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European Goldfields Limited

Interim Condensed Consolidated Financial Statements

For the Three and Nine Month Periods Ended

30 September 2011

Interim consolidated balance sheet

As at 30 September 2011, 31 December 2010 and 1 January 2010

(in thousands of US Dollars, except share amounts)

	Note	30 September 2011 US\$000	31 December 2010 US\$000	1 January 2010 US\$000
Assets				
Non-current assets				
Mine properties and reserves	8	278,924	271,654	262,423
Other property, plant and equipment	6	139,652	126,341	96,100
VAT and tax recoverable	5	22,021	-	-
Exploration and evaluation assets	7	12,195	10,631	7,814
Investment in associate		739	743	711
Available for sale financial asset		1,982	1,975	1,490
		455,513	411,344	368,538
Current assets				
Cash and cash equivalents		24,309	57,122	113,642
Trade and other receivables		10,041	29,506	40,607
Inventories		8,209	5,653	4,993
Derivative financial asset		536	-	-
Current taxation		-	3,668	3,954
		43,095	95,949	163,196
Total assets		498,608	507,293	531,734
Equity and liabilities				
Capital and reserves:				
Attributable to equity holders of the Company:				
Share capital		583,958	582,874	571,283
Contributed surplus		31,765	16,662	10,047
Other reserves		(1,953)	(3,609)	(907)
Deficit		(241,011)	(212,071)	(168,879)
		372,759	383,856	411,544
Non-controlling interest		2,376	2,494	2,930
Total capital and reserves		375,135	386,350	414,474
Non-current liabilities				
Deferred tax liabilities		44,715	45,613	44,141
Other liabilities and provisions	9	15,674	13,142	8,310
Deferred revenue		43,130	45,794	48,412
		103,519	104,549	100,863
Current liabilities				
Trade and other payables		15,181	11,557	10,784
Deferred revenue		4,773	3,867	4,549
Derivative financial liability		-	970	1,064
		19,954	16,394	16,397
Total liabilities		123,473	120,943	117,260
Total equity and liabilities		498,608	507,293	531,734

The accompanying notes are an integral part of these consolidated financial statements.

Interim consolidated income statement

For the three month and nine month periods ended 30 September 2011 and 2010

(in thousands of US Dollars, except share amounts)

	Note	3 months ended 30 September		9 months ended 30 September	
		2011 US\$000	2010 US\$000	2011 US\$000	2010 US\$000
Revenue		16,015	9,204	40,655	31,608
Cost of sales		(9,757)	(7,438)	(26,409)	(25,281)
Depreciation and depletion		(1,455)	(1,218)	(3,803)	(4,304)
Gross profit		4,803	548	10,443	2,023
Corporate administrative and overhead expenses		(2,983)	(3,173)	(9,979)	(9,401)
Hellas Gold administrative and overhead expenses		(2,865)	(2,315)	(5,731)	(7,699)
Hellas Gold water treatment expenses (for non-operating mines)		(1,328)	(855)	(3,184)	(2,886)
Share-based compensation expense	10	(4,476)	(3,562)	(14,670)	(8,325)
Depreciation		(301)	(315)	(887)	(915)
Share of profit/(loss) of associate		6	(9)	(5)	30
Operating loss		(7,144)	(9,681)	(24,013)	(27,173)
Interest income		57	65	172	162
Hedge contract profit		-	183	-	577
Foreign exchange gain/(loss)		(2,984)	6,930	1,609	(1,861)
Discounting of VAT and tax recoverable	5	392	-	(7,398)	-
Accretion of decommissioning liability		(106)	(98)	(325)	(313)
Loss before tax		(9,785)	(2,601)	(29,955)	(28,608)
Income tax benefit/(expense)		(1,316)	(37)	897	(1,530)
Loss for the period after tax		(11,101)	(2,638)	(29,058)	(30,138)
Attributable to:					
Equity holders of the parent		(11,029)	(2,497)	(28,940)	(29,733)
Non controlling interest		(72)	(141)	(118)	(405)
Loss per share					
Basic	15	(0.06)	(0.01)	(0.16)	(0.16)
Diluted		(0.06)	(0.01)	(0.16)	(0.16)

The accompanying notes are an integral part of these consolidated financial statements.

Interim consolidated statement of comprehensive income

For the three and nine month periods ended 30 September 2011 and 2010

(in thousands of US Dollars, except share amounts)

	Note	3 months ended 30 September		9 months ended 30 September	
		2011 US\$000	2010 US\$000	2011 US\$000	2010 US\$000
Loss for the period		(11,101)	(2,638)	(29,058)	(30,138)
Other comprehensive income/(loss) in the period					
Currency translation differences – equity accounted investees		(59)	(170)	143	8
Net gain/(loss) on derivatives designated as cash flow hedges		(796)	(2,245)	1,506	1,711
Net gain/(loss) on cash flow hedge transferred to profit in current period		-	(554)	-	(1,748)
Tax benefit/(expense)		-	371	-	1,171
Unrealised gain/(loss) on available-for-sale financial asset		171	743	7	360
Comprehensive loss		(11,785)	(4,493)	(27,402)	(28,636)
Attributable to:					
Equity holders of the parent		(11,713)	(4,352)	(27,284)	(28,231)
Non controlling interest		(72)	(141)	(118)	(405)

The accompanying notes are an integral part of these consolidated financial statements.

Interim consolidated statement of changes in equity

As at 30 September 2011, 31 December 2010 and 30 September 2010

(in thousands of US Dollars except per share amounts)

	Share Capital US\$000	Contributed Surplus US\$000	Jointly owned equity reserve US\$000	Other reserves Accumulated other comprehensive income US\$000	Deficit US\$000	Total US\$000	Non controlling Interest US\$000	Total equity US\$000
Balance 1 January 2010	571,283	10,047	-	(907)	(168,879)	411,544	2,930	414,474
Loss for the period	-	-	-	-	(29,733)	(29,733)	(405)	(30,138)
Other comprehensive income	-	-	-	1,502	-	1,502	-	1,502
Total comprehensive income	-	-	-	1,502	(29,733)	(28,231)	(405)	(28,636)
Equity-based compensation expense	-	8,670	-	-	-	8,670	-	8,670
Own shares issued under joint ownership equity plan ("JOE plan")	3,301	-	(3,301)	-	-	-	-	-
Restricted share units vested	4,555	(4,555)	-	-	-	-	-	-
Share options exercised or exchanged	1,645	(1,331)	-	-	-	314	-	314
Balance 30 September 2010	580,784	12,831	(3,301)	595	(198,612)	392,297	2,525	394,822
Balance 31 December 2010	582,874	16,662	(3,301)	(308)	(212,071)	383,856	2,494	386,350
Loss for the period	-	-	-	-	(28,940)	(28,940)	(118)	(29,058)
Other comprehensive income	-	-	-	1,656	-	1,656	-	1,656
Total comprehensive income	-	-	-	1,656	(28,940)	(27,284)	(118)	(27,402)
Equity-based compensation expense	-	16,187	-	-	-	16,187	-	16,187
Restricted share units vested	958	(958)	-	-	-	-	-	-
Share options exercised or exchanged	126	(126)	-	-	-	-	-	-
Balance 30 September 2011	583,958	31,765	(3,301)	1,348	(241,011)	372,759	2,376	375,135

The accompanying notes are an integral part of these consolidated financial statements.

