 2.4 of Multilateral Instrument 52-110 (*De Minimis Non-audit Services*), meaning that the Audit Committee has not always pre-approved all non-audit services provided to the Company or its subsidiary entities by the Company's external auditors, but that:

- (a) the aggregate amount of all the non-audit services that were not pre-approved was reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company and its subsidiary entities to the Company's external auditor during the fiscal year in which the services were provided;
- (b) the Company or the subsidiary entity of the Company, as the case may be, did not recognise the services as non-audit services at the time of the engagement; and

- (c) the services were promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.

17.5 External Auditors Service Fees

The following table presents by category the fees billed by the Company's external auditors in each of the last two fiscal years.

Category of Fees	2006 (US\$)	2005 (US\$)
Audit Fees	187,500	144,000
Audit-Related Fees	7,450	4,000
Tax Fees	5,600	8,000
Other Fees	28,410	-
Total	228,960	156,000

“**Audit Fees**” include the aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit services.

“**Audit-Related Fees**” include the aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under the category “Audit Fees”, notably the consultation relative to the accounting and financial disclosure standards and additional work on presenting the Company's subsidiaries' financial statements in accordance with International Accounting Standards (IAS).

“**Tax Fees**” include the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company's external auditors for tax compliance, tax advice and tax planning, notably the consultation relative to the preparation of income tax returns of the Company and the refund of capital and sales taxes, and matters regarding the Company's payroll obligations.

“**All Other Fees**” include the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditors, other than the services reported under the category “Audit Fees”, “Audit-Related Fees” and “Tax Fees”, notably the consultation services related to the due diligence process for the purpose of the Acquisition and the Placing, the change in the Company's functional and reporting currency and issues relating to the accounting of share-based compensation.

ITEM 18: ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com or on the Company's website at www.egoldfields.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorised for issuance under equity compensation plans is contained in the Company's management Proxy Circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Company's financial statements and management's discussion & analysis for its most recently completed financial year.

Appendix 1 – Resources and Reserves Declaration as at 31 December 2006

APPENDIX 1

RESOURCES AND RESERVES DECLARATION AS AT 31 DECEMBER 2006

RESOURCES

Greece (Hellas Gold) – European Goldfields Share: 65%

Deposit	'000t	Au g/t	Au Moz	Ag g/t	Ag Moz	Pb %	Pb '000t	Zn %	Zn '000t	Cu %	Cu '000t
Olympias											
Measured	10,096	9.0	2.93	113.0	36.7	3.6	367	4.9	494	-	-
Indicated	4,432	9.9	1.42	164.2	23.4	5.4	240	7.1	316	-	-
Total	14,528	9.3	4.35	128.6	60.1	4.2	607	5.6	810	-	-
Skouries											
Measured	180,400	0.83	4.81	-	-	-	-	-	-	0.55	992
Indicated	10,800	0.61	0.21	-	-	-	-	-	-	0.47	51
Total	191,200	0.82	5.03	-	-	-	-	-	-	0.55	1,043
Stratoni											
Measured	1,960	-	-	180.8	11.4	7.3	142	9.9	194	-	-
Indicated	259	-	-	180.7	1.5	7.6	20	12.2	32	-	-
Total	2,219	-	-	180.8	12.9	7.3	162	10.2	226	-	-
Total	207,947	-	9.38	-	73.0	-	769	-	1,036	-	1,043
Total 65% attributable	135,166	-	6.09	-	47.6	-	500	-	673	-	678

Romania (Deva Gold) – European Goldfields Share: 80%*

(Above 1 g/t gold lower cut-off grade **)

Deposit	'000t	Au g/t	Au Moz	Ag g/t	Ag Moz	Pb %	Pb '000t	Zn %	Zn '000t	Cu %	Cu '000t
Certej											
Measured	3,140	2.6	0.26	5	0.5	-	-	-	-	-	-
Indicated	28,290	2.1	1.91	12	10.5	-	-	-	-	-	-
Total	31,430	2.1	2.17	11	11.0	-	-	-	-	-	-
Total 80% attributable*	25,144	2.1	1.74	11	8.8	-	-	-	-	-	-
Inferred (East/West Domains)	5,170	1.9	0.32	7	1.1	-	-	-	-	-	-
Inferred (Central Domains)	3,470	1.5	0.17	10	1.1	-	-	-	-	-	-
Total	8,640	1.8	0.49	8	2.2	-	-	-	-	-	-
Total 80% attributable*	6,912	1.8	0.39	8	1.8	-	-	-	-	-	-

* European Goldfields Limited is required to fund 100% of all costs related to the exploration and development of the Certej deposit in Romania and, as a result, European Goldfields Limited is entitled to the refund of such costs (plus interest) out of future cash flows, prior to any dividends being distributed to shareholders.

** Uniform conditioning and based on a selective mining unit model using 6.25 X 12.5 X 2.5 metre blocks for the eastern and western domains and inverse distance squared (using no gold cut-off) for the central domains.

Appendix 1 – Resources and Reserves Declaration as at 31 December 2006

RESERVES

Greece (Hellas Gold) – European Goldfields Share: 65%

Deposit	'000t	Au g/t	Au Moz	Ag g/t	Ag Moz	Pb %	Pb '000t	Zn %	Zn '000t	Cu %	Cu '000t
Olympias											
Proven	7,403	9.1	2.16	142.1	33.9	4.8	354	6.2	462	-	-
Probable	3,949	9.7	1.23	147.8	18.8	4.9	194	6.6	262	-	-
Total (underground)	11,352	9.3	3.38	144.1	52.7	4.8	547	6.4	725	-	-
Proven (surface)	2,693	5.5	0.48	15.2	1.3	-	-	-	-	-	-
Total	14,045	-	3.86	-	54.0	-	547	-	725	-	-
Skouries											
Proven	77,535	0.87	2.18	-	-	-	-	-	-	0.54	415
Probable	68,667	0.78	1.73	-	-	-	-	-	-	0.55	374
Total	146,202	0.83	3.91	-	-	-	-	-	-	0.54	789
Stratoni											
Proven	1,923	-	-	171.9	10.6	6.9	19	9.4	30	-	-
Probable	259	-	-	172.1	1.4	7.3	133	11.6	181	-	-
Total	2,182	-	-	171.9	12.0	6.9	152	9.7	211	-	-
Total	162,429	-	7.77	-	66.0	-	699	-	936	-	789
Total 65% attributable	105,579	-	5.05	-	42.9	-	454	-	608	-	513

Romania (Deva Gold) – European Goldfields Share: 80%*

(Above 0.8 g/t gold lower cut-off grade **)

Deposit	'000t	Au g/t	Au Moz	Ag g/t	Ag Moz	Pb %	Pb '000t	Zn %	Zn '000t	Cu %	Cu '000t
Certej											
Probable	27,700	2.0	1.76	11.6	10.4	-	-	-	-	-	-
Total	27,700	2.0	1.76	11.6	10.4	-	-	-	-	-	-
Total 80% attributable*	22,160	2.0	1.41	11.6	8.3	-	-	-	-	-	-

* European Goldfields Limited is required to fund 100% of all costs related to the exploration and development of the Certej deposit in Romania and, as a result, European Goldfields Limited is entitled to the refund of such costs (plus interest) out of future cash flows, prior to any dividends being distributed to shareholders.

** Uniform conditioning and based on a selective mining unit model using 6.25 X 12.5 X 2.5 metre blocks.

Notes:

- Reserves and resources are classified in accordance with the Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines" as per the requirements of Canadian Securities Administrators' National Instrument 43-101 (the "Instrument").
- Disclosure of mineral resources and reserves for Hellas Gold's Olympias, Stratoni and Skouries deposits is derived from a prefeasibility study prepared by independent consultants Behre Dolbear & Company, Inc. in accordance with the guidelines set out in the Instrument and under the supervision of Richard Parker, a Qualified Person under the Instrument. The prefeasibility study was filed on SEDAR at www.sedar.com on 29 October 2004 under the category "Technical Report", as updated with respect to Stratoni by technical reports filed on SEDAR on 27 July 2005 and 16 February 2007 and with respect to Skouries by a technical report filed on SEDAR on 23 August 2006.
- Disclosure of mineral resources and reserves for European Goldfields Limited's 80%-owned Certej deposit is derived from a technical report prepared by independent consultants RSG Global Pty Ltd in accordance with the guidelines set out in the Instrument and under the supervision of Harry Warries, a Qualified Person under the Instrument. The technical report was filed on SEDAR on 10 April 2006 under the category "Technical Report".
- Reserves are estimated using projected process recoveries, operating costs and mine plans that are unique to each property and include estimated allowances for dilution and mining recovery.
- Normal data verification procedures have been used in collecting, compiling, interpreting and processing the data used to estimate resources and reserves. Data verification includes quality assurance and quality control procedures put in place by European Goldfields Limited in Romania and by the previous owners of the Hellas Gold assets in Greece, and reviews by independent consultants of drill hole information on geological sections prepared by European Goldfields Limited and such previous owners.
- Resources (unlike reserves) do not have demonstrated economic viability.
- Development of all properties (except Stratoni) is dependent on successful permitting.
- Patrick Forward, General Manager, Exploration of European Goldfields Limited, was the Qualified Person under the Instrument responsible for reviewing the disclosure of resource and reserve estimates quoted above.

Appendix 2 – Summary of Report Entitled “*Technical Review of the Kassandra Mines Property, Chalkidiki Prefecture, Greece*” Dated 15 May 2004

APPENDIX 2

SUMMARY OF REPORT ENTITLED “*TECHNICAL REVIEW OF THE KASSANDRA MINES PROPERTY, CHALKIDIKI PREFECTURE, GREECE*” DATED 15 MAY 2004

At the request of European Goldfields Ltd, ACA Howe International Ltd (Howe) has prepared the following report on the Kassandra Mines in the Chalkidiki Prefecture of Greece. Hellas Gold SA, a company then owned by a Greek consortium, acquired the property from the Greek State. European Goldfields has acquired a 30% participation in the project on a fully diluted basis and Global Mineral Resources S.A.RL (GMR) is to subscribe for 21%. The deal has Parliamentary approval.

In early 2000 Dr Armstrong visited both sites and reviewed the geological interpretation and resource classification methodology. Since then no substantive changes have been made.

Mr. Parker visited the property between May 6th and May 8th 2004 and carried out site inspections of the three principal deposits, namely Olympias, Skouries and Stratoni. The principal features inspected were surface outcrops, surface facilities and general environmental conditions. During the course of the visit discussions were held with management, and environmental and exploration staff.

The report is based largely on documents in Howe's files on the property. Limited material recently received by European Goldfields and provided to Howe includes incomplete extracts from feasibility studies and limited historical data. Detailed discussions were held with TVX geological staff at the time of the Howe visit. Howe has conducted no independent sampling or resource re-estimation, though the resource methodology has been reviewed in detail and Howe considers that the estimates were conducted professionally and to current industry standards.

The property is located in the Chalkidiki peninsula, Northern Greece. It comprises a group of granted mining licences, covering 314 km², approximately 75 kilometres east of Thessaloniki. The property includes the Olympias and Stratoni Mines, both currently on care and maintenance and the Skouries copper/gold porphyry deposit.

European Goldfields Limited understands that the contract between Hellas Gold SA and the Greek State explicitly states that the new owners inherit no environmental liabilities. It is also understood that the contract calls for the refurbishment of the loading facility at Stratoni that served the mining operations; European Union grants are available for that purpose.

The TVX contract with the Greek State to put the Olympias project into production included special provisions taking precedence over general legislation to define the required permits and to define procedures and deadlines. Following their application, TVX estimated that permitting would take between 60 and 160 days. It is understood that there are to be relevant changes in favour of the new owners regarding timing and submission.

A long-term policy for rehabilitation of Olympias had to be put in place under the terms of TVX's contract. Environmental Impact Assessments were required prior to approval for working and Environmental Impact Studies were required for permitting. Regular audits were also a prerequisite.

The Environmental Impact Study for Stratoni and Olympias was approved in January 1999, though following objections by local pressure groups, the latter was suspended pending archaeological studies and approval was finally granted in September 2000. However, following further objections from locals, the Olympias approval was again suspended and on March 2002 the Conseil d'Etat annulled the Olympias permits. The Stratoni approval was, however renewed in July 2001 retrospectively to January 2001, though applications to extend the mining under the village of Stratoni village were rejected after objections by the villagers, leading to a declaration

Appendix 2 – Summary of Report Entitled “*Technical Review of the Kassandra Mines Property, Chalkidiki Prefecture, Greece*” Dated 15 May 2004

of Force Majeure by TVX. The latter was lifted when the objections by the Mines Inspector were lifted, though subsequent appeals against mining led to a full hearing in June 2002 by the Conseil d'Etat against continuing mining operations.

In May 2003, TVX Hellas, now owned by Kinross, filed for bankruptcy, closing its operation. The mineworkers protested against the closure and in December 2003 the government announced a series of measures to compensate and assist the redundant workers, and to reopen the mines. After Kinross decided to disengage from Greece the property was sold, subject to parliamentary approval to the Greek consortium Hellas Gold SA.

The Olympias resources were estimated in 1999 as part of the feasibility study conducted by Kvaerner Metals. Six ore-zones were distinguished underground and the surface stockpiles were included as measured resources. The resource estimates shown below conform to the Mineral Resource definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and may be regarded as current. M Hodgson FIMM BSc MSc C Eng EurGeol of TVX was the qualified person responsible for the resource estimate.

Category	Million Tonnes	Au g/t	Ag g/t	Pb %	Zn %
Measured *	10.096	9.03	112.96	3.64	4.89
Indicated	4.432	9.94	164.20	5.41	7.14
Inferred**	1.678	8.34	156.41	5.50	7.22
Total Measured and Indicated Resource	14.258	9.31	128.59	4.18	5.57

* Includes surface resources.

** Some 874,000 tonnes of inferred resources included in this total and grading 5.64 g/t Au, 132.60 g/t Ag, 4.90% Pb and 7.47% Zn were external to the block model utilised for reserve generation.

A resource estimation of the Skouries deposit was completed, under the supervision of M Hodgson BSc MSc FIMM C Eng EurGeol of TVX as the qualified person, as part of a feasibility study by NCL Ingenieria y Construccion S.A, Steffen, Robertson and Kirsten and Kvaerner Metals Stockton and Kvaerner Metals Toronto. The resource estimation utilised block modelling. A range of cut-off grades was applied to blocks within the model. The figure shown below utilised a 0.4 g/t Au cut-off. (gold price at the time was \$300 and copper was US\$0.80/lb, though only the gold grade and not a gold equivalent grade including copper value were taken into account when setting the cut-off grades.) The Skouries resource estimate dated December 1998 is summarised below:

Resource Category	Million Tonnes	Au g/t	Cu %
Measured	180.398	0.83	0.55
Indicated	10.835	0.61	0.47
Inferred	14.822	0.60	0.45
Total Measured and Indicated Resource	191.233	0.81	0.54

Reserves were also estimated at that time, within and beneath a conceptual pit, but re-estimation is required, as current economic factors have changed. These reserves should be regarded as historical.

Probable Reserves	Million Tonnes	Au g/t	Cu %
Oxide	24.7	0.99	0.57
Sib-level caving	45.4	1.08	0.61
Block caving	57.83	0.68	0.49
Total Probable Reserves	127.93	0.88	0.55

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The mineral resources and reserves quoted above were verified and audited by Behre Dolbear of New York and SRK of the UK and subsequently, independent companies Kvaerner Metals and NCL Ingenieria y Construccion S.A have verified and audited the resources during the current preparation of feasibility studies on the deposits.

M Hodgson BSc MSc FIMM C Eng EurGeol. was the qualified person who estimated resources and reserves for Mavres Petres in December 2002, following CIM definition guidelines. However, the reserves were generated using economic factors that were then current and so now require updating to reflect current economic conditions.

Table 3.5				
STRATONI OPERATIONS – HISTORICAL RESERVES* December 2002 (Mavres Petres)				
Reserve category*	Mt	Pb (%)	Zn (%)	Ag (g/t)
Proven	0.867	7.53	9.49	178
Probable	0.775	7.71	11.09	179
Total Reserves*	1.642	7.62	10.25	179

* Note that reserves were converted from resources utilising economic and mining factors then in place which would require updating to meet current costs and thus do not meet the requirements for reserves of NI 43-101.

Table 3.6				
STRATONI OPERATIONS – CURRENT RESOURCES December 2002				
Resource category	Mt	Pb (%)	Zn (%)	Ag (g/t)
Measured	1.346	8.51	10.72	202
Indicated	0.875	8.74	12.56	203
Inferred Resource	0.375	8.00	11.50	180
Total Measured and Indicated Resources	2.221	8.60	11.44	202

The mineralised zones are located within the Serbo-Macedonian massif, which comprises strongly tectonised and metamorphosed Palaeozoic rocks. The massif is locally subdivided into two northwest-trending units, namely the Vertiskos Formation to the west, and to the east the underlying Kerdillia Formation, consisting of gneiss with amphibolite and marble horizons. The interstratified carbonate rocks occur in various zones of structural weakness such as the regional faulting that affects the contact zone between the Kerdilla and Vertiskos Formations.

The Olympias massive stratabound polymetallic replacement deposit formed within marble controlled by low angle splay off the regional Stratoni Fault. The West orebody is approximately 250 metres long, plunges 1200 metres from surface to 500 metres in the southwest and is open down plunge. Its width varies between 5 to 15 metres. The East orebody width averages 75 metres in length and its average thickness is 7 metres. The mineralisation has been traced for 600 metres down plunge.

The Madem Lakkos and Mavres Petres mines worked replacement-style polymetallic sulphide mineralisation hosted in marble horizons controlled by faulting.

The Kerdilla and Vertiskos Formations have been intruded by Oligocene porphyry stocks and are separated by the arcuate Stratoni Fault. The Skouries sub-alkaline copper/gold porphyry deposit is an elliptical coarse-grained porphyritic syenite pipe some 250 metres by 150 metres in diameter, which has been traced to more than 800 metres in depth. Several parallel dykes of similar composition occur to the south of the main porphyry, have widths up to 10 metres along strike, lengths of up to 90 metres and are interpreted to represent apophyses from the main body. They have pervasively mineralised the host schist and almost double the extent of the mineralised zone below 300 metres depth.

TVX identified a number of exploration targets in the vicinity of the known Olympias deposit and elsewhere in the licence areas. Exploration drilling at a number of these targets encountered encouraging results, but resource drilling has not been undertaken.

Appendix 2 – Summary of Report Entitled “*Technical Review of the Kassandra Mines Property, Chalkidiki Prefecture, Greece*” Dated 15 May 2004

Howe's inspection of the available data indicates that the TVX drilling at Olympias and Skouries was conducted to industry standards, though at Olympias restricted drill stations necessitated fanning of holes, resulting in an irregular distribution of intercepts in the mineralisation, varying from 10 to greater than 50 metres, though all holes were surveyed downhole for dip and azimuth. Core recoveries varied from 70 to 89% and averaged 88.6% after sub-60% recovery samples were excluded and eliminated from the resource estimation database. Skouries was drilled on a regular 50 metre grid and all holes were surveyed. Samples contained within the porphyry had an average recovery of 93.37%, while those in the schist averaged 89.91% recovery.

Underground drilling was conducted at the Stratoni for resource estimation and to explore for additional ore. From 1999, the holes were surveyed. There are no details concerning core recovery.

Quality control of sampling, sample preparation and assaying has been to a high standard with numerous protocols in place to ensure accuracy and lack of bias. Gold was determined using fire assay on 50 gm samples or screened fire assay on 250 gm samples. Base metals and silver were determined using Atomic Absorption techniques. Assays were conducted at independent, international accredited laboratories, with checks on coarse rejects and pulps. Density determinations were conducted at the TVX facility at Stratoni, with independent checks by external laboratories. Data verification procedures used by TVX at Olympias and Skouries were of a high standard and all data were audited and verified by independent, internationally recognised consulting firms during the feasibility studies.

Data verification at the Stratoni Mines appears to have been conducted to a high standard prior to and during resource estimations, Chemex carried out external checks on 10% of samples with satisfactory results.

Data on the grindability and flotation of the Olympias ore was obtained during plant operations. Gold Fields conducted Bioxidation pilot tests and cyanide leach tests were conducted at Gold Fields, Mintek and Lakefield Research. Alternative scenario involving roasting and pressure oxidation were also investigated. Lakefield conducted tests on ozone oxidation of thiocyanate for cyanide recovery. A conceptual processing flowsheet indicates that crushing and grinding would be followed at the mill by flotation, which would produce lead/silver, zinc and pyrite concentrates. Old tailings would be floated separately for pyrite concentration. The pyrite concentrates would be fed to a bioxidation plant, which would be washed and fed to a carbon-in-leach plant for gold winning. Following rejection of the bioxidation process route by the Greek Authorities, a dual process of bioxidation followed by pressure oxidation was proposed. Following completion of the modified feasibility study by Kvaerner, SNC Lavalin of Toronto were commissioned in 1999 to conduct the basic engineering study on the Olympias deposit.

Kvaerner Metals utilised TVX's metallurgical testwork results at Skouries in their feasibility study. MacPherson and Minnovex conducted grinding testwork. Flotation testwork by Lakefield determined plant residence times and indicated that a 26% copper concentrate would be recoverable from the sulphide ores. Much gold would also be recovered in the flotation concentrate. Testwork by SW Metallurgical Services showed that 30% of the gold is recoverable by gravity separation prior to flotation. The gold from the gravity circuit would be recovered as a doré product. Mineralogical investigations conducted by AMTEL demonstrated that the gold contains 6.5 to 11.4% silver.

At the Stratoni mines, lead was floated first, then zinc. In 2001, the ore averaged 7.65% Pb, 10.83% Zn and 197.2 g/t Ag. Lead concentrate grades averaged 71.6% and lead recovery from the concentrates was 92%. An average of 1.3 g/t Au was contained within the concentrate. Zinc concentrate grade averaged 52.1% and zinc recovery averaged 92%.

Appendix 2 – Summary of Report Entitled “*Technical Review of the Kassandra Mines Property, Chalkidiki Prefecture, Greece*” Dated 15 May 2004

The Olympias mine is currently developed to the deepest level by means of a ramp driven in the footwall of the West orebody. A vertical shaft is in place. At the time of suspension of operations, material mined from the West orebody was trucked to a single ore pass that fed an underground crusher. The proposed mining plan utilises as much of the existing infrastructure as possible. The existing main ramp will be extended to develop the West orebody and a new internal ramp will be utilised to develop the East orebody. A second ore pass will be constructed to serve the crusher station. It is planned to mine the deposit utilising trackless drift-and-fill methods at 2,700 tonnes per day. The projected mine life is 15 years.