Interim consolidated statement of cash flow

For the three and nine month periods ended 30 September 2011 and 2010

(in thousands of US Dollars, except per share amounts)

Note	3 months ended 30 September		9 months ended 30 September	
	2011 US\$000	2010 US\$000	2011 US\$000	2010 US\$000
Cash flows from operating activities				
Adjustments for the period:				
Loss for the period before tax	(9,785)	(2,601)	(29,955)	(28,608)
Foreign exchange (gain)/loss	2,984	(6,930)	(1,609)	1,861
Share of (profit)/loss of associate	(6)	9	5	(30)
Depreciation	982	1,388	3,380	4,374
Share-based compensation expense	4,476	3,562	14,670	8,325
Accretion of decommissioning liability	106	98	325	313
Discounting of VAT and tax recoverable	(392)	-	7,398	-
Deferred revenue recognised	(734)	(532)	(1,759)	(2,157)
Depletion of mine properties	462	346	1,310	1,326
	(1,907)	(4,660)	(6,235)	(14,596)
Net changes in working capital	(4,562)	2,502	(5,643)	4,920
	(6,469)	(2,158)	(11,878)	(9,676)
Cash flows from investing activities				
Exploration and evaluation and mine development costs				
– Romania	(1,282)	(1,415)	(3,684)	(4,246)
Exploration and evaluation and mine development costs				
– Greece	(559)	(750)	(1,622)	(1,963)
Exploration and evaluation costs – Turkey	(471)	(618)	(1,064)	(1,053)
Purchase of land and buildings	(3,384)	(844)	(16,656)	(844)
Purchase of equipment	(107)	(3,702)	(352)	(11,211)
	(5,803)	(7,329)	(23,378)	(19,317)
Cash flows from financing activities				
Proceeds from exercise of share options	-	199	-	312
	-	199	-	312
Effect of foreign currency translation on cash	(2,179)	7,078	2,443	(2,193)
Net decrease in cash and cash equivalents	(14,451)	(2,210)	(32,813)	(30,874)
Cash and cash equivalents – Beginning of period	38,760	84,978	57,122	113,642
Cash and cash equivalents – End of period	24,309	82,768	24,309	82,768

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

1. Nature of operations

European Goldfields Limited (the “**Company**”), a company incorporated under the *Yukon Business Corporations Act*, is a resource company involved in the acquisition, exploration and development of mineral properties in Greece, Romania and South-East Europe. The registered address of the Company is Suite 200, Financial Plaza, 204 Lambert Street, Whitehorse, Yukon, Canada, Y1A 3T2.

The Company’s common shares are listed on the AIM Market of the London Stock Exchange and on the Toronto Stock Exchange (TSX) under the symbol “EGU”.

The Company is a developer-producer with globally significant gold reserves located within the European Union. The Company generates cash flow from its 95% owned Stratoni operation, a high grade lead/zinc/silver mine in North-Eastern Greece. European Goldfields is expected to evolve into a mid-tier producer through responsible development of its project pipeline of gold and base metal deposits at Skouries and Olympias in Greece and Certej in Romania. The Company plans future growth through development of its highly prospective exploration portfolio in Greece, Romania and Turkey. The Company’s activities are not affected by seasonal factors.

The underlying value of the deferred exploration and evaluation and development costs for mine properties is dependent upon the existence and economic recovery of reserves in the future.

The condensed consolidated interim financial statements of the Company as at 30 September, 2011 and for the nine month period ended 30 September 2011 and 2010 include the accounts of the Company and its subsidiary undertakings and the Company’s interest in associates as detailed in note 2. The significant accounting judgements, estimates and assumptions made are described in note 5.

2. Basis of Presentation

The Company’s condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board (IASB). The condensed consolidated interim financial statements for the nine month period ended 30 September, 2011 represent part of the period covered by the Company’s first annual financial statements reported under IFRS. The Company’s accounts were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (“**CGAAP**”). In preparing these condensed consolidated interim financial statements IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 13. On adoption of IFRS, the Company has applied exemptions allowed by IFRS 1 relating to business combinations and cumulative translation differences.

The condensed consolidated interim financial statements have been prepared on an historical cost basis, with the exception of derivative financial instruments, liabilities for cash settled share-based payment arrangements and financial assets available for sale, which are measured at their balance sheet date fair value.

The condensed consolidated interim financial statements are presented in US dollars, the Company’s functional currency, and unless otherwise stated, all values are rounded to their nearest thousand (US\$000).

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will be able to realise assets and discharge liabilities in the normal course of business for the foreseeable future, being a period of at least one year from the date the condensed consolidated interim financial statements were approved and authorised for issue.

In making this assumption the Directors have reviewed detailed operating and cash flow forecasts, including forecast capital requirements and forecast development of operations in Greece, Romania and Turkey, for the period of at least one year from the date the condensed consolidated interim financial statements were approved and authorised for issue. As a result of their review the Directors are satisfied that the Company will have sufficient resources to satisfy its current and forecast future obligations, and therefore they consider the going concern basis of preparation is appropriate.

3. Basis of consolidation

The results of operations of subsidiaries are fully consolidated from the acquisition date. The acquisition date is the date the Company obtains control, being the right to govern the financial and operating policies of the subsidiary and to benefit from its activities. If the Company no longer controls a subsidiary consolidation ceases from that date.

Investments in associates over which the Company has significant influence are accounted for using the equity method.

These condensed consolidated interim financial statements include the accounts of the Company and the following subsidiaries.

Company	Country of incorporation	Ownership
Deva Gold (Barbados) Limited	Barbados	100% owned
Deva Gold (Barbados) Holdings Limited	Barbados	100% owned
European Goldfields (Services) Limited	England	100% owned
European Goldfields Mining (Netherlands) B.V.	Netherlands	100% owned
European Goldfields (Greece) B.V.	Netherlands	100% owned
European Goldfields Deva SRL	Romania	100% owned
Macedonian Copper Mines SA	Greece	95% owned
Hellas Gold S.A.	Greece	95% owned
Deva Gold S.A.	Romania	80% owned
Greater Pontides Exploration B.V.	Netherlands	51% owned
Pontid Madencilik San. ve Ltd	Turkey	51% owned
Pontid Altin Madencilik Ltd. Sti.	Turkey	51% owned
Greek Nurseries SA (<i>accounted for as an associate</i>)	Greece	48% owned

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet as at 1 January 2010 for the purpose of transition to IFRS, unless otherwise indicated.

(a) Foreign currency translation and foreign currency transactions

Functional and presentation currency

The consolidated financial statements are expressed in US dollars, which is the Company's presentation and functional currency. The Company and its subsidiaries each determine their functional currencies and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of significant subsidiaries have been determined as the US Dollar.

The Company has elected to take the IFRS 1, *First-time Adoption of IFRS* exemption relating to cumulative translation differences, which has allowed the Company to deem cumulative translation differences to be zero at the date of transition to IFRS, as described in Note 13. These cumulative translation differences arose in subsidiary undertakings prior to their adopting the US Dollar as the functional currency.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities using the spot rate of exchange are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(b) Business combinations and goodwill

The Company has taken the IFRS 1 exemption that allows them to choose an effective date from which to adopt IFRS 3 (Revised) Business Combinations (IFRS 3R). As a result business combinations that occurred prior to 1 June, 2007 are not accounted for in accordance with IFRS 3R *Business Combinations* or IAS 27 *Consolidated and Separate Financial Statements*.

Business combinations since 1 June, 2007 have been accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs, other than those associated with the issue of debt or equity securities that the Company incurs in connection with a business combination are expensed as incurred.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units that are expected to benefit from the combination.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised.

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

(c) Investment in associates

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. An associate is an entity over which the Company has significant influence. This allows the Company to participate in that entity's financial and operating policies, without having the power to control or jointly control them.

The Company's share of the associates' post-acquisition profits or losses is recognised in the income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the investment, the Company does not recognise further losses, unless it has unsecured obligations or has made payments on behalf of the associate.

After application of the equity method, the Company reviews the carrying amount of its investment to determine whether an additional impairment loss is required with any additional loss recognised within 'share of profit/ (loss) of associate' in the income statement.

When the Company no longer has significant influence over an associate, accounting for the investment as an associate ceases. The carrying value of the investment in the associate is adjusted to fair value as at that date and is transferred to another class of financial asset depending on the level of influence retained. The investment is then accounted for under the requirements of the new financial asset designation.

(d) Exploration and evaluation costs

When the Company has obtained the legal right to explore all exploration and evaluation expenditure is capitalised. Costs considered directly attributable to exploration and evaluation activity include the acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling and assessing the technical and commercial viability of extracting a mineral resource.