Skouries is designed to be mined in three overlapping phases, commencing with an open pit operation, succeeded by sublevel caving and finally block caving. The open pit would be mined for 4 years. Beneath the pit, ore would be extracted from 8 sublevel/front cave horizons, developed at 30 metre intervals. This phase would overlap the last two years of open pit operation and continue for a further 7 years. Block caving would be conducted deeper in the mine. This phase would run concurrently with the sub-level caving for the first two years, then continue for a further 8 years. Projected production is around 20 to 25,000 tonnes per day.

In 1998, a combination of cut and fill and undercut and fill, which replaced the earlier sub-level-caving, was used at Madem Lakkos. Two shafts access the mine. The main shaft has a hoisting capacity of 1,200 tonnes per day. Rock was hoisted to a rail haulage at +65 masl and was transferred to the +53 masl rail haulage level. The latter extends 2.3 kilometres to the ore and waste bins at surface at Stratoni. These are 0.6 kilometres by road from Stratoni mill. At Mavres Petres TVX utilised a combination of transverse and longitudinal cut and fill.

Production at Madem Lakkos was being run down in 2002 and was scheduled to finish at the end of June. At the same time, production at Mavres Petres was building up to about 1,200 tonnes per day at the end of 2002. This production was scheduled to continue through to 2007.

At the time of closure, TVX had sales contracts with Glencore, Trafigura, Newco, Mytilineos, Euromin, Brandeis and ENI for both lead and zinc concentrates from the Stratoni mines and these were scheduled to continue beyond the closure date to at least 2003. No further details are available to Howe, although these aspects would be covered in the proposed due diligence study. No details are available to Howe on the marketing of the concentrates from Olympias or Skouries.

Environmental Impact Studies were completed on the properties, but the initial acceptance by authorities was overturned immediately prior to the TVX bankruptcy and they would probably require updating. It is understood that the Government would expedite permitting upon approval of the purchase contract.

It appears that the Greek Government is strongly in favour of the operations and is willing to expedite the permitting, though the operations have been constantly thwarted to date by the legal challenges of the anti-mining lobby. There is, however strong support for the projects from a pro-mining lobby and Howe understands, from the available information, that the technical and environmental studies completed to date and accepted by central Government have been conducted by internationally recognised consultants to European Union standards. There thus appear to be no informed technical arguments against the projects and success of the operation may depend on stronger interaction with the local people to address and allay their fears and emphasise the potential economic benefits to the area.

Howe concludes that the property includes two significant deposits, namely the partially developed Olympias polymetallic replacement deposit, which is currently on care and maintenance, and the Skouries porphyry copper/gold deposit. Both deposits have been subject to exhaustive studies by TVX, culminating in the production of full feasibility studies by internationally known independent consultants who audited and verified the database on which resource and reserve estimates were based. Currently the Madem Lakkos and Mavres Petres mines are on care and maintenance. Developed resources are in place at Mavres Petres.

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There appears to be considerable exploration potential on the property. Significant targets have been identified on the concession by TVX, though it is not known whether these have been followed up.

Howe recommends that the feasibility studies should be reviewed and modified to reflect current costs to permit the re-estimation of the reserves. The exploration targets identified by TVX should be reviewed and prioritised.

Appendix 3 – Executive Summary of Report Entitled “*Technical Review of a Portfolio of Properties in Romania*” Dated 10 March 2004

APPENDIX 3

EXECUTIVE SUMMARY OF REPORT ENTITLED “*TECHNICAL REVIEW OF A PORTFOLIO OF PROPERTIES IN ROMANIA*” DATED 10 MARCH 2004

At the request of European Goldfields Ltd (European Goldfields) ACA Howe International Limited (Howe) has prepared the following independent technical report on European Goldfield's exploration projects in Romania.

European Goldfields has an 80% interest in Deva Gold SA (Deva Gold) which was formed to act as the incorporated joint venture to explore and develop concessions in the Golden Quadrilateral area of the Apuseni Mountains in western Romania, once the most prolific gold-producing region in Europe. The Romanian State mining company, Minvest SA. (Minvest) has an 19.25% interest and the remaining 0.75% is held by three minority Romanian shareholders. Deva Gold holds title to four concessions in the Apuseni Mountains area, namely Certej, Baita-Craciunesti, Bolcana, and Zlatna, which initially totalled 154.3 km², though following relinquishment of some 50% of the Baita-Craciunesti licence as required under the mining law, the total is currently 146.22 km². A fifth concession was recently acquired through European Goldfields Romania SRL, a wholly owned subsidiary of European Goldfields. The 49.21 km² Voia licence is situated contiguous to the north of the Certej licence.

The joint venture agreement was based on future funding only, with no up-front payment from European Goldfields. A total expenditure of US\$6,808,841 was required to acquire the current 80% interest in Deva Gold. To date, European Goldfields has expended US\$16,381,494 in total, which more than meets the overall expenditure commitments on the Certej, Bolcana and Baita-Craciunesti licences and leaves a credit balance. The excess expenditure will be credited against a future increase in European Goldfield's interest. An additional expenditure of US\$1,373,512 is required on the 100% owned Voia concession to meet the overall commitment.

All permits and required approvals are reportedly in place. The title documents for all concessions have been viewed by Howe, though Howe is not qualified to perform a legal due diligence on title and has relied on European Goldfields for assurance of title legality.

The Certej Exploitation Licence

This was granted on 25th January 2000 for a period of 20 years, with an initial development/exploitation period of five years. The licence is located approximately 15 kilometres northeast of Deva, the regional capital. The various project areas within the concession are generally accessible by sealed or dirt roads.

The Certej project area is underlain by Cretaceous black shales and sandstones, which are overlain by Neogene sediments. The rocks are intruded by Neogene andesitic intrusives, and contemporaneous volcano-sedimentary sequences occur. Epithermal and mesothermal veinhosted, stockwork and disseminated deposits have been identified, associated with the Neogene andesitic intrusions.

Underground exploitation of deposits on the concession was conducted on a minor scale prior to the involvement of Romanian State exploration and mining companies in the 1970s, when largescale underground exploration and exploitation commenced. In disseminated deposits, a regular pattern of drives and crosscuts was developed on levels approximately 50 metre apart. Samples were routinely assayed for gold and silver using fire assay with gravimetric finish method. European Goldfields has reviewed the historic underground results, and check assaying has demonstrated that Romanian laboratories consistently understated gold grades below 3.5g/t and silver grades above 20g/t. Accordingly, Analabs Pty Ltd of Australia were commissioned by European Goldfields' parent company Gabriel Resources to construct and independently manage a facility in Gura Rosie, some 6 km from Rosia Montana village in the

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Apuseni Mountains. The assaying of all of European Goldfields samples is now conducted in this laboratory. Howe has visited the assay house and is satisfied that the quality control procedures in place are thorough and rigorously adhered to and include duplicates and regular external checks.

European Goldfields has identified a significant gold resource on the Certej concession. The main mineralised zone is some 1500 metres long by 500 metres wide and occurs as a sub-horizontal, pipe-like body hosted by Cretaceous and Neogene sediments and intrusive andesitic units. Subhorizontal andesitic sills intrude the Cretaceous/Neogene contact to the west and east respectively of a younger, sub-vertical ridge-like stock, termed the Baiaga andesite. The pipe of predominantly disseminated gold-arsenopyrite and silver mineralisation has developed in the geological units above the Baiaga stock. North-trending vein-hosted lead-zinc mineralisation with subordinate gold has developed along the margins of the Baiaga andesite and appear to postdate the disseminated mineralisation. Minvest is currently carrying out open-pit mining, primarily for lead and zinc.

Following underground sampling and delineation drilling, a preliminary resource was estimated by Resource Services Group (RSG) of Perth, Australia in November 2000. Further surface drilling in 2001 led to the January 2002 resource estimate. Four gold cut-off grades were utilised for the better defined East and West Zones, namely 0.6 g/t, 0.8 g/t, 1.0 g/t and 1.2 g/t. A nominal 0.5 g/t Au cut-off was applied to the modelled Central Zone, which could not be sampled underground; the model envelope included considerable internal dilution. Two different block sizes were used in the estimation process of the East and West Domains. As subsequent scoping studies demonstrated that the resource at the highest cut-off was unlikely to be supported by project economics, only those resources at the three lower cut-offs are quoted here:

East and West Domain (50m x 50m x 20m blocks)							
Cut-off, Au g/t	Category	Mtonnes	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
0.6	Indicated	74.52	1.3	9	0.009	0.08	0.28
	Inferred	26.07	1.0	8	0.006	0.05	0.15
0.8	Indicated	56.87	1.5	10	0.009	0.09	0.28
	Inferred	17.02	1.2	8	0.006	0.05	0.16
1	Indicated	41.78	1.7	10	0.009	0.09	0.29
	Inferred	11.20	1.4	8	0.006	0.05	0.16
East and West Domain (10m x 10 m x 10m blocks)							
0.6	Indicated	56.22	1.6	9	0.009	0.08	0.28
	Inferred	19.73	1.3	8	0.006	0.05	0.15
0.8	Indicated	44.14	1.9	10	0.009	0.09	0.28
	Inferred	14.09	1.5	8	0.006	0.05	0.16
1	Indicated	34.67	2.1	10	0.009	0.09	0.29
	Inferred	10.03	1.7	8	0.006	0.05	0.16
Central Domain							
	Inferred	2.91	0.15	11.0	0.015	0.16	0.49

Classifications are in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum as laid out in Canadian National Instrument 43-101.

While Howe has not conducted a new resource estimate at Certej, a detailed examination of the RSG resource methodology has been conducted and an in-depth study of the geological interpretation and alteration envelopes developed during the estimation has been carried out. Howe’s study finds that the geological modelling is acceptable for this stage of the project, though clearly additional drilling is required to refine the detail of the model. Howe considers that the sampling methodologies utilised are of a high standard, the resource estimation procedures are to industry standards and that the resource established to date at Certej is acceptable.

Mineralised samples were submitted to Analabs Australia for ICP analysis which indicated that there are no significant deleterious elements present in the Certej deposit. Representative samples from various parts of the deposit were submitted to AMMTEC Ltd of Perth for initial

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metallurgical testwork. Some 50% of the gold proved recoverable using conventional leaching, and while 40% of the gold is locked up in arsenical sulphides, the test results indicated that partial oxidation of the latter would increase the overall gold extraction to some 82% and leaching of the flotation tailings would increase this to 87%. As bio-oxidation is a proven method for selective oxidation of arsenopyrite, this process route was recommended for further investigation. The samples were sent to Lakefield Research, Ontario, for further testwork. Gold flotation recovery proved to be strongly dependent on sulphur recovery and it was demonstrated that bacterial oxidation of the flotation concentrate could increase the overall gold recovery to 75%. Additional samples were submitted to Lakefield for further investigation.