If there is an indication that the carrying amount of the exploration and evaluation assets may exceed their recoverable amounts, the Company carries out an impairment review, either individually or at the cash generating unit level. To the extent that this occurs, the excess is fully provided against, in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided the conditions outlined in IFRS 6 *Exploration and Evaluation of Mineral Resources* are met.

Once sufficient exploration and evaluation work has been performed and has demonstrated the existence of economically recoverable reserves, the costs capitalised are transferred to 'Mine properties and reserves'.

Exploration and evaluation assets acquired in a business combination are recognised initially at fair value and are stated subsequently at cost less accumulated impairment.

(e) Property, plant and equipment and mine properties

Mine properties and reserves

The cost of acquiring mineral reserves and resources is capitalised within 'Mine properties and reserves' on the balance sheet as incurred.

All subsequent expenditure on the construction, installation or completion of facilities is capitalised within 'Mine properties and reserves'. 'Mine properties and reserves' are not depreciated until production starts. After production starts, all capitalised costs are transferred to 'Producing mines'.

Producing mines are stated at cost less accumulated depletion and accumulated impairment losses. The capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, with the exception of those costs that continue to qualify for capitalisation relating to underground mine development or mineable reserve development.

Producing mines are depreciated on a unit of production basis over the economically recoverable reserves of the mine concerned.

Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Other property, plant and equipment include vehicles, land and buildings and other plant and equipment at all locations within the Company. Other property plant and equipment, excludes capitalised costs and mining reserves and resources, which are included within 'Mine properties and reserves.' Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows

Buildings	4 – 20 years straight line
Equipment & Fittings	3 – 10 years straight line
Motor Vehicles	6 years straight line

Residual values and useful lives are reviewed on an annual basis. If management consider an asset's residual value or useful life has changed, the change is considered a change in accounting estimate and accounted for prospectively.

(f) Impairment of assets

At each reporting date management review all non-financial assets to identify any indicator that an asset that may be impaired, excluding exploration and evaluation assets, which are assessed under IFRS 6 as described in (d) above. If there are indicators of impairment, a review is undertaken to determine if the carrying amounts are in excess of their recoverable amounts.

With the exception of those assets that generate cash flows largely independent from other assets, assets are allocated to cash-generating units (CGUs) for the purpose of this review. For individual assets and CGUs the recoverable amount is calculated, being the higher of its fair value less costs to sell and value in use (net present value of expected future cash flows). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount.

To assess an asset or CGU's value in use the estimated future cash flows attributable to that asset or CGU are discounted to present value using a pre-tax market based discount rate. The estimated future cash flows are based on financial models, which are prepared for all of the Company's CGUs to which individual assets are allocated. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arms' length transaction between knowledgeable and willing parties.

All non-financial assets are held at cost and any impairment losses that result are therefore recognised in the income statement.

A previously recognised impairment loss is reversed if the impairment no longer exists or has decreased. The reversal is limited to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

(g) Inventories

Inventories of ore mined and metal concentrates are valued at the lower of combined production cost and net realisable value. Production costs include the costs directly related to bringing the inventory to its current condition and location. These costs include materials, labour, mine site overheads, related depreciation of mining and processing facilities and related depletion of mineral properties and deferred exploration and development costs. Exploration materials and supplies are valued at the lower of cost on a weighted average basis and net realisable value.

(h) Financial instruments

The classification of financial assets and liabilities is determined at initial recognition with subsequent measurement dependent on their initial classification.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and at hand and deposits with original maturities of three months or less.

Trade and other receivables

Trade and other receivables that have fixed and determinable payments and that are not quoted in active markets are carried at amortised cost less any impairment losses recognised. If trade and other receivables are expected to be settled in a period greater than twelve months they are discounted using the effective interest rate method. Trade and other receivables are assessed for impairment at each reporting date.

Trade and other receivables are recorded initially at their original invoiced amounts and are adjusted to reflect subsequent changes to these recoverable amounts. A number of the Company's concentrate products are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. At each reporting date sales are adjusted to fair value through revenue until the date of final price determination with trade receivables adjusted to reflect these changes to recoverable amounts.

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

Impairment

At each reporting date, trade and other receivables are assessed for impairment by identifying one or more events that have occurred since initial recognition that will impact estimated future cash flows and that can be estimated reliably. Evidence of impairment may include indications that debtors are experiencing significant difficulty, at which point the risks of default or probability of bankruptcy are considered.

Available for sale investments

The Company's investments and investments in marketable securities have been classified as available-for-sale and are recorded at fair value on the balance sheet. Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified in any other investment category. After initial recognition available for sale financial assets are measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired. If the investment is determined to be impaired the cumulative gain or loss previously reported in equity is recognised in profit or loss. Fair values are determined directly by reference to published price quotations in an active market.

Derivative financial instruments designated as effective cash flow hedges

The Company uses derivative and non-derivative financial instruments to manage changes in commodity prices. Hedge accounting is optional and it requires the Company to document the hedging relationship and test the hedging item's effectiveness in offsetting changes in fair values or cash flows of the underlying hedged item on an ongoing basis.

The Company uses cash flow hedges to manage base metal commodity prices. The effective portion of the change in fair value of a cash flow hedging instrument is recorded in other comprehensive income and is reclassified to earnings when the hedge item impacts profit. Any ineffectiveness is recorded in the income statement.

If a derivative financial instrument designated as a cash flow hedge ceases to be effective or is terminated, hedge accounting is discontinued and the gain or loss at that date is deferred in other comprehensive income and recognised concurrently with the settlement of the related transaction. If a hedged anticipated transaction is no longer probable, the gain or loss is recognised immediately in the income statement. Subsequent gains and losses from ineffective derivative instruments are recognised in the income statement in the period they occur.

(i) Provisions

Provisions are recognised when the Company has a present obligation, whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommissioning costs are provided in full based on management's estimates of future costs to be incurred. Applicable costs include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

When a provision is recognised it is either capitalised as part of the cost of the related property or written off to the income statement if utilised within one year. If costs are capitalised the provision is discounted to present value using a rate that reflects risks specific to the liability. At each reporting date management review the discount rate used. The periodic unwinding of the discount is recognised in the income statement as a finance cost. Changes in estimated future costs or in the discount rate applied are added or deducted from the cost of the asset.

(j) Share-based compensation

The Company operates a share option scheme (Share Incentive Plan) and an equity participation plan (Restricted Share Units 'RSU'). The Company accounts for equity-based compensation granted under such plans using the fair value method of accounting. Under this method, the cost of equity-based compensation is estimated at fair value at the grant date and is recognised in the income statement as an expense, or capitalised as exploration and evaluation assets and mine properties when the compensation can be attributed to these activities. This cost is recognised over the relevant vesting period for grants to directors, officers and employees, and measured in full at the earlier of performance completed or vesting for grants to non-employees. Any consideration received by the Company on exercise of share options is credited to share capital.

Cash settled awards

The Company operates a deferred phantom unit plan ('DPU'). The Company accounts for the compensation using the fair value method. The cost of each unit is measured initially at fair value and expensed over the period until the vesting date. The provision is measured to fair value based on the Company's share price at the end of every reporting period and movements expensed in the period.

(k) Revenue recognition

Revenues from the sale of concentrates are recognised when the risks and rewards of ownership have been transferred to the customer and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

A number of the Company's concentrate products are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. These concentrates are provisionally priced at the time of sale based on forward prices for the expected date of the final settlement. The provisionally priced sales of concentrate contain an embedded derivative, which does not qualify for hedge accounting. These embedded derivatives are recognised at fair value through revenue until the date of final price determination. Subsequent variations in the price are recognised as revenue adjustments as they occur until the price is finalised.

(l) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity, otherwise income tax is recognised in the income statement.

(m) Deferred revenue

The Company received prepayments for the sale of all of the silver metal to be produced from ore extracted during the mine-life within an area of some 7 km² around its zinc-lead-silver Stratoni mine as well as for sale of gold pyrite concentrate in northern Greece. The prepayments, which are accounted for as deferred revenue, are recognised as sales revenue on the basis of the proportion of the settlements during the period expected to the total settlements.

The terms of the sale contract contain pricing provisions establishing a cap on the price to be received for the sale of the metals in concentrate. This pricing provision is considered as an embedded derivative, which is not required to be separated from the host contract for accounting purposes. The economic characteristics of the embedded derivative are closely related to the economic characteristics of the host contract.

(n) Earnings per share ("EPS")

EPS is calculated based on the weighted average number of common shares issued and outstanding. Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise or exchange of share options and warrants and on the granting of restricted share units in the per share calculation are applied to reacquire common shares at the average market price during the period.

(o) Operating leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the lease term.

The Company has no finance lease arrangements.

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

5. Critical accounting judgements, estimates and assumptions

Estimates, risks and uncertainties – The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant estimates and assumptions include those related to the recoverability of deferred costs in relation to mine properties and exploration and evaluation, decommissioning obligations and share-based compensation, current and deferred tax and VAT receivable. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly

Ore reserves and depletion of mine properties – In accordance with the Company's accounting policy, once production starts mine properties are classified as producing mines, which are stated at cost less accumulated depletion and impairment. Producing mines are depreciated on a unit of production basis over the economically recoverable reserves of the mine concerned. The estimation of recoverable reserves is based on professional evaluations using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and relies on a number of financial and technical assumptions. The estimate of reserves may be subject to change based on new information gained subsequent to the initial assessment, which may include additional information available from continuing exploration, results from the reconciliation of actual mining and plant production data against the original reserve estimates, or the impact of economic factors such as changes in metal prices, exchange rates or the cost of components of production. If actual reserves prove to be significantly different to current estimates, a material change to amounts charged to earnings could occur.

Decommissioning liability – The Company records a mine rehabilitation provision ('decommissioning liability') at fair value when legally incurred with the corresponding increase to the mineral property depreciated over the life of the mine. Management assesses the calculation of the mine rehabilitation provision annually, including the underlying assumptions and judgments made.

The liability is adjusted over time to reflect an accretion element. In accordance with IFRS the provision is discounted using a discount rate that reflects risks specific to the liability, with any change in the discount rate treated as a change in accounting estimate. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and asset if the initial estimate was recognised as part of an asset measured in accordance with IAS 16.

Any significant change to management's previous assumptions and to the cost of rehabilitation activities or the market based discount rate may result in future actual expenditure differing from the amounts currently provided. These changes or a change to the market based discount rate may result in a material change to amounts charged to earnings. At each reporting date the provision represents management's best estimate of the present value of the future rehabilitation costs required.

Share-based compensation – The Company operates a share option scheme ('Share Incentive Plan'), an equity participation plan ('RSU') and a deferred phantom unit plan ('DPU'). Equity based compensation granted under these plans is accounted for using the fair value method of accounting. Under this method the cost of equity and cash-based compensation is estimated at fair value at the grant date and recognised in the income statement as an expense, or capitalised to exploration and evaluation assets and mine properties when the compensation can be attributed to those assets.

For cash settled awards, the cost of each unit is measured initially at fair value and expensed over the period until the vesting date. The associated liability is revalued to fair value at each reporting date with movements expensed in the period.

Current and deferred tax – Tax regimes in certain jurisdictions can be subject to differing interpretations and are often subject to legislative change and changes in administrative interpretation in those jurisdictions. The interpretation by the Company and its subsidiary undertakings of relevant tax law as applied to their transactions and activities may not coincide with that of the relevant tax authorities. As a result, transactions may be challenged by tax authorities and may be assessed to additional tax or additional transactions taxes (for example stamp duty or VAT), which, in each case, could result in significant additional taxes, penalties and interest. These could have a material adverse impact on the Company's business, financial position and performance.

VAT receivable and income taxes– Hellas Gold SA has a total of \$29.4 million in recoverable VAT and income taxes due from the Greek authorities, which has to-date been reported as a current asset in the Company's financial statements. In accordance with the Company's accounting policies, it was decided in Q2 2011 to take a conservative position for accounting purposes and re-classify these amounts as long term debtors on a net present value basis, given that these amounts can be recovered in full by offsetting against future taxes payable upon production from the development projects at Olympias and Skouries. The amounts have been discounted using a weighted average cost of capital specific to the development projects. An adjustment of \$7.8 million was made through the income statement in Q2 to reflect this re-classification and discounting, which has been offset by a credit of \$0.4 million during Q3 to reflect movements in foreign exchange rates. This amount will be unwound as the Company reaches production in Greece or when earlier repayment is received. After the period end, Hellas Gold received repayment of €11 million in relation to these amounts. This reclassification will be reassessed in Q4 2011.

Long lived assets – All long lived assets held and used by the Company are reviewed for possible impairment at least annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If changes in circumstances indicate that the carrying value of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the continued use of the asset and its disposition must be estimated. An asset is considered to be impaired where its recoverable amount (being the higher of the asset's fair value less costs to sell and its value in use) is less than its current carrying amount. Under IFRS a significant adverse change during the period or anticipated to take place in the near future in the market in which the Company operates or in the market to which an asset is dedicated can be considered an indication of possible impairment. An example of such a change would be a fall in metal prices. In such circumstances management use cash flow forecasts to establish whether actual impairment has occurred. Estimates are based on future expectations and a number of assumptions and judgments made by management. Current metal prices do not suggest that there has impairment of any of the Company's non-current assets, although if such an impairment were to occur, it could result in a material charge to earnings.

6. Other property, plant and equipment

	Plant and equipment US\$000	Vehicles US\$000	Land and buildings US\$000	TOTAL US\$000
Cost - 2010:				
As at 1 January 2010	64,240	2,107	43,464	109,811
Additions	14,982	380	20,798	36,160
Disposals	(20)	(5)	-	(25)
Reclassification	(16,060)	-	16,060	-
As at 31 December 2010	63,142	2,482	80,322	145,946
Accumulated depreciation - 2010:				
As at 1 January 2010	6,269	1,390	6,052	13,711
Charge for the period	1,814	235	3,845	5,894
As at 31 December 2010	8,083	1,625	9,897	19,605
Net carrying value at 31 December 2010	55,059	857	70,425	126,341
Cost - 2011:				
As at 1 January 2011	63,142	2,482	80,322	145,946
Additions	275	-	16,728	17,003
Disposals	(4)	(66)	-	(70)
As at 30 September 2011	63,413	2,416	97,050	162,879
Accumulated depreciation - 2011:				
As at 1 January 2011	8,083	1,625	9,897	19,605
Charge for the period	1,232	182	2,274	3,688
Disposals	-	(66)	-	(66)
As at 30 September 2011	9,315	1,741	12,171	23,227
Net carrying value at 30 September 2011	54,098	675	84,879	139,652

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For the three and nine month periods ended 30 September 2011

7. Exploration and evaluation assets

	Greece US\$000	Romania US\$000	Turkey US\$000	TOTAL US\$000
Cost as at 1 January 2010	286	5,903	1,625	7,814
Capitalised expenditure:				
Project development and exploration	396	985	661	2,042
Permit acquisition	-	-	11	11
Project overhead	-	332	990	1,322
Capitalised depreciation	-	13	19	32
Impairment	-	(590)	-	(590)
Cost as at 31 December 2010	682	6,643	3,306	10,631
Capitalised expenditure:				
Project development and exploration	120	93	667	880
Permit acquisition	-	-	382	382
Project overhead	-	211	71	282
Capitalised depreciation	-	10	10	20
Cost as at 30 September 2011	802	6,957	4,436	12,195

(a) Greece

As at 30 September 2011 capitalised exploration and evaluation expenditure in Greece related to further exploratory activity on the Greek mine properties.

(b) Romania

The Baita-Craciunesti exploration licence is held by the Company's 80%-owned subsidiary, Deva Gold. Minvest S.A. (a Romanian state owned mining company), together with three private Romanian companies, hold the remaining 20% interest in Deva Gold. The Company is required to fund 100% of all costs related to the exploration and development of these properties. As a result, the Company is entitled to the refund of such costs (plus interest) out of future cash flows generated by Deva Gold, prior to any dividends being distributed to shareholders.