Base-line cyanidation tests of the composite sample reported a gold recovery of 55% for the head sample and an overall gold recovery of 49% for the flotation concentrate sample. Bacterial oxidation tests followed by cyanidation increased the gold extraction from the head sample composite from 55% to 89%. Tests on the composite flotation concentrate reported overall gold recoveries of 59.3% and 66.7%, which would increase to 68.3% and 75.7% by including cyanidation of the flotation tailings. Bacterial/cyanidation tests on individual flotation concentrates from the various lithologies achieved overall gold recoveries ranging from 64.1% to 76.7%. Howe considers that these gold recoveries can be improved upon.

The limited metallurgical test data was used by GRD Minproc of Perth to prepare an early estimate of the capital and operating costs for the three main options of direct cyanidation, cyanidation of a flotation concentrate, and cyanidation following bacterial pre-treatment of a flotation concentrate. These costs and metal recoveries were used in a pit optimisation.

Capital and operating costs were estimated for the various options and a very simple cash flow model was constructed for the 8 Mtpa direct cyanidation route which Minproc considered to be the best option. This had a total capital cost of US\$158.6 million and a plant operating and G&A cost of US\$5.95/tonne which are considered accurate to +/-30%. Metal prices of US\$350/oz and US\$4.5/oz for gold and silver were used.

Using these costs and the limited data from the initial tests, the internal rate of return (IRR) was less than 1% and the operation could not therefore be considered viable. The model indicated that direct leach recoveries of at least 64.7% was required for the operation to become viable with an IRR of 11.7%. The model is most sensitive to revenue, (from gold recovery, head grade and gold price), then operating cost and least sensitive to capital costs. Over 50% of the operating cost was attributed to reagents and a cyanide consumption of 2 kg/t was used in the model.

Howe considers that the variation within the different ore-types has not been explored fully. Additional testwork is still required with the aim of increasing the direct cyanidation gold recovery to over 65%. Bacterial leaching still has to be tested fully. Aker Kavaener have been contracted by European Goldfields to carry out a scoping study including metallurgical testwork. The study will look at various production scale and processing options including the possibility of processing only higher grade material from the deposit. In addition the study will include an investigation of the Transgold bacterial leach process developed at the Baie Marie site in northwest Romania to extract gold from arsenic pyrite concentrates at reportedly low capital and operating costs.

The **Sacaramb** deposit, situated 3 kilometres southeast of the Certej deposit has been the focus of extensive historical mining which affords considerable underground access. The deposit has reportedly produced 85 tonnes of combined silver and gold. The epithermal gold and silver mineralisation is hosted within Neogene andesite flows and breccias. Gold occurs as disseminations within breccias and in mineralised linear alteration zones associated with fracturing and traditionally described as veins. Over 230 individual mineralised veins are known which have been traced along strike for up to 2,000 metres, and down dip for 1,000 metres. Bonanza high-grade zones at vein junctions formed pipe-like zones that have been mined to surface.

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European Goldfields has partially sampled seven levels. The results demonstrate that the vein systems are generally contained within a wider zone of alteration that may carry enhanced gold values ranging from 0.9 to 3.0 g/t over highly variable widths; occasional higher values may occur. Surface channel sampling has indicated outcropping mineralisation throughout the central southwestern area and the central eastern area of the workings.

Twelve surface holes were drilled in 2002 to test near surface mineralisation along a strike length of 600 metres on sections some 80 to 160 metres apart. The majority of holes intersected multiple narrow mineralised zones. The drilling indicates that a broadly continuous zone containing multiple narrow intersections can be traced at least 500 metres in a northerly direction, over a width of 200-300 metres, to a vertical depth of at least 200 metres. Numerous old stopes throughout the Sacaramb deposit are backfilled with mineralised material. A backfill-sampling programme was initiated late in 2001, which returned an average grade of 4.37 g/t Au and 13.03 g/t Ag. The potential for open-pit mining is currently being assessed.

A soil geochemical programme to the northeast of the known workings outlined a large surface anomaly and surface channel sampling to date has located a restricted zone of mineralisation with high-grade gold intercepts. The best intersection averages 34.2 g/t Au over 6 metres, though the true width of mineralisation is not established to date. It is possible that the zone represents a previously undiscovered bonanza zone similar to the high-grade pipes worked previously in the mine. Further work including a 4,200 metre drill programme is currently underway on the zone; initial drilling failed to locate continuation of the high grade zone to depth, though the bonanza pipes were very restricted in lateral extent and could easily be missed. Long intervals of greater than 0.5 g/t Au have been intersected in drilling in the northern part of the soil anomaly, confirming continuity with the known mineralisation.

The **Magura** area at the extreme western end of the Certej concession area comprises steeply dipping, north-south trending epithermal quartz veins, stockwork and breccias hosted by altered andesitic rocks. Six vein groups across a 400 metre wide zone have been traced along strike for up to 2,000 metres. Individual veins are narrow, generally with widths of between 0.75 and 1.0 metre. Free gold and sulphides that occupy the margins of, and fractures within, the veins. The sulphides present include pyrite, galena and sphalerite and Ag-As-Sb sulphosalts and tellurides also occur. Breccia and stockwork zones are associated with individual veins.

Following geological mapping in 2001 European Goldfields identified the Magura, Magura South and Bolcana South targets. These have now been combined into the Magura project. Work to date has concentrated on the Magura South prospect where soil geochemical and surface channels identified outcropping vein-type gold mineralisation, which has now been traced for over 1200 metres along strike and within a zone up to 400 metres wide at surface. Surface RC drilling in 2002 intersected the vein system along some 950m. Down-hole drill intercepts greater than 0.8 g/t Au, range from 0.84 to 3.47 g/t Au over widths ranging from 1 metre to 21 metres. However, in fill drilling suggests that the mineralisation may be restricted to narrow zones, widely separated by barren material. Additional drilling is planned to test the open pit potential of the deposit. Both underground and surface channel samples on the extensions of the mineralised structures were disappointing, with only rare high gold and base metal values.

Trenching and shallow drilling at Bolcana South returned no significant values.

An aeromagnetic survey was flown in 2000 over the Bolcana and Certej Exploitation Licences, and the Baita-Craciunesti Exploration Licence. A total of 48 exploration target areas were identified, of which 17 were of the highest priority rank. A geochemical orientation survey was completed over the Certej area during June 2001 and the majority of the concession has now been soil surveyed on a 200 x 200 metre grid, with infill over anomalous areas. The programme has successfully identified areas that require follow up work.

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Composite samples from Sacaramb, Magura South and Magura have been tested for deleterious elements and their leach characteristics determined by bottle roll testing. The results demonstrate that the geochemical characteristics of all prospects are similar to those of the Certej deposit, indicating that a processing flowsheet designed for Certej will be applicable to all other deposits on the concession.

European Goldfields plan to expend US\$3,507,668 in 2004 on the Certej Concession. Administration costs to cover the running of the offices in the country amount to US\$697,344 for the year; this also includes the costs for the other Deva Gold projects. Howe has examined the exploration programmes and budgets and considers that they are reasonable and accurately costed, though would prefer the metallurgical testwork to be brought forward.

The Baita-Craciunesti Exploration Licence

This was granted on 9th December 1999 for a period of 5 years with a right to extend for a further 3 years. It originally covered an area 16.194 km², and some 50% of the property was relinquished by the end of 2002, so the licence currently covers 8.02 km².

The western part property is underlain by Jurassic limestones and pillow basalts, overlain by a zone of rhyodacite intrusions and flows in the northwest of the property. The eastern part of the licence is underlain by Neogene extrusive and intrusive andesites and Miocene sediments occur in a broad zone from the northeast to the south of the concession. Mineral deposits include the Troita zone, a north-trending vein system, and the Teascu zone. The mineralisation found within the area includes both epithermal and mesothermal precious and base metal occurrences. Numerous gold bearing veins swarms and disseminated mineralised zones are developed:

- The **Craciunesti** prospect consists of a series northwest-trending quartz veins hosted within an altered Tertiary sub-volcanic rhyodacite intrusion and associated extrusive rocks. Tectonic breccias have been mapped underground over widths exceeding 50m and for a minimum strike length of 600m, which may carry grades between 0.2 and 7.5g/t Au and approximately 12g/t Ag.
- The **Troita** project comprises a vein swarm includes, from north to south, the Creanga, Anton, Troita and Pitigus zones. High-grade gold and silver mineralised veins and breccias are present, as are disseminated mineralised zones with pervasive silicification.
- The **Teascu** zone, lies to the south along strike from the Troita project and includes veins, stockworks and breccias with high gold grades as well as disseminated gold-silver mineralisation.

A surface geochemical sampling programme has evaluated the gold potential of targets defined by a regional aeromagnetic survey. Anomalous results to the south of Teascu and at Craciunesti have been investigated by surface and underground sampling and diamond drilling. Additional sampling to the north of Bolcana has extended the known anomalous zone to the north and west, though sampling to the east of Bolcana has produced no anomalous results.

Underground channel sampling at the Troita prospect by European Goldfields indicated widely separated narrow zones that ranged between 0.8 and 2.03 g/t Au, associated with elevated basemetal values. The higher grade intercepts between the main veins are generally narrow and no major, continuous zones have been indicated. Surface channel sampling has been completed along the strike of the Pitigus vein, with several anomalies indicated.

Surface drilling at Teascu Prospect has extended the known mineralisation down dip and the zone remains open. Significant values typically range between 0.8 to 3.2 g/t Au and silver values fall between 1 to 4 g/t Ag. The mineralisation is some 25 metres wide, with additional zones of variable width in the foot wall and hanging wall and appears to have potential for the development

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of a satellite open pit. Mineralisation occurs on a parallel ridge to the east, stratigraphically above the main zone, which could increase the open pit potential of the deposit. A reconnaissance induced polarisation geophysical survey has confirmed that the known mineralisation continues to depth and a major anomaly has been identified to the east of the Teascu deposit that extends for over 500 metres and coincides with trenches that are anomalous in gold.

At Craciunesti, significant narrow, widely spaced, high grade intervals are recorded, ranging in width from 1 to 6 metres and averaging between 0.8 g/t and 22.04 g/t Au. Surface channel sampling has shown the mineralisation to be hosted in narrow sub-vertical, silicified veins. Gold values range from 1 to 3 g/t over 1 metre, with occasional higher values, while silver averages 2-4 g/t. Drilling has outlined several high grade zones and further drilling is to be conducted to establish the continuity and geometry of the mineralisation.

European Goldfields plan to expend US\$1,168,496 on the tenement during 2004. Howe considers that the proposed work programme, which includes drilling on Craciunesti, further drilling on the Teascu project, resource estimations on both targets and limited metallurgical testwork is justifiable and the costs realistic.

The Bolcana Exploitation Licence

(...)

The Zlatna Exploitation Licence

(...)

The Voia Exploration Licence

European Goldfields holds a 100% interest in the 49.21 square kilometre (4,921 hectare). The license was issued on 29th March, 2002 for a period of 5 years, with the option to extend, on application, for a further 3 years. The licence area is accessible by a sealed road by dirt roads and foot tracks. The licence lies contiguous to the north of the Certej licence and has similar geology. Mineralisation consists of porphyry style-copper and associated vein-type and disseminated epithermal gold-silver, gold-copper and base metal mineralisation, contained within extensive zones of alteration:

- The **Voia** porphyry copper deposit is hosted in a Neogene andesitic plug.
- The **Paraul lui Avram** prospect is situated some two kilometres to the southeast of the Voia deposit and reportedly comprises a number of veins, breccias and zones of disseminated mineralisation.
- The **Stogul** epithermal vein swarm lies to the northeast of the Bolcana deposit within an extensive zone of argillic alteration.
- **Stogul West** occurs immediately north of Bolcana and also includes quartz-calcite-clay-sulphide veining.
- The **Draica** prospect lies some 3 kilometres along strike to the northwest of the Stogu prospect and reportedly comprises similar epithermal-style veining, contained within the same extensive zone of argillic alteration.