The Voia and other exploration licences are held by the Company's wholly-owned subsidiary, European Goldfields Deva SRL.

As at 30 September 2011, the following cost had been incurred on the Romanian mineral properties:

	30 September 2011 US\$000	31 December 2010 US\$000
Baita-Craciunesti	3,394	3,325
Voia	2,223	2,030
Other exploration projects	1,340	1,288
	6,957	6,643

(c) Turkey

The Turkish licences are held through a Turkish Company, Pontid Madencilik. Currently the Company has a 51% interest in all the properties and the Company will fund 100% of all costs related to the development of these properties. Ownership of the Ardala property may be increased to 80% by funding to completion of a Bankable Feasibility Study. All other concessions funded to a Bankable Feasibility Study will be 90% owned by the Company. The owner of the remaining 49% of the properties is Ariana Resources plc.

As at 30 September 2011 the following costs had been incurred on the Turkish mineral properties:

	30 September 2011 US\$000	31 December 2010 US\$000
Ardala	4,265	2,582
Other concessions	171	724
	4,436	3,306

8. Mine properties and reserves

(a) Greece

	Mine development US\$000	Producing mines US\$000	TOTAL US\$000
Cost – 2010:			
As at 1 January 2010	206,170	18,867	225,037
Additions	4,354	451	4,805
Adjustment to decommissioning liability	-	(238)	(238)
As at 31 December 2010	210,524	19,080	229,604
Depletion – 2010:			
As at 1 January 2010	-	6,883	6,883
Charge for the period	-	1,736	1,736
As at 31 December 2010	-	8,619	8,619
Net carrying value at 31 December 2010	210,524	10,461	220,985
Cost – 2011:			
As at 1 January 2011	210,524	19,080	229,604
Additions	3,595	261	3,856
Adjustment to decommissioning liability	-	(123)	(123)
As at 30 September 2011	214,119	19,218	233,337
Depletion – 2011:			
As at 1 January 2011	-	8,619	8,619
Charge for the period	-	1,605	1,605
As at 30 September 2011	-	10,224	10,224
Net carrying value at 30 September 2011	214,119	8,994	223,113

Included within mine development and producing mines are amounts with cost of \$192,676 and \$11,457 respectively that were recognised as fair value uplift when the Company acquired Hellas Gold SA in November 2004.

(b) Romania

	Mine development US\$000	TOTAL US\$000
Cost – 2010:		
As at 1 January 2010	44,270	44,270
Additions	6,399	6,399
As at 31 December 2010	50,669	50,669
Cost – 2011:		
As at 1 January 2011	50,669	50,669
Additions	5,142	5,142
As at 30 September 2011	55,811	55,811

Mines development relates to the Certej exploitation licence that is held by the Company's 80%-owned subsidiary, Deva Gold SA. No depletion has been charged in respect of the Certej licence.

9. Other liabilities and provisions

	Decommissioning provision US\$000	DPU liability US\$000	TOTAL US\$000
As at 01 January 2010	6,410	1,900	8,310
Arising during the year	-	4,657	4,657
Accretion expense	413	-	413
Change in estimate	(238)	-	(238)
As at 31 December 2010	6,585	6,557	13,142
Arising during the year	-	2,330	2,330
Accretion expense	325	-	325
Change in estimate	(123)	-	(123)
As at 30 September 2011	6,787	8,887	15,674

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Provision for decommissioning costs

Management has estimated the total future decommissioning obligation based on the Company's ownership interest in the Stratoni mines and facilities. This includes all estimated costs to dismantle, remove, reclaim and abandon the facilities at the Stratoni property, and the estimated time period during which these costs will be incurred in the future.

As at 30 September 2011, the undiscounted amount of estimated cash flows required to settle the obligation is \$9,769 (2010 – \$8,529). The estimated cash flow has been discounted using a risk adjusted rate specific to the liability of 5.76 % (2010 – 6.674%). The expected period until settlement is seven years (2010 – five years).

DPU plan

The provision represents the fair value of amounts payable to eligible persons under the Company's DPU plan at each reporting date. Refer to note 10 for outstanding DPUs as at 30 September 2011 and 31 December 2010.

10. Share options, restricted share units and deferred phantom units

There were no amendments made to share-based compensation plans in the period to 30 September 2011. Movements in existing plans during the period, being shares granted and vested under existing schemes are set out in the tables below. The majority of the share-based payment charges relate to senior management.

Share incentive plan

	Number of options	Weighted average exercise price C\$
Balance as at 31 December 2010	6,315,332	8.87
Share options granted	225,000	12.50
Share options exchanged	(87,000)	4.16
Balance as at 30 September 2011	6,453,332	9.06

During the period ended 30 September 2011, the Company granted 225,000 (2010 – 1,800,000) options under its Share Incentive Plan. The fair value of the share options granted has been estimated at the date of the grant using a Black-Scholes and Parisian option pricing model with the following assumptions: weighted average risk free interest rate of 2.73% (2010 – 0.05%); volatility factor of the expected market price of the Company's shares of 50% (2010 – 68.4%); a weighted average expected life of the share options of 5 years, maximum term of 5 years and a dividend yield of Nil. The weighted fair value price for the above grant amounted to C\$4.49.

Equity participation plan

	Number of RSUs	Weighted average grant date fair value of underlying price C\$
Balance as at 31 December 2010	1,838,527	9.11
RSUs granted	235,000	12.44
RSUs vested	(114,030)	8.86
RSUs cancelled	(1,308)	14.65
Balance as at 30 September 2011	1,958,189	9.52

DPU plan

	Number of DPUs
Balance as at 31 December 2010	1,962,570
DPUs granted	11,314
Balance as at 30 September 2011	1,973,884

11. Commitments and operating leases

Commitments

The Company has spending commitments of \$448 (2010 – \$435) per year (plus service charges and value added tax) for a term of five years under the lease for its office in London, England, which commenced in November 2009.

Hellas Gold has spending commitments of \$148 (2010 – \$150) per year for a term of 9 years under the lease for its office in Athens, Greece, which commenced in December 2007. After the second anniversary, the rent escalates annually at a rate of consumer price index +1%. Hellas Gold's commitment through the lease agreement is extended to payment of all rental taxes, utilities, proportion of common charges as well as proportion of municipal taxes.

Deva Gold has spending commitments of \$167 (2010 – \$155) per year, with the Local Council of Certejul de Sus commune, for a term of 20 years, for forested land situated in Hondol village, Romania. The lease commenced in November 2010 and has the option of being extended for a period equal with a maximum of half of the initial period and by mutual agreement.

As at 30 September 2011, Hellas Gold had entered into off-take agreements pursuant to which Hellas Gold agreed to sell 13,581 dmt of zinc concentrates, 7,435 dmt of lead/silver concentrates and 20,869 dmt of gold concentrates until the financial year ending 31 December 2011.

During 2007, Hellas Gold entered into purchase agreements with Outotec Minerals OY for long-lead time equipment for the Skouries project with a cost of \$44,211 which is to be paid in full by the end of December 2011. As at 30 September 2011, \$43,749 of the commitment has been paid.

Operating leases

	30 September 2011 US\$000	31 December 2010 US\$000
Within one year	615	731
After one year but not more than five years	2,325	2,491
More than five years	1,925	2,437
	4,865	5,659

The amount recognised in the income statement for the three and nine month period ended 30 September 2011 in respect of operating leases amounted to \$145 (2010 - \$68) and \$419 (2010 - \$133) respectively.

12. Transactions with related parties

These consolidated financial statements incorporate the accounts of the Company, and its subsidiary undertakings as disclosed in note 3. The following are also considered related parties of the Company.

Greek Nurseries SA

The Company's investment in Greek Nurseries SA is held through Hellas Gold SA who subscribed for 50% of the share capital.

Hellas Gold SA holds two out of the five Board positions and is not involved in the operating and management decision making process of Greek Nurseries SA. The investment is therefore accounted for as an associate, and Greek Nurseries SA is considered a related party of the consolidated Company.