European Goldfields has completed regional mapping. Assaying of grab samples has returned a few anomalous gold values from a variety of rock types. Geochemical soil sampling has been completed.

The Company plans to expend US\$301,058 on the concession in 2004. Administration costs amount to an additional US\$109,776. The programme includes the drilling of the Voia porphyry and the Paraul lui Avram target. Howe has examined the proposed programme and considers that it is justifiable and the budget is reasonable and in line with local costs.

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Howe’s Conclusions

- The exploration to date has been to a high standard and has located numerous targets with potential for gold mineralisation.
- The sampling methodologies utilised are rigorous and of a high standard.
- The assaying is tightly controlled with numerous internal and external checks.
- The resource estimate at the Certej deposit has been conducted to industry standards and is acceptable, though infill drilling is required to refine the model and permit pre-feasibility studies to be conducted.
- Preliminary metallurgical testwork results have been used by GRD Minproc of Perth to prepare an early estimate of the capital and operating costs for the three main options of direct cyanidation, cyanidation of a flotation concentrate, and cyanidation following bacterial pre-treatment of a flotation concentrate. A very simple cash flow model was constructed for the 8 mtpa direct cyanidation route which Minproc considered to be the best option. This had a total capital cost of US\$158.6 million and a plant operating and G&A cost of US\$5.95/tonne which are considered accurate to +/-30%. Metal prices of US\$350/oz and US\$4.5/oz for gold and silver were used.
- The internal rate of return (IRR) was less than 1% and the operation could not therefore be considered viable. The model indicated that direct leach recoveries of at least 64.7% were required for the operation to become viable with an IRR of 11.7%. The model is most sensitive to revenue, gold recovery, head grade and gold price, then operating cost and least sensitive to capital costs. Over 50% of the operating cost was attributed to reagents.
- Howe considers that the variation within the different ore-types has not been explored fully and additional testwork is still required with the aim of increasing the direct cyanidation gold recovery to over 65%. Bacterial leaching still has to be tested fully. Accordingly EGU has budgeted US\$400,000 to fully explore these avenues in 2004.
- There is potential for the location for additional open pit resources on all licences and the proposed exploration programmes are sound and justifiable.
- The high-grade gold intersections in trenching at Sacaramb suggest that there is also potential for bonanza-type pipes which could boost millhead grades.
- The total budget for the proposed exploration programmes in 2004 amounts to US\$6,101,951 which is reasonable and justifiable. Administration costs for the Deva Gold projects total \$697,344 and for the wholly-owned European Goldfields Romania’s Voia project are US\$109,776. The costings used are based on European Goldfields’ past experience in the area and Howe considers them to be reasonable and accurate.

**Appendix 4 – Executive Summary of Report Entitled “Certej Project Resource Estimation”
Dated January 2002**

APPENDIX 4

**EXECUTIVE SUMMARY OF REPORT ENTITLED “CERTEJ PROJECT RESOURCE
ESTIMATION” DATED JANUARY 2002**

INTRODUCTION

Resource Service Group Pty Ltd (“RSG”) has been commissioned by S.C. Deva Gold S.A. (“Deva Gold”) to prepare an independent estimate of the resources at Deva Gold’s Certej Project in Romania. Certej is situated approximately 15 kilometres northeast of the regional centre of Deva in the “Golden Quadrilateral” of Romania.

PROJECT HISTORY

The Certej gold-silver deposit is believed to have been exploited for several hundred years with three distinct periods of mining activity occurred at Certej, comprising:

- i) Austro – Hungarian Empire era (end of 17th Century to 1918).
- ii) Inter-war (1918 to 1939).
- iii) Modern era (1959 to present).

Limited historic underground development appears to have occurred during the period of the Austro-Hungarian Empire when a major mining operation was developed at the neighbouring Sacarimb deposit. Minor underground development was also put in place between the two world wars. The bulk of mining and development has occurred in recent years by Romanian State exploration and mining companies.

Since the 1970s, exploration at Certej has continued under the control of the Romanian State companies S.C. Minexfor S.A (Minexfor) and Regia Autonoma a Cuprului Deva or Minvest (Regia Deva), and has consisted of the following key methods:-

- i) Underground development (adits, drives and cross-cuts).
- ii) Underground diamond and short hole rotary drilling.
- iii) Channel sampling of existing and new underground development.
- iv) Surface rock chip sampling
- v) Limited surface diamond drilling.

In August 1998 Deva Gold initiated underground and surface channel sampling, which continued through 1999 and 2000. In January 2001 a surface drilling programme was started and which continued without a break until October 2001. A total of 10,046 surface channel samples, 8981 underground channel samples, 26,506 reverse circulation drill samples and 6984 diamond drill core samples have been collected at the time of the database ‘close off’ in October 2001. Other activities undertaken during the period 1998 to 2001 include surface and underground geological mapping, ‘helimag’ aeromagnetic surveying, aerial photography, surveying of open pit, waste dumps and underground development and soil sampling.

DATA COLLECTION

Data collection has comprised surface reverse circulation (“RC”) and diamond core (“DDH”) drilling, underground and surface channel sampling. All assaying has been undertaken and

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checked by internationally accredited analytical companies. Analabs in Romania has been the main laboratory, with checks carried out by Analabs in Perth and Bondar Clegg (ITS) in Canada.

Internationally accredited gold-silver standards have been routinely submitted with all samples with routine field duplicates collected for analysis. Verification sampling, in the form of channel sample twins, have been completed to confirm the exploration data. The verification sampling results were consistent with the preliminary data confirming both the original intercept magnitude and grade.

All drillhole collar locations have been surveyed with substantial downhole surveying of the drilling ensuring the 3D location of the data. Underground channel sampling is based on the historical working plans, which have been validated by independent surveyors, Spectrum Survey.

The topography is based on a combination of historical topographic data, check spot height data and detailed resurvey of the mine region by licensed surveyors Spectrum Survey. A model of underground workings has been constructed from a combination of historic mine plans, and survey data collected by Spectrum Survey.

The resource estimate is based on approximately 33,490 samples collected from 163 surface drillholes and 123 underground drives and 170 surface channel sampling runs. A total 1,047 bulk density measurements have been carried out on diamond drill core.

DATABASE DEVELOPMENT

Databases have been developed on site using Micromine software. Detailed review and validation was conducted by RSG prior to construction of a master database suitable for the purposes of resource evaluation.

The following activities were undertaken during database validation:-

- i) Checking of underground and surface channel sampling traces against the locations of the surveyed underground workings.
- ii) Ensure compatibility of total hole depth data in the collar, survey, assay and geology database files.
- iii) Checking of drillhole survey data unusual or suspect downhole deviations.
- iv) Ensure sequential downhole depth and interval data in the survey, assay and geology files.
- v) Checking of high-grade assays in the primary gold and silver assay fields against the laboratory assay reports.
- vi) Replacement of less than detection limit assays with 0.006g/t Au and 0.01g/t Ag, character entries, and blanks for unsampled intervals with nominal low-grade values.
- vii) Checking of lithology and alteration codes.
- viii) Removal of non-essential information from validated database files.

The validated database was loaded into Vulcan mine planning software to enable geological modelling and grade estimation studies to be completed.

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GEOLOGY AND ORE ZONE MODELLING

The Certej deposit is situated in the northwest-southeast trending Brad-Sacaramb Neogene basin, and comprises gold, silver, and base metal mineralisation hosted in Cretaceous and Neogene sediments and intrusive Neogene andesite units. The contact between the Cretaceous and Neogene sediments forms a locus along which two andesite sills (Hondol and Sacaramb andesites) are intruded, and along which an east-west elongate “tube” of mostly disseminated gold and silver mineralisation occurs. The rock sequence and mineralised package are warped upwards over an andesite stock (Baiaga andesite), which is interpreted as the source of hydrothermal fluids responsible for the mineralisation. Vein hosted lead and zinc mineralisation is best developed along the margins of the Baiaga andesite, and appears to postdate the gold and silver mineralisation.

The Certej deposit is interpreted to represent a mid to shallow-level, low to medium sulphidation epithermal system which may be associated with a porphyry-style hydrothermal system at depth. Intense argillic and silicic/potassic alteration are prevalent throughout the deposit, while propylitic alteration is regionally developed within the andesites.

3-D wireframe models of the key lithological units identified from the drilling, channel sampling and mapping at Certej have been produced and used to develop rock type domains in the resource block models. In particular, wireframe models were created based on the interpreted contacts between the Sacaramb andesite, the Hondol andesite, the Neogene sediments, the Cretaceous sediments and the Baiaga andesite.

A detailed review of the grade data in relation to rock type alteration, structural data indicated that extents of the gold, silver, and base metal mineralisation do not coincide with the modelled lithological contacts, the limits of argillic or silicic/potassic alteration, or interpreted structural discontinuities. Rather, the spatial variability of grades appears to be gradational across these boundaries.

In order to isolate the significant mineralisation from the surrounding waste, mineralised domain boundaries were defined using a notional 50% minimum probability shell based on an Indicator Kriging (IK) estimate for on a 0.5g/t Au threshold, as a guide. The majority of mineralisation was captured within a main envelope defined as a downwards-bowed tube draped over (and into) the Baiaga andesite. The resultant wireframe model was divided into east and west estimation domains with a share boundary defined at approximately the apex of the bow. Two small central domain envelopes were also defined capturing the deeper mineralisation intersected by drilling along the steep western contact of the Baiaga andesite with the Cretaceous sediments.

STATISTICAL ANALYSIS

Detailed statistical analyses were completed of the available QAQC data, and 5 metre composites of the gold, silver, copper, lead and zinc data captured within the modelled estimation domain envelopes. The statistical characteristics of the gold data were compared for the channel sampling versus drilling to investigate the potential for bias between the two sampling methods. In addition, appropriate upper cuts were determined and applied in preparation for variography and grade estimations.

Assessment of the QAQC assay data included investigation of repeat analysis, field duplicates, intra laboratory duplicates, standards and blanks. The statistical analysis revealed levels of precision consistent with deposits of this style, with no evidence of significant bias.

Comparison of 5m composites of the gold data for the drilling (combined RC and diamond) versus the channel sampling indicated that while the variability of the raw composite data for the two the sampling methods is different, similar overall mean grades are reported when the two data types are declustered into 40 mE x 40mN x 10mRL cells.

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While the highest gold grades within the combined estimation domains occur in the Hondol andesite, the highest overall mean grade of 1.63g/t Au is reported for Sacaramb andesite. This followed by similar mean grades approximating 1.15g/t Au for the Cretaceous sediments, Hondol andesite, and Neogene sediments, and 0.75g/t Au for the Baiaga andesite. The highest overall mean silver and base metal grades are reported for the Baiaga andesite and Cretaceous sediments, with the relative abundance of the base metals being highest for zinc, and lowest for copper. High coefficients of variation, typical for the style(s) of mineralisation at Certej are reported for all the metals, indicating that the mean grades are strongly influenced by relatively small percentages of very high grade data.