Ellaktor SA

As at the balance sheet date, Ellaktor SA ("Ellaktor") owned 19.3% of the Company's issued share capital. Aktor SA ("Aktor") Greece's largest construction Company and a 100% subsidiary of Ellaktor owns 5% of Hellas Gold SA, the Company's 95% owned subsidiary. On 1 October 2011, Ellaktor disposed of 13 million shares to Qatar Holding LLC, to reduce its holding to 12.2% of the Company's issued share capital.

Ellaktor is deemed a related party and contracts management, technical and engineering services to Hellas Gold SA through its subsidiary undertakings including Aktor.

These costs have been recognised as costs of sales or capitalised as mine properties depending on the nature of services rendered. These expenditures were contracted in the normal course of operations and are recorded at the exchange amount agreed by the parties. The terms of the payable is 30 days (2010 – 30 days).

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

Transactions with related parties

For the three and nine month periods ended 30 September, 2011 and 2010 the following transactions were entered into with related parties and the following amounts were outstanding as at 30 September 2011 and 31 December 2010.

Greek Nurseries SA

	30 September 2011 US\$000	31 December 2010 US\$000
Amounts receivable	-	28
Amounts payable	(2)	-
	(2)	28

In the nine month period ended 30 September 2011 the value of services provided to the Company by Greek Nurseries SA was \$2 (2010 – Nil) and by the Company to Greek Nurseries SA was Nil (2010 – \$1). For the three month period ended 30 September 2011 the value of services provided to the Company by Greek Nurseries SA was \$1.

Ellaktor SA

	3 months ended 30 September		9 months ended 30 September	
	2011 US\$000	2010 US\$000	2011 US\$000	2010 US\$000
Services received:				
Exploration and evaluation services	-	20	-	89
Mining services	7,153	9,142	22,839	30,128
Other services	38	22	144	104
	7,191	9,184	22,983	30,321

	30 September 2011 US\$000	31 December 2010 US\$000
Amounts receivable	-	-
Amounts payable	(8,039)	(3,883)
	(8,039)	(3,883)

13. Transition to IFRS

For accounting periods up to and including the year ending 31 December 2010, the Company presented its financial statements in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). As stated in note 2, the condensed consolidated interim financial statements for the period ended 30 September 2011 represent part of the period covered by the Company's first annual financial statements prepared in accordance with International financial Reporting Standards (IFRS).

In adopting IFRS for the first time in the year ending 31 December 2011, the Company has adjusted amounts previously reported in accordance with CGAAP with an explanation of how the transition has affected the Company's financial position and performance outlined below.

Reconciliation of equity at 1 January 2010:

	Note	Canadian GAAP US\$ '000	Effect of transition to IFRSs US\$ '000	IFRSs US\$ '000
Assets				
Non-current assets				
Mine properties and reserves	(b)	479,370	(216,947)	262,423
Other property, plant and equipment		96,100	-	96,100
Exploration and evaluation assets	(a)	1,625	6,189	7,814
Investment in associate		711	-	711
Available for sale financial asset		1,490	-	1,490
Deferred tax asset	(c)	1,608	(1,608)	-
		580,904	(212,366)	368,538
Current assets				
Cash and cash equivalents		113,642	-	113,642
Trade and other receivables		40,607	-	40,607
Inventories		4,993	-	4,993
Current taxation		3,954	-	3,954
		163,196	-	163,196
Total assets		744,100	(212,366)	531,734
Equity and liabilities				
Capital and reserves				
Attributable to equity holders of the Company:				
Share capital	(d)	545,180	26,103	571,283
Contributed surplus		10,047	-	10,047
Other reserves	(e)	35,911	(36,818)	(907)
Deficit	(f)	(13,828)	(155,051)	(168,879)
		577,310	(165,766)	411,544
Non-controlling interest		2,930	-	2,930
Total capital and reserves		580,240	(165,766)	414,474
Non-current liabilities				
Deferred tax liabilities	(c)	90,083	(45,942)	44,141
Provisions	(g)	8,968	(658)	8,310
Deferred revenue		48,412	-	48,412
		147,463	(46,600)	100,863
Current liabilities				
Trade and other payables		10,784	-	10,784
Deferred revenue		4,549	-	4,549
Derivative financial liability		1,064	-	1,064
		16,397	-	16,397
Total liabilities		163,860	(46,600)	117,260
Total equity and liabilities		744,100	(212,366)	531,734

Notes to the interim condensed consolidated financial statements

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Reconciliation of equity at 30 September 2010:

	Note	Canadian GAAP US\$ '000	Effect of transition to IFRSs US\$ '000	IFRSs US\$ '000
Assets				
Non-current assets				
Mine properties and reserves	(b)	485,548	(216,954)	268,594
Other property, plant and equipment		115,590	-	115,590
Exploration and evaluation assets	(a)	2,747	7,168	9,915
Investment in associate		789	-	789
Available for sale financial asset		1,851	-	1,851
Deferred tax asset	(c)	4,692	(4,692)	-
		611,217	(214,478)	396,739
Current assets				
Cash and cash equivalents		82,768	-	82,768
Trade and other receivables		27,032	-	27,032
Inventories	(b)	9,129	(164)	8,965
Derivative financial asset		70	-	70
Current taxation		4,036	-	4,036
		123,035	(164)	122,871
Total assets		734,252	(214,642)	519,610
Equity and liabilities				
Capital and reserves				
Attributable to equity holders of the Company:				
Share capital	(d)	554,681	26,103	580,784
Contributed surplus		12,831	-	12,831
Other reserves	(e)	34,112	(36,818)	(2,706)
Deficit	(f)	(40,085)	(158,527)	(198,612)
		561,539	(169,242)	392,297
Non-controlling interest		2,525	-	2,525
Total capital and reserves		564,064	(169,242)	394,822
Non-current liabilities				
Deferred tax liabilities	(c)	90,411	(45,033)	45,378
Provisions	(g)	7,163	(367)	6,796
Deferred revenue		46,938	-	46,938
		144,512	(45,400)	99,112
Current liabilities				
Trade and other payables		21,809	-	21,809
Deferred revenue		3,867	-	3,867
		25,676	-	25,676
Total liabilities		170,188	(45,400)	124,788
Total equity and liabilities		734,252	(214,642)	519,610

Reconciliation of equity at 31 December 2010

	Note	Canadian GAAP US\$ '000	Effect of transition to IFRSs US\$ '000	IFRSs US\$ '000
Assets				
Non-current assets				
Mine properties and reserves	(b)	488,811	(217,157)	271,654
Other property, plant and equipment		126,341	-	126,341
Exploration and evaluation assets	(a)	3,306	7,325	10,631
Investment in associate		743	-	743
Available for sale financial asset		1,975	-	1,975
Deferred tax asset	(c)	1,608	(1,608)	-
		622,784	(211,440)	411,344
Current assets				
Cash and cash equivalents		57,122	-	57,122
Trade and other receivables		29,506	-	29,506
Inventories	(b)	5,733	(80)	5,653
Current taxation		3,668	-	3,668
		96,029	(80)	95,949
Total assets		718,813	(211,520)	507,293
Equity and liabilities				
Capital and reserves				
Attributable to equity holders of the Company:				
Share capital	(d)	556,771	26,103	582,874
Contributed surplus		16,662	-	16,662
Other reserves	(e)	33,209	(36,818)	(3,609)
Deficit	(f)	(56,635)	(155,436)	(212,071)
		550,007	(166,151)	383,856
Non-controlling interest		2,494	-	2,494
Total capital and reserves		552,501	(166,151)	386,350
Non-current liabilities				
Deferred tax liabilities	(c)	90,372	(44,759)	45,613
Provisions	(g)	13,752	(610)	13,142
Deferred revenue		45,794	-	45,794
		149,918	(45,369)	104,549
Current liabilities				
Trade and other payables		11,557	-	11,557
Deferred revenue		3,867	-	3,867
Derivative financial liability		970	-	970
		16,394	-	16,394
Total liabilities		166,312	(45,369)	120,943
Total equity and liabilities		718,813	(211,520)	507,293

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

Notes to the reconciliations of equity at 1 January and 30 September 2010 and 31 December 2010

- (a) Under Canadian GAAP (CGAAP) the Company recognised mineral properties at the exploration stage, development stage and production stage as deferred *exploration and development costs*. Under IFRS a distinction is made between *exploration and evaluation* assets, accounted for under IFRS 6 *Exploration and Evaluation of Mineral Resources*, and mine properties – including mines under construction and producing mines – which are accounted for in accordance with IAS 16 *Property, Plant and Equipment*. Summaries of assets at 30 September 2011 are shown in notes 6-8.
- (b) The Company has taken the IFRS 1 Business Combinations exemption, which allows them to choose an effective date from which to adopt IFRS 3 (Revised) Business Combinations (IFRS 3R). IAS 27 (Revised) Consolidated and Separate Financial Statements (IAS 27R) must also be adopted from that date. The Company has chosen to apply IFRS retrospectively to all business combinations that occurred on or after 01 June 2007.