Similar overall mean grades and probability distributions for gold and silver are evident for the east and west estimation domains. On this basis, the composites data for two domains were combined for the determination of upper cuts. Appropriate cuts were selected and applied based on a statistical evaluation of the affects of the highest grade data (tail) on the mean and variance of the grade distribution for each of the metals.

The affects of spatially clustered exploration data on the mean grade of the metals was investigated by declustering the composites data into a 50mE x 50mN x 20mRL cell matrix. The declustered mean gold and silver grades are significantly less than the raw mean grades.

Correlation analysis between the composite gold, silver and the base metal data within the combined east and west estimation domains indicates that there is no linear correlation between gold and other metals. However, the lead and zinc grades are moderate to strongly correlated in the Baiaga andesite, and weak to moderately correlated in the other rock types. Copper is also weakly correlated with silver, lead and zinc in the Baiaga andesite.

Detailed statistical analysis has also been undertaken on the 1047 density measurements which have been made on diamond drill core samples. The distribution of all bulk density data displays little skew and has a very low coefficient of variation, indicating that the great majority of density measurements cluster strongly around the mean. When subdivided by lithology, the density data display very similar distributions and all units are characterised by very low coefficients of variation. The adopted densities range from 2.33 t/m³ for Neogene sediments to 2.50 t/m³ for the Hondol andesite. Comparison of the adopted densities versus other possible groupings (alteration etc) indicate that very low degrees of variation are produced, with +/1 2% being the dominant maximum variation. The adopted values, and their low levels of associated variance, reflect a robust estimate of the bulk density of the rocks hosting the Certej gold-silver deposit.

VARIOGRAPHY

Variography for gold, silver, copper, lead has been generated to control grade estimation.

The modelled gold and silver variography is characterised by low to moderate relative nugget effects (nugget variance divided by total sill variance). The variography generated has been modelled with two and three spherical structures. The close range structure typically dominates the non-nugget variability and is modelled at a range at, or less than, the average data spacing. The variography is consistent with field observations, where significant short-scale variability exists, but where broad zones of mineralisation are, nonetheless, readily discernable. Detailed assessment of the anisotropy of the mineralisation was limited as a result of the data spacing and configuration.

The base metal variography shows better structure and generally lower nugget effects, and do not follow the same directions as the gold and silver. This conforms with the view that the mineralisation events that emplaced the gold and silver were independent to the base metal event.

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For the Certej study, all variography is based on the generated 5m run length composites flagged by estimation domain and for each of the main metals. The variography was calculated and modelled using Meds/Minesite software. The rotations were reported as input into Vulcan for grade estimation, with X (rotation around Z axis), Y (rotation around X') and Z (rotation around Y'') also being referred to as the major, semi-major and minor axis. The variography for the eastern and western domain was of sufficient quality to allow models to be fitted and subsequently used with ordinary kriging techniques. The data for the steep central domains was too limited to achieve any structure in the variography, and an inverse distance algorithm was used for estimation.

In general, the quality of the variography in the western domain was poor in comparison to the eastern domain, especially for gold. The main reason for this was the high proportion of channel samples included in this data set. The downhole variography for this domain showed a far lower nugget effect for the diamond and RC drilling, but this value could not be used as the large majority of the data is from channel sampling. Under the circumstances, it was decided that it was better to have the additional data available for estimation, rather than an improved variogram.

The variogram models were used for grade estimation, and for gold, in the Uniform Conditioning step (for selective mining unit emulation).

BLOCK MODEL DEVELOPMENT

A three dimensional regular block model of the resource region was constructed with sufficient extents to permit pit optimisation and mine planning evaluations. A smaller block model was also produced of the region of steeply dipping mineralisation along the western margin of the Baiaga Andesite (central domains), representing a possible underground mining target.

The main block model was developed using regular block dimensions of 50m east by 50m north by 20mRL, optimised based on the spatial configuration of the sampling data and style of mineralisation. The second block model used 10m cubic parent block dimensions and minimum 5m cubic sub-block dimensions.

The wireframe models of rock type and estimation domain boundaries, waste dumps, and surface topography were used to define the geological framework incorporated into the block models. The volume of underground mine development within each block was calculated, and all variables required undertaking resource grade estimation, bulk density assignments and resource categorisation were defined. This was followed by detailed visual and statistical validation of the block models.

GRADE ESTIMATION

Resource grade estimation within the modelled east and west estimation domains was completed using Ordinary Kriging and Uniform Conditioning techniques. RSG considered these methods to be appropriate for the skewed precious metal and base metal distributions at Certej. Both methods were applied based on the detailed variographic analysis.

The grade estimates are based on the cut 5 metre composite grade data, and the sample search strategy was optimised by completing numerous test kriging runs, and assessing the quality of the resultant estimates by 3-D visual assessment and detailed statistical validation. The preferred estimates are moderately to strongly smoothed, indicating that infill drilling is required to improve the quality of the estimates.

The selective mining unit estimate, based on a nominal SMU size of 10mE x 10mN x 10mRL was completed for gold only, by Uniform Conditioning. Detailed visual and statistical validation of resultant estimate was undertaken. Due to the smoothed nature of the conditioning kriged

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estimate, the resultant SMU gold estimate is likely to be more diluted than would be, if an increased data density (infill drilling) were available.

The lack of correlation between gold and the other metals precluded development of a selective mining unit resource estimate linking the mining selectivity of gold with the selectivity of the other metals.

As insufficient data are available for variographic analysis of the central domains, resource grade estimation for the central domains was completed using the inverse distance squared algorithm. The global mean grades of the resultant estimates are in close agreement with the mean grades based on the source composites data.

RESOURCE REPORTING

Categorisation of the gold and silver grade estimates was undertaken on the basis of the criteria laid out in the Canadian National Instrument 43-101 (“CN143”). Indicated and Inferred Resources are defined using definitive criteria determined during the validation of the grade estimates, with detailed consideration of the CN143 categorisation guidelines.

The following resource estimates have been categorised:

- i) Panel (50mE x 50mN x 20mRL) ordinary kriged gold, silver, copper, lead and zinc estimates for the east and west estimation domains.
- ii) Selective mining unit (10mE x 10mN x 10mRL) estimate for the east and west estimation domains, with gold estimated by uniform conditioning, and silver, copper, lead and zinc estimated by ordinary kriging.
- iii) Global inverse distance squared gold, silver, copper, lead, and zinc estimated for the central (deep) estimation domains.

The panel and selective mining unit estimates are categorised based on intervals of the estimation variation relating to the ordinary kriged panel gold estimate. Initial flagging of the block model was completed using the following criteria:

i) ***Indicated Resource:-***

East Domain: Estimation variance for ordinary kriged gold estimate less than equal to 0.62.

West Domain: Estimation variance for ordinary kriged gold estimate less than equal to 0.22.

ii) ***Inferred Resource:-***

East Domain: Estimation variance for ordinary kriged gold estimate greater than 0.62.

West Domain: Estimation variance for ordinary kriged gold estimate greater than 0.22.

A more regular 3-D wireframe solid model representing the boundary between the Indicated and Inferred Resources was subsequently defined using the initial resource category flagging as a guide, but re-categorising blocks initially flagged as ‘Indicated’, to ‘Inferred’, where significant geological uncertainties are apparent.

The global resource estimate for the combined central estimation domains has been categorised as an Inferred Resource.

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Categorised resources for the combined east and west estimation domains are reported below for two scenarios. The first scenario is based on the panel (50mE x 50mN x 20mRL) ordinary kriged grade estimates, and the second scenario is based on the selective mining unit (10mE x 10mN x 10mRL) estimates for gold by uniform conditioning. The tabulated data exclude the volume of the modelled underground voids.

The table below reports the global Inferred Resource estimated for the combined central domains with the tonnage and grades reflecting the total material within the domain envelopes (no lower cut-off grade criteria applied), excluding the volume of the modelled underground voids.

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SUMMARY OF RESOURCES: COMBINED EAST AND WEST ESTIMATION DOMAINS												
50mE x 50mN x 20mRL PANEL ESTIMATE, and 10mE x 10mN x 10mRL SELECTIVE MINING UNIT (SMU) ESTIMATE												
PANEL GOLD, SILVER, COPPER, LEAD, AND ZINC ESTIMATES BY ORDINARY KRIGING, AND SMU GOLD ESTIMATE BY UNIFORM CONDITIONING												
Estimates Exclude Volume of Underground Mine Development and are Based on 1998-2001 Sampling and Drilling Programmes												
Cutoff Au (g/t)	Resource Category	Tonnes (Mt)	Gold		Silver		Copper		Lead		Zinc	
			Grade (g/t)	Metal (Moz)	Grade (g/t)	Metal (Moz)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)
<i>Panel Estimate (50mE x 50mN x 20mRL)</i>												
0.6	Indicated	74.52	1.3	3.08	9	22.6	0.009	6.62	0.08	62.5	0.28	207.3
	Inferred	26.07	1.0	0.86	8	6.6	0.006	1.60	0.05	12.9	0.15	40.4
0.8	Indicated	56.87	1.5	2.68	10	17.5	0.009	5.10	0.09	49.4	0.28	158.4
	Inferred	17.02	1.2	0.66	8	4.4	0.006	1.10	0.05	8.8	0.16	27.9
1.0	Indicated	41.78	1.7	2.24	10	12.8	0.009	3.79	0.09	38.0	0.29	119.5
	Inferred	11.20	1.4	0.49	8	2.8	0.006	0.72	0.05	5.7	0.16	17.6
1.2	Indicated	30.42	1.9	1.85	10	9.4	0.009	2.78	0.09	28.8	0.29	89.5
	Inferred	6.49	1.6	0.33	7	1.5	0.006	0.42	0.06	3.6	0.16	10.4
<i>Selective Mining Unit Estimate (10mE x 10mN x 10mRL)</i>												
0.6	Indicated	56.22	1.6	2.90	9	17.0	0.009	4.99	0.08	47.2	0.28	156.4
	Inferred	19.73	1.3	0.81	8	5.0	0.006	1.21	0.05	9.8	0.15	30.6
0.8	Indicated	44.14	1.9	2.63	10	13.5	0.009	3.96	0.09	38.3	0.28	122.9
	Inferred	14.09	1.5	0.68	8	3.7	0.006	0.91	0.05	7.3	0.16	23.1
1.0	Indicated	34.67	2.1	2.36	10	10.6	0.009	3.15	0.09	31.5	0.29	99.2
	Inferred	10.03	1.7	0.56	8	2.5	0.006	0.65	0.05	5.1	0.16	15.8
1.2	Indicated	27.46	2.4	2.11	10	8.5	0.009	2.51	0.09	26.0	0.29	80.8
	Inferred	7.23	2.0	0.46	7	1.7	0.006	0.47	0.06	4.0	0.16	11.6

RESOURCE SUMMARY: COMBINED CENTRAL ESTIMATION DOMAINS											
GLOBAL GOLD, SILVER, COPPER, LEAD AND ZINC GRADES ESTIMATED USING INVERSE DISTANCE SQUARED ALGORITHM											
Estimate Excludes Volume of Underground Mine Development and is Based on 2001 Drilling Programme											
Resource Category	Tonnes (Mt)	Gold		Silver		Copper		Lead		Zinc	
		Grade (g/t)	Metal (Moz)	Grade (g/t)	Metal (Moz)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)
Inferred	2.91	1.6	0.15	11	1.0	0.015	0.42	0.16	4.7	0.49	14.2

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Comparison has been made with the previous resource estimate undertaken in November 2000, and which used multiple indicator kriging. The mineralised zone, which is common to both estimates, has been used as the basis for the comparison. The table below summarizes the results for 0.8g/t and 1.0g/t gold cutoff grades.