The acquisition of a further 30% stake in Hellas Gold on 29 June 2007 has therefore been accounted for under IFRSs. Under CGAAP this was considered a business combination, with the excess of the fair value of the non-controlling interest acquired recognised as additional mine properties and reserves in the balance sheet, whereas under IFRS the transaction is an equity transaction with the Company's controlling and non-controlling interests adjusted to reflect changes in its relative interests in Hellas Gold. This results in a reduction to the carrying value of the mine properties and reserves (IFRS 3R adjustment), with cumulative translation differences that were capitalised to the mine properties and reserves under CGAAP written back and depletion that was recognised on the additional mine properties and reserves added back to the date of transition. The reduction in the value of mine properties and reserves on transition results in a corresponding decrease in the deferred tax liability relating to those assets. In the period to 30 September 2010 and the year to 31 December 2010 further depletion relating to the additional mine properties and reserves is also added back against either cost of sales or inventory depending on its previous allocation under CGAAP.

The following table reconciles all movements in mine properties and reserves on conversion to IFRS.

Mine properties and reserves 1 January 2010 Canadian GAAP:	479,370
IFRS 3R adjustment	(198,517)
Cumulative translation differences (note (e))	(15,524)
Add back of depletion	3,941
Adjustment to decommissioning liability	(658)
Reclassification as exploration and evaluation assets (note (a))	(6,189)
Total transition adjustments at 1 January 2010	(216,947)
Mine properties and reserves 1 January 2010 IFRS	262,423
Mine properties and reserves 30 September 2010 Canadian GAAP:	485,548
Transition adjustments at 1 January 2010	(216,947)
Add back of depletion 1 January 2010 to 30 September 2010 (inventory)	164
Add back of depletion 1 January 2010 to 30 September (cost of sales)	736
Adjustment to decommissioning liability	72
Reclassification as exploration and evaluation assets (note (a))	(979)
Mine properties and reserves 30 September 2010 IFRS	268,594
Mine properties and reserves 31 December 2010 Canadian GAAP	488,811
Transition adjustments at 1 January 2010	(216,947)
Add back of depletion 1 January 2010 to 31 December 2010 (inventory)	80
Add back of depletion 1 January 2010 to 31 December 2010 (cost of sales)	1,083
Adjustment to decommissioning liability	(237)
Reclassification as exploration and evaluation assets (note (a))	(1,136)
Mine properties and reserves 31 December 2010 IFRS	271,654

- (c) Under CGAAP income tax bases of certain assets were translated into US\$ using historical exchange rates. In accordance with IAS 12 income tax bases are translated using exchange rates ruling at each reporting date.

There is no deferred tax asset disclosed under IFRS since deferred tax assets are offset against the deferred tax liability where the relevant entity has a legally enforceable right to set off current assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities that intend either to settle current tax liabilities and assets on a net basis.

The deferred tax liability decreased as a result of the reduction in the value of mine properties and reserves, as described in note (b).

- (d) Under CGAAP shares issued as consideration in a business combination are valued using the average share price for a period prior to and subsequent to the announcement of the transaction, whereas under IFRS, shares are valued at their acquisition date fair value. This results in an increase of \$26,103 to share capital at transition.
- (e) The Company has taken the IFRS 1 exemption relating to cumulative translation differences, which allows them to deem the cumulative translation reserve to be zero at the date of transition. In addition to the write back of \$15,524 of cumulative translation differences on the additional mineral property the transfer of remaining cumulative translation differences to deficit reduces other components of equity by \$21,294 at transition and the Company's deficit by the same amount.
- (f) Movements in deficit between CGAAP and IFRS as at 1 January, 30 September and 31 December 2010 can be reconciled as follows:

Deficit 1 January 2010 Canadian GAAP:	13,828
Transfer of mineral property to deficit (note (b))	174,991
Add back of depletion expense (note (b))	(3,941)
Net adjustment to deferred tax	5,295
Transfer of cumulative translation differences to deficit (note (e))	(21,294)
Deficit 01 January 2010 IFRS	168,879
CGAAP loss for the 9 month period ended 30 September 2010	26,257
Add back of depletion expense (1 January 2010 to 30 September 2010)	(736)
Adjustment to decommissioning liability	219
Net adjustment to deferred tax	3,993
Deficit 30 September 2010 IFRS:	198,612

Deficit 01 January 2010 IFRS	168,879
CGAAP loss for the year ended 31 December 2010	42,807
Add back of depletion expense (1 January 2010 to 31 December 2010)	(1,083)
Adjustment to decommissioning liability	286
Net adjustment to deferred tax	1,182
Deficit 31 December 2010 IFRS	212,071

- (g) Under CGAAP a decommissioning liability was set at inception and could only be changed if the provision was increased, with only the increased portion discounted at the revised rate. Under IFRS the entire provision is discounted using a rate specific to the liability at each balance sheet date. If the rate changes the entire provision is discounted using that rate. This resulted in a decrease of \$658 in the value of the decommissioning provision at the date of transition. At 30 September 2010, the adjustment to decrease the decommissioning provision was \$365 and at 31 December 2010 an adjustment of \$610 was required to decrease the CGAAP provision.

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

Reconciliation of comprehensive income for the nine month period ended 30 September 2010:

	Note	Canadian GAAP US\$ '000	Effect of transition to IFRSs US\$ '000	IFRSs US\$ '000
Revenue		31,608	-	31,608
Cost of sales		(25,281)	-	(25,281)
Depreciation and depletion	(h)	(5,040)	736	(4,304)
Gross Profit		1,287	736	2,023
Corporate administrative and overhead expenses		(9,401)	-	(9,401)
Hellas Gold administrative and overhead expenses		(7,699)	-	(7,699)
Hellas Gold water treatment expenses (for non-operating mines)		(2,886)	-	(2,886)
Share-based compensation expense		(8,325)	-	(8,325)
Depreciation		(915)	-	(915)
Share of (loss)/ profit of associate		30	-	30
Operating (loss)/profit		(27,909)	736	(27,173)
Interest income		162	-	162
Hedge contract profit		577	-	577
Foreign exchange (loss)/ gain		(1,861)	-	(1,861)
Accretion of decommissioning liability	(i)	(94)	(219)	(313)
(Loss)/profit before tax		(29,125)	517	(28,608)
Income tax credit/(expense)	(j)	2,463	(3,993)	(1,530)
(Loss)/profit for the period after tax		(26,662)	(3,476)	(30,138)
Attributable to:				
Equity holders of the parent		(26,257)	(3,476)	(29,733)
Non-controlling interest		(405)	-	(405)
Other comprehensive income		1,502	-	1,502
Total comprehensive loss for the period attributable to equity holders of the parent		(24,755)	(3,476)	(28,231)

Reconciliation of comprehensive income for the three month period ended 30 September 2010:

	Note	Canadian GAAP US\$ '000	Effect of transition to IFRSs US\$ '000	IFRSs US\$ '000
Revenue		9,204	-	9,204
Cost of sales		(7,438)	-	(7,438)
Depreciation and depletion	(h)	(1,430)	212	(1,218)
Gross Profit		336	212	548
Corporate administrative and overhead expenses		(3,173)	-	(3,173)
Hellas Gold administrative and overhead expenses		(2,315)	-	(2,315)
Hellas Gold water treatment expenses (for non-operating mines)		(855)	-	(855)
Share-based compensation expense		(3,562)	-	(3,562)
Depreciation		(315)	-	(315)
Share of (loss)/profit of associate		(9)	-	(9)
Operating (loss)/profit		(9,893)	212	(9,681)
Hedge contract profit		183	-	183
Interest income		65	-	65
Foreign exchange (loss)/gain		6,930	-	6,930
Accretion of decommissioning liability	(i)	(31)	(67)	(98)
(Loss)/profit before tax		(2,746)	145	(2,601)
Income tax credit/(expense)	(j)	960	(997)	(37)
(Loss)/profit for the period after tax		(1,786)	(852)	(2,638)
Attributable to:				
Equity holders of the parent		(1,645)	(852)	(2,497)
Non-controlling interest		(141)	-	(141)
Other comprehensive income		(1,855)	-	(1,855)
Total comprehensive loss for the period attributable to equity holders of the parent		(3,500)	(852)	(4,352)

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

Reconciliation of comprehensive income for the year ended 31 December 2010:

	Note	Canadian GAAP US\$ '000	Effect of transition to IFRSs US\$ '000	IFRSs US\$ '000
Revenue		49,855	-	49,855
Cost of sales		(37,577)		(37,577)
Depreciation and depletion	(h)	(7,462)	1,083	(6,379)
Gross Profit		4,816	1,083	5,899
Corporate administrative and overhead expenses		(15,313)	-	(15,313)
Hellas Gold administrative and overhead expenses		(8,294)	-	(8,294)
Hellas Gold water treatment expenses (for non-operating mines)		(3,556)	-	(3,556)
Depreciation		(1,221)	-	(1,221)
Share-based compensation expense		(15,907)		(15,907)
Write down of mineral property		(590)	-	(590)
Share of (loss)/profit of associate		10	-	10
Operating (loss)/profit		(40,055)	1,083	(38,972)
Hedge contract profit		577	-	577
Interest income		306	-	306
Foreign exchange (loss)/ gain		(3,321)	-	(3,321)
Accretion of decommissioning liability	(i)	(127)	(286)	(413)
(Loss)/profit before tax		(42,620)	797	(41,823)
Income tax expense	(j)	(623)	(1,182)	(1,805)
(Loss)/profit for the year after tax		(43,243)	(385)	(43,628)
Attributable to:				
Equity holders of the parent		(42,807)	(385)	(43,192)
Non controlling interest		(436)	-	(436)
Other comprehensive income		599	-	599
Total comprehensive loss for the year attributable to equity holders of the parent		(42,208)	(385)	(42,593)

Notes to the reconciliation of profit or loss for the period ended 30 September 2010 and 31 December 2010:

- (h) Relates to the write-back off depletion on the mineral property derecognised under IFRS, (as outlined in (b) above) of which \$736 affected reported loss under CGAAP in the nine month period ended 30 September 2010 and \$1,083 for the year ended 31 December 2010.
- (i) Relates to the finance cost charge on the decommissioning liability, with an adjustment required as a result of the GAAP difference outlined in note (g) above.
- (j) Relates to adjustments to deferred tax, as discussed in (c) above.

Statement of Cash Flow for the three and nine month periods ended 30 September 2010

IFRS transition adjustments noted above did not have any impact on cash and cash equivalents. The IFRS loss for the period (as reconciled from CGAAP above) was used for cash flow calculation. Certain prior year amounts have been reclassified from statements previously presented to confirm to 2011 presentation. There is no net impact on cash and cash equivalents as a result of the presentation change.

14. Segmented report

There were no changes in the company's designation of its reporting segments in the six month period to 30 September 2011, the financial position and performance of the reporting segments as at 30 September 2011 and in the nine-month period ended 30 September 2011 is as follows:

	Greece	Romania	Turkey	Corporate	TOTAL
Assets – 30 September 2011:					
Mine properties and reserves	223,113	55,811	-	-	278,924
Property, plant and equipment	116,744	22,134	31	743	139,652
Exploration and evaluation assets	802	6,957	4,436	-	12,195
Cash	1,173	879	219	22,038	24,309
Other assets*	38,127	455	522	4,424	43,528
Segment assets	379,959	86,236	5,208	27,205	498,608
Assets – 31 December 2010:					
Mine properties and reserves	220,985	50,669	-	-	271,654
Property, plant and equipment	114,076	11,395	45	825	126,341
Exploration and evaluation assets	682	6,643	3,306	-	10,631
Cash	3,978	1,070	410	51,664	57,122
Other assets*	35,179	1,516	481	4,369	41,545
Segment assets	374,900	71,293	4,242	56,858	507,293

*Other assets consist of investments, trade and other receivables and inventories. Movements in trade payables and inventories are a direct result of timing differences between period ends.

Profit and loss – three months ended 30 September 2011:	Greece	Romania	Turkey	Corporate	TOTAL
Sales to external customers:	16,015	-	-	-	16,015
Profit/(loss) before tax	958	3,898	(123)	(14,518)	(9,785)
Tax benefit/(expense)	(1,316)	-	-	-	(1,316)
Total segment result	(358)	3,898	(123)	(14,518)	(11,101)
Profit and loss – three months ended 30 September 2010:					
Sales to external customers:	9,204	-	-	-	9,204
Profit/(loss) before tax	(5,201)	-	(10)	2,610	(2,601)
Tax benefit/(expense)	(41)	-	-	4	(37)
Total segment result	(5,242)	-	(10)	2,614	(2,638)

Notes to the interim condensed consolidated financial statements

For the three and nine month periods ended 30 September 2011

Profit and loss – nine months ended 30 September 2011:	Greece	Romania	Turkey	Corporate	TOTAL
Sales to external customers:	40,655	-	-	-	40,655
Profit/(loss) before tax	901	130	(279)	(30,707)	(29,955)
Tax benefit/(expense)	(29)	-	-	926	897
Total segment result	872	130	(279)	(29,781)	(29,058)

Profit and loss – nine months ended 30 September 2010:	Greece	Romania	Turkey	Corporate	TOTAL
Sales to external customers:	31,608	-	-	-	31,608
Profit/(loss) before tax	(11,536)	-	(10)	(17,062)	(28,608)
Tax benefit/(expense)	(1,689)	-	-	159	(1,530)
Total segment result	(13,225)	-	(10)	(16,903)	(30,138)

15. Loss per share

The calculation of the basic and diluted earnings per share attributable to holders of the Company's common shares is based as follows:

	3 months ended 30 September 2011		9 months ended 30 September 2011	
	US\$000	US\$000	US\$000	US\$000
Loss for the period	(11,345)	(2,497)	(29,257)	(29,733)
Effect of dilutive potential common shares	-	-	-	-
Weighted average number of common shares for the purpose of basic earnings per share	183,847	182,929	183,795	182,544
Incremental shares – share options	-	-	-	-
Weighted average number of shares for the purpose of diluted earnings per share	183,847	182,929	183,795	182,544

16. Post balance sheet events

Financing

On 1 October 2011, the Company announced Heads of Terms with Qatar Holding LLC for the provision of a US\$600 million 7 year Senior Secured Loan Facility ("The Facility"). The Company also proposed to offer US\$150 million of unsecured Loan Notes to certain existing shareholders on the same economic terms as the Facility. This US\$750 million debt package will provide all the required capital for the Company's current project development, with additional funding for exploration. In addition, the Company will issue 50.5 million warrants pro-rata to Qatar Holding and the subscribers to the Loan Notes. The financing package is subject to shareholder approval and the Company will be distributing the Proxy Circular and Proxy Form to shareholders shortly, with the meeting scheduled to take place in December.