COMPARISON BETWEEN NOVEMBER 2000 MIK AND FEBRUARY 2002 UC ESTIMATES				
Region	November 2000		February 2002	
	(mt)	Au (g/t)	(mt)	Au (g/t)
<i>0.8g/t Cutoff</i>				
West Domain	15.5	1.5	14.4	1.5
East Domain	26.5	2.0	22.4	2.1
Total	42.0	1.8	36.8	1.8
<i>1.0g/t Cutoff</i>				
West Domain	12.2	1.6	10.3	1.7
East Domain	23.2	2.2	18.5	2.3
Total	35.4	2.0	28.8	2.1

**Appendix 5 – Executive Summary of Report Entitled “Certej Project Resource Estimation”
Dated 22 March 2005**

APPENDIX 5

**EXECUTIVE SUMMARY OF REPORT ENTITLED “CERTEJ PROJECT RESOURCE
ESTIMATION” DATED 22 MARCH 2005**

RSG Global has been commissioned by European Goldfields Limited (EG) to undertake an independent resource estimate on the Certej gold-silver project, which lies within the Golden Quadrilateral. S.C. Deva Gold S.A. (Deva) is a fully owned subsidiary of EG.

The resource estimates have been determined on the basis of data available up to 31 December 2004, and depleted to mining surfaces as at 31 January 2005. The resource estimates have been generated and reported in accordance with Canadian National Instrument 43-101 (CNI 43-101), Standards of Disclosure for Mineral Projects of February 2001 and the classifications adopted by Canadian Institute of Mining (CIM) Council in August 2000.

Romania includes four major Mesozoic and older terrains, namely the Southern Carpathians, the Eastern Carpathians, the Apuseni Mountains and Dobrogea. Late Tertiary sediments deposited in the intervening Pannonian and Transylvanian Basins, and on the Scythian and Moesian Platforms. Three principal areas of Tertiary volcanic rocks, of predominantly calc alkaline affinity, intrude and overlie these sequences in the Baia Mare area, in the north of Romania, the Muntii Calimani-Harghita area in the east, and the Apuseni Mountains in central-west Romania.

The Golden Quadrilateral lies within the Apuseni Mountains, which consist of Mesozoic, shallow marine and non-marine sedimentary rocks overlying Palaeozoic and Precambrian sedimentary and metamorphic basement. North-directed thrust faulting during the late Cretaceous resulted in a series of nappes that are uncomformably overlain, and intruded, by Tertiary volcanics associated with high-level gold-silver mineralisation and porphyry copper deposits of the Golden Quadrilateral.

Mineralisation within the Golden Quadrilateral district includes mesothermal porphyry-related gold-silver, copper/gold and copper deposits associated with Badenian-Pliocene (Neogene) andesitic to dacitic volcanic rocks, and associated sub-volcanic intrusive rocks.

The major regional structural control to mineralisation within the volcanic belts is interpreted to be west-northwest trending faults that overprint earlier thrust faults. The mineralisation at Certej and the underlying Baiaga Andesite is interpreted to be localised by an east-west dilational jog.

Exploration within the Certej region has involved the collection of approximately 294 surface and underground channels for 19027m, the drilling of 137 RC drillholes for 22465m, 54 diamond drillholes for 10637m and 51 diamond drillholes with RC precollars for 16913m. A total of 2597 dry bulk density measurements were available.

Geological and mineralisation modelling is derived from interpretations supplied by site based technical staff, which were subsequently modified by RSG Global to more accurately reflect the geology and mineralisation continuity. Interpreted oxidation, mineralisation and lithological constraints were constructed and used to code all drilling and sampling databases.

A detailed statistical assessment of the sampling and analytical quality control data associated with the drilling and channel sampling was completed. The results of the assessment indicate that appropriate sample recoveries and levels of analytical precision and accuracy have been achieved, with the exploration data considered appropriate for use in resource estimation.

The resource model is based on detailed statistical and geostatistical investigations, generated using 3m composite data, subdivided by the geological interpretation. A sub-celled block model was constructed using a 25m x 25m x 10m parent cell dimension. Sub-celling was applied to ensure accurate volume representation of the interpreted geological models.

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The principal methodologies used to estimate resources comprised Ordinary Kriging (OK) and Uniform Conditioning (UC). UC was used to produce Selective Mining Unit (SMU) resource estimates based on a 6.25m x 12.5m x 2.5m selective mining unit. The resources were determined to be globally robust on the basis of a detailed visual and statistical review completed as part of the validation process. Inverse Distance squared (ID) was used to estimate grade in the Central Domains as the data for the steep central zones was too limited to achieve any structure in the variography.

The definitive criteria used to categorise the resources involves a combination of the distance to input data and the number of drillholes from which the input data were collected to complete an estimate. Based on the OK, UC and ID resource estimates, a combination of Measured, Indicated and Inferred Resources has been defined in accordance with the criteria set out in the CNI 43-101. The Mineral Resource estimates determined for the Certej Project as at 31 December 2004 are summarised in the tables below.

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Summary Resources: Combined East and West Estimation Domain 25mE x 25mN x 10mRL Panel Estimate, and 6.25mE 12.5mN x 2.5mRL Selective Mining Unit (SMU) Estimate Panel Silver, Copper, Lead and Zinc Estimates by Ordinary Kriging, and SMU Gold Estimated by Uniform Conditioning Estimates Exclude Volume of Underground Mine Development and are Based on 1998 -2004 Sampling and Drilling Programs.												
Selective Mining Unit Estimate (6.25mN x 12.5mE x 2.5mRL)												
Cutoff Au (g/t)	Resource Category	Tonnes (Mt)	Gold		Silver		Copper		Lead		Zinc	
			Grade (g/t)	Metal (Moz)	Grade (g/t)	Metal (Moz)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)
0.6	Measured	3.85	2.3	0.28	5	0.6	0.006	0.2	0.11	4.1	0.28	10.9
0.8		3.50	2.4	0.27	5	0.6	0.006	0.2	0.11	3.8	0.29	10.1
1.0		3.14	2.6	0.26	5	0.5	0.006	0.2	0.11	3.5	0.29	9.2
1.2		2.77	2.8	0.25	5	0.5	0.006	0.2	0.11	3.1	0.30	8.3
1.4		2.43	3.0	0.23	5	0.4	0.006	0.1	0.11	2.8	0.30	7.4
1.6		2.11	3.2	0.22	5	0.4	0.006	0.1	0.12	2.4	0.31	6.5
1.8		1.82	3.5	0.20	5	0.3	0.006	0.1	0.12	2.1	0.31	5.6
2.0		1.56	3.7	0.19	5	0.3	0.006	0.1	0.12	1.8	0.31	4.9
0.6	Indicated	44.45	1.6	2.31	11	16.3	0.010	4.4	0.09	40.4	0.31	138.6
0.8		35.51	1.9	2.11	11	13.1	0.010	3.6	0.09	33.0	0.32	114.4
1.0		28.21	2.1	1.90	12	10.4	0.010	2.9	0.09	26.8	0.33	93.9
1.2		22.52	2.4	1.70	12	8.4	0.010	2.3	0.10	21.8	0.34	77.1
1.4		18.11	2.6	1.52	12	6.8	0.011	1.9	0.10	17.8	0.35	63.6
1.6		14.67	2.9	1.35	12	5.5	0.011	1.6	0.10	14.7	0.36	52.7
1.8		11.97	3.1	1.20	12	4.5	0.011	1.3	0.10	12.1	0.37	43.7
2.0		9.85	3.4	1.07	12	3.8	0.011	1.1	0.10	10.1	0.37	36.6
0.6	Measured + Indicated	48.30	1.7	2.59	11	17.0	0.010	4.6	0.09	44.5	0.31	149.5
0.8		39.01	1.9	2.39	11	13.7	0.010	3.8	0.09	36.8	0.32	124.5
1.0		31.35	2.1	2.17	11	11.0	0.010	3.1	0.10	30.3	0.33	103.1
1.2		25.29	2.4	1.95	11	8.8	0.010	2.5	0.10	24.9	0.34	85.4
1.4		20.53	2.7	1.75	11	7.2	0.010	2.0	0.10	20.6	0.35	71.0
1.6		16.78	2.9	1.57	11	5.9	0.010	1.7	0.10	17.1	0.35	59.1
1.8		13.78	3.2	1.41	11	4.9	0.010	1.4	0.10	14.2	0.36	49.4
2.0		11.41	3.4	1.26	11	4.0	0.010	1.2	0.10	11.9	0.36	41.4
0.6	Inferred	9.8	1.4	0.44	6	2.0	0.006	0.6	0.04	3.7	0.12	11.8
0.8		7.1	1.6	0.38	6	1.5	0.006	0.4	0.04	2.9	0.13	8.9
1.0		5.2	1.9	0.32	7	1.1	0.006	0.3	0.04	2.2	0.13	6.7
1.2		3.8	2.2	0.27	7	0.8	0.007	0.2	0.04	1.7	0.13	5.1
1.4		2.8	2.5	0.23	7	0.6	0.007	0.2	0.05	1.3	0.14	3.9
1.6		2.2	2.9	0.20	7	0.5	0.007	0.1	0.05	1.0	0.14	3.0
1.8		1.7	3.2	0.17	7	0.4	0.007	0.1	0.05	0.8	0.14	2.3
2.0		1.3	3.5	0.15	7	0.3	0.007	0.1	0.05	0.7	0.14	1.9

Appendix 5 – Executive Summary of Report Entitled “Certej Project Resource Estimation” Dated 22 March 2005

Resource Summary: Combined Central Estimation Domains Global Gold Estimated using Inverse Distance Squared Algorithm Estimate Excluded Volume of Underground Mine Development and is Based on 2001-2004 Drilling Programs											
Resource Category	Tonnes	Gold		Silver		Copper		Lead		Zinc	
	(Mt)	Grade (g/t)	Metal (Moz)	Grade (g/t)	Metal (Moz)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)	Grade (%)	Metal (Kt)
Inferred	3.47	1.5	0.17	10	1.1	0.016	0.55	0.17	5.7	0.51	17.5

Note: No lower cutoff grade applied.

Appendix 6 – Executive Summary of Report Entitled “*Technical Report – Certej Gold Silver Project, Romania*” Dated 26 April 2006

APPENDIX 6

EXECUTIVE SUMMARY OF REPORT ENTITLED “*TECHNICAL REPORT – CERTEJ GOLD SILVER PROJECT, ROMANIA*” DATED 26 APRIL 2006

1 Summary

1.1 Introduction

RSG Global was commissioned by European Goldfields Limited (“EGL”) and Deva Gold S.A. (“Deva Gold”) to undertake an independent technical report (“the Study”) on the Certej Gold-Silver Project (“the Project”), which lies within the Golden Quadrilateral mineral belt in Romania. Deva Gold is a 80%-owned subsidiary of EGL.

This report is to comply with disclosure and reporting requirements set forth in National Instrument 43-101 (“the Instrument”), Companion Policy 43-101CP and Form 43-101F1.

The Study’s main objective was to assess the economic viability of exploiting the resources at the Project.

1.2 Location

The Project is located in western Romania, approximately 135km east of Timisoara and 15km north northeast of the regional centre of Deva, at a latitude of 45:59:47N and longitude of 22:59:32E. The principle area of exploration is situated within the Golden Quadrilateral in the Apuseni Mountains.

1.3 Ownership

Deva Gold hold a 100% interest in the Certej property. Deva Gold is 80%-owned by EGL. The remaining 20% of Deva Gold is held by Minvest S.A. (19.25%), a Romanian state-owned mining company, and three minority Romanian shareholders (0.75%).

1.4 Project Status

In 2006 Deva Gold intends to submit a Feasibility Study and an Environmental Impact Study (“EIS”) with the National Agency for Mineral Resources (“NAMR”) to obtain the necessary permits for construction to begin in 2007.

1.5 Mineral Resource

The Study was based on the resource estimates as described in the Technical Report “Certej Project, Resource Estimation”, dated March 2005, which was prepared by RSG Global. The resource estimates were generated and reported in accordance with the Instrument and the classifications adopted by Canadian Institute of Mining (CIM) Council in November 2004.

Appendix 6 – Executive Summary of Report Entitled “*Technical Report – Certej Gold Silver Project, Romania*” Dated 26 April 2006

The Mineral Resource estimates determined for the Project as at 31 December 2004, based on a 0.8g/t Au cutoff, are summarised in the Table 1.5_1.

Table 1.5_1					
Certej Gold Silver Project					
Resource Summary at 0.8g/t Au cutoff					
Resource Classification	Tonnes [Mt]	Grade		Metal (Insitu)	
		Au [g/t]	Ag [g/t]	Au [Moz]	Ag [Moz]
West and East Domains⁽¹⁾					
Measured	3.50	2.4	5	0.27	0.60
Indicated	35.51	1.9	11	2.11	13.1
Measured + Indicated	39.01	1.9	11	2.39	13.7
Inferred	7.1	1.6	6	0.38	1.5
Central Domains⁽¹⁾					
Inferred	3.47	1.5	10	0.17	1.1

Note: 1. Uniform conditioning and a 6.5 X 12.5 X 2.5 metre SMU reported for the eastern and western domains and inverse distance squared (using no gold cut-off) for the central domains

1.6 Mineral Reserves

The Mineral Reserves that were determined for the Project are summarised in Table 1.6_1.

This reserve estimate has been determined and reported in accordance with Canadian National Instrument 43-101, ‘Standards of Disclosure for Mineral Projects’ of December 2005 (the Instrument) and the classifications adopted by CIM Council in November 2004.

Table 1.6_1					
Certej Gold Silver Project					
Mineral Reserve Summary					
Reserve Classification	Tonnes [Mt]	Grade		Metal (Insitu)	
		Au [g/t]	Ag [g/t]	Au [Moz]	Ag [Moz]
Probable	27.7	2.0	11.6	1.76	10.35

No Proven Mineral Reserves were determined for the Project because further work is required to increase the accuracy levels of some of the economic input parameters.

1.7 Development and Operations

EGL completed an in-house pre-feasibility study in July 2005, which incorporated the results of a metallurgical test program. The pre-feasibility study indicated the possibility of a viable project at Certej, producing a gold and silver concentrate.

This technical report confirmed that exploitation of the Certej Gold Silver deposit is economically viable and resulted in the reporting of reserves.

Appendix 6 – Executive Summary of Report Entitled “*Technical Report – Certej Gold Silver Project, Romania*” Dated 26 April 2006

It is envisaged that the project could mine and process 3.0Mt per annum (“Mtpa”) over approximately nine years. This would yield approximately 249,000 tonnes of concentrate per annum with grades averaging 21g/t Au and 125g/t Ag, with a flotation gold recovery of approximately 88.0%.

All ore and waste will be mined via conventional, open pit mining methods, using an owner-mining scenario. The operation is planned to utilise selective mining techniques to separate ore and waste. The mining equipment that is considered to be suitable for the Project would include 100 tonne to 180 tonne, back hoe configured, hydraulic excavators for ore zone mining and off-highway haul trucks with a payload capacity of between 65 tonne to 100 tonne.

Provision has been made for drilling and blasting from surface.

The treatment plant flowsheet is based on processing 3.0Mtpa of mill feed, producing a sulphide flotation concentrate.

Deva Gold will employ approximately 112 people throughout the operating phase of the project. Initially selected posts requiring specific skills or experience will be filled by expatriates. In addition to performing their job function, expatriate personnel will be expected to transfer knowledge and expertise in order to develop the capabilities of the national staff. In the longer term, it is anticipated that nationals of Romania will fill most operating and management positions within the company. In addition, the mining department will employ approximately 152 people for a total for the Project of 264 people.

The primary source of raw water will be from the existing water extraction system from the river Mures. In addition, water will be reclaimed from the tailings thickener and from the Tailings Management Facility (“TMF”). The raw water will be pumped to a raw water tank located close to the plant and used to supply water to the plant as well as supplying the process water tank.

Electrical power requirements for the Certej Project are around 10MW. The existing plant is supplied by an 110kV overhead power line that links into the main grid system at Paulis. It is intended to utilise this line and extend it to the new process plant area.

Potable water will be supplied to the plant using the existing system.

1.8 Project Implementation

Deva Gold intends to submit a feasibility study and EIS with NAMR in 2006 in order to obtain the necessary permits for project construction to begin in 2007.

1.9 Project Economics

European Goldfields has prepared a financial model to evaluate the economics of the Project. The model is presented as an equity model assuming 100% equity financing. No allowance has been made in the model for the effects and levels of debt financing.

Appendix 6 – Executive Summary of Report Entitled “*Technical Report – Certej Gold Silver Project, Romania*” Dated 26 April 2006

Accordingly, no hedging of the gold price is assumed. The results of the model indicate that an economically viable project can be operated at Certej.

The base economic input parameters that were adopted for the financial model are shown in Table 1.9_1.

Table 1.9_1		
Summary Base Economic Input Parameters		
Item	Unit	Value
Discount rate	%	10.0
Gold price	\$/oz	425
Silver price	\$/oz	7.00
Net Smelter Return	%	60.0
State government royalty	%	2.0
Capital expenditure - Initial capital expenditure	M\$	66.7
- Working capital	M\$	8.0
- Sustaining capital	M\$	16.7
- Mine closure	M\$	5.0
Processing cost (to produce a concentrate)	\$/t milled	5.12
Average mining cost	\$/t	1.23
General and Administration	M\$/yr	1.0
Crusher feed	\$/t ore	0.11
Processing recovery - West zone Au		84.2
Ag		84.4
- Central zone Au		96.8
Ag		97.9
- Intermediate zone Au	%	89.5
Ag		92.8
- East zone Au		84.2
Ag		79.4
Mining dilution added (Included in resource estimate)	%	0
Mining recovery	%	97

1.10 Conclusions

The results of the economic analysis indicate that exploitation of the Certej Gold Silver Project is economically viable and should proceed to a feasibility study stage.

1.11 Recommendations

Based on the above, it is recommended that work should continue to establish a gold mining operation at Certej and the Project should proceed to a feasibility study stage.

Opportunities exist in most areas of the project to be more rigorously investigated during the feasibility study stage and to firm up certain assumptions.

Appendix 7 – Terms of Reference for the Audit Committee

APPENDIX 7

Terms of Reference for the Audit Committee

Reference to “**the Committee**” shall mean the Audit Committee.

Reference to “**the Board**” shall mean the Board of Directors of the Company.

Reference to “**the Company**” shall mean European Goldfield Limited.

1. Constitution

The Committee will be established by resolution of the Board and will be known as the Audit Committee. The Committee will be in full compliance with these terms of reference by the date of the Company’s first annual general meeting held after 1 July 2004.

2. Membership

2.1 Members of the Committee shall be appointed by the Board amongst the directors of the Company. The Committee shall be made up of at least three members.

2.2 All members of the Committee shall be independent to the extent that they have no direct or indirect relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgement. In addition, all members of the Committee will, either at the time of their appointment to the Committee or within a reasonable period of time after their appointment be financially literate to the extent that they have the ability to read and understand a set of financial statements that present the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.

2.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.

2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.

2.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

3.1 The members of the Committee shall appoint the Secretary of the Committee.

Appendix 7 – Terms of Reference for the Audit Committee

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of Meetings

- 5.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

8. Annual General Meeting

- 8.1 The Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

Appendix 7 – Terms of Reference for the Audit Committee

9. Duties

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

9.1 Financial Reporting

The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain before any such information is disclosed to the public. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Committee shall periodically review and satisfy itself as to the adequacy of the procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, including reviewing and challenging where necessary:

- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (v) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

The Committee shall review the annual financial statements of the pension funds (if applicable) where not reviewed by the Board as a whole.

9.2 Internal Controls and Risk Management Systems

The Committee shall:

- (a) keep under review the effectiveness of the Company's internal controls and risk management systems; and
- (b) review and approve the statements (if any) to be included in the Annual Report concerning internal controls and risk management.

Appendix 7 – Terms of Reference for the Audit Committee

9.3 Whistleblowing

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. Such arrangements will provide for confidential, anonymous submission by employees regarding questionable accounting or auditing matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.

9.4 Internal Audit

To the extent that the Company adopts an internal audit function, the Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) review promptly all reports on the Company from the internal auditors;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (g) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

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9.5 External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with and work of the external auditor including (but not limited to):
 - (i) considering and making recommendations to the Board respecting approval of their remuneration; whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK and Canadian professional and regulatory requirements and the relationship with the auditor as a whole including the provision of any non audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than relationships permitted by Canadian regulatory requirements governing the composition and conduct of the Committee);
 - (v) reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, and monitoring the implementation of such policies;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (c) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (d) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (e) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

Appendix 7 – Terms of Reference for the Audit Committee

- (i) a discussion of any major issues which arose during the audit;
- (ii) any accounting and audit judgements; and
- (iii) levels of errors identified during the audit;

The Committee shall also review the effectiveness of the audit.

- (f) review any representation letter(s) requested by the external auditor before they are signed by management;
- (g) review the management letter and management's response to the auditor's findings and recommendations;
- (h) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter, and be required to give its pre-approval to all non-audit services to be provided to the Company or its subsidiaries by the external auditor; and
- (i) take direct responsibility for the resolution of disagreements between management and the external auditor regarding financial reporting.

9.6 Reporting Responsibilities

- (a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall compile a report on its activities, which may be included in the Company's Annual Report.

Appendix 7 – Terms of Reference for the Audit Committee

9.7 Other Matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with the opportunity to attend appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
- (d) give due consideration to laws and regulations as required by the Toronto Stock Exchange;
- (e) be responsible for co-ordination of the internal and external auditors;
- (f) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- (g) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

9.8 Authority

The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside independent legal or other professional advice on any matter within its terms of reference;
- (c) to call any employee to be questioned at a meeting of the Committee as and when required;
- (d) to set and pay the compensation for any advisers engaged by the Committee; and
- (e) to communicate directly with the internal and external auditors of the Company.

* * * * *