MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE-MONTH ENDED 31 MARCH 2010

The following discussion and analysis, prepared as at 13 May 2010, is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial conditions of European Goldfields Limited (the "**Company**"). The following discussion and analysis should be read in conjunction with the Company's unaudited consolidated financial statements for the three-month periods ended 31 March 2010 and 2009 and accompanying notes (the "**Consolidated Financial Statements**").

Additional information relating to the Company, including the Company's Annual Information Form, is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Except as otherwise noted, all dollar amounts in the following discussion and analysis and the Consolidated Financial Statements are stated in thousands of United States dollars.

Overview

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 Company's Common Shares are listed on the AIM Market of London Stock Exchange plc and on the Toronto Stock Exchange ("**TSX**") under the symbol "**EGU**".

European Goldfields 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 will 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.

Cautionary statement on forward-looking information

Certain statements and information contained in this document, including any information as to the Company's 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 mineral 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, mineral 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 mineral 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 information under the heading "Risk Factors". 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.

RESULTS OF OPERATIONS

The Company's results of operations for the three-month period ended 31 March 2010 were comprised primarily of activities related to the results of operations of the Company's 95%-owned subsidiary Hellas Gold in Greece and the Company's exploration and development programmes in Romania and Turkey.

ROMANIA SUMMARY

Final permit approved for grant of the PUZ at Certej – The last remaining approval required for the grant of the Zonal Urbanisation Plan ("**PUZ**") relating to Certej was recently issued by the Ministry of Environment. Formal public notice of this approval has been issued in Romania. The grant of the PUZ represents a significant milestone which takes European Goldfields one step closer to production. Certej contains 2.4 million reserve ounces of gold, plus 17.3 million reserve ounces of silver, and lies in an area which was a major gold producer historically and retains considerable future potential. The Company is well advanced in the next and final substantive part of the permitting process for Certej, which is the approval of the full Environmental Impact Study.

Romanian engineering group Cepromin are contracted to produce the documentation required for submission to the Romanian state in order to obtain the Construction Permit for Certej and work is well advanced with final site investigations being undertaken in parallel with the required detailed design packages.

Mandate for Certej project finance signed – A Mandate letter was signed on the 30 March with a group of financial institutions to arrange and underwrite a US$125 million debt financing to be used to part fund the development costs of the Certej project. This has been signed on the basis of a term sheet which has been agreed between the Company and the mandate lead arrangers, each of which has received approval to proceed with the transaction through their respective initial credit processes.

This is an important further step in the development of the Certej project and in the Company's wider relationships with the debt capital markets. European Goldfields is very pleased to be working with such high quality financial institutions, all with extensive experience and excellent credentials in global mining finance.

Expansion of Certej Project team – The recent appointment of Alan Baker as Project Manager for the Certej gold-silver project in Romania is a valuable addition to the team. Alan takes responsibility for advancing the Certej project through the development process towards production using his vast experience in the mining sector. Over the past 30 years he has gained experience in project management and the design and construction of plant infrastructure and open pit operations. The build out of the Certej Project team will continue as the project progresses.

GREECE SUMMARY

Olympias project

Hellas Gold has fully depleted the surface stockpile of pyrite gold concentrate at Olympias. Sales of Olympias gold concentrate will resume once Hellas Gold receives the permits to process 2.4Mt of stockpiled tailings arising from the previous operations at Olympias and when plant rehabilitation is completed. The sales of pyrite concentrates over the past 8 quarters were as follows:

Sale of Gold-Bearing Concentrates from Existing Stockpile								
	2010 Q1	**2009 Q4**	**2009 Q3**	**2009 Q2**	**2009 Q1**	**2008 Q4**	**2008 Q3**	**2008 Q2**
Sales								
Gold concentrate (dmt)	Nil	34,182	21,734	32,134	26,832	18,566	12,710	22,479

Hellas Gold has signed an Engineering and Refurbishment Contract with the engineering group, Renewable, an engineering consultancy based in Athens. Work on the design and procurement lists for the Olympias mill and flotation plant refurbishment is well advanced in preparation for the retreatment of gold-bearing tailings. The tailings total 2.4 million tonnes grading 3.4 g/t Au and extensive test work indicates they will yield some 350,000 tonnes of gold bearing concentrate grading 20 to 23 g/t. Quotes have been received for the majority of the major equipment required for refurbishment and improvements to existing infrastructure are underway including the re-surfacing of the access road and site preparation.

Stratoni operations

The Company's cash flow positive mining operations at Stratoni continue to demonstrate European Goldfields' permitting and environmental capabilities and commitment to the highest levels of social responsibility.

Production

The Company's 95% owned subsidiary Hellas Gold mined a total of 63,294 wet tonnes in Q1 2010 (Q1 2009 – 56,892). This exceeds the budgeted production by some 11%. This was in spite of an extreme rainfall event in early February that did not materially impact either facilities or production. Hellas Gold and Aktor were the major contributors to successful efforts in assisting the local community and effected rapid repairs to both local infrastructure and dwellings. Hellas Gold's results from its operations at Stratoni for the eight most recently completed quarters are summarised in the following table:

Operational results

	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2
Inventory (start of period)								
Ore mined (wet tonnes)	1	8,097	2,293	4,010	1,778	6,489	1,003	2,816
Zinc concentrate (tonnes)	2,817	583	25	621	2,975	2,078	5,660	2,745
Lead/silver concentrate (tonnes)	824	857	2,090	1,393	488	1,294	1,238	2,213
Production								
Ore mined (wet tonnes)	63,294	57,247	57,235	60,023	56,892	70,468	69,847	73,137
Ore milled (tonnes)	47,701	63,345	50,167	60,287	52,984	73,320	63,040	73,280
- Average grade: Zinc (%)	9.90	8.64	9.10	8.87	7.85	8.80	8.82	10.37
Lead (%)	6.24	5.40	5.18	5.56	6.42	6.54	6.40	6.21
Silver (g/t)	159	140	133	141	166	167	160	155
Zinc concentrate (tonnes)	8,852	10,572	8,495	9,975	7,932	12,106	10,451	14,139
- Containing: Zinc (tonnes)	4,334	5,080	4,248	4,971	3,827	5,914	5,132	7,004
Lead concentrate (tonnes)	4,040	4,684	3,503	4,483	4,667	6,750	5,531	6,443
- Containing: Lead (tonnes)	2,727	3,143	2,376	3,060	3,129	4,434	3,726	4,201
Silver (oz)	203,914	236,621	177,650	230,106	240,366	336,336	280,305	316,354
Sales								
Zinc concentrate (tonnes)	8,830	8,338	7,937	10,571	10,286	11,210	14,033	11,224
- Containing payable: Zinc (tonnes)*	3,633	3,380	3,325	4,427	4,144	4,591	5,818	4,633
Lead concentrate (tonnes)	3,759	4,717	4,736	3,786	3,762	7,556	5,475	7,418
- Containing payable: Lead (tonnes)*	2,385	3,030	3,042	2,448	2,347	4,775	3,495	4,628
Silver (oz)*	178,184	227,661	228,574	183,452	183,504	363,205	263,464	355,298
Cash operating cost per tonne milled ($)	151	173	165	144	156	145	164	161
Cash operating cost per tonne milled (€)	110	117	116	106	119	109	109	103
Inventory (end of period)								
Ore mined (wet tonnes)	14,089	1	8,097	2,293	4,010	1,778	6,489	1,003
Zinc concentrate (tonnes)	2,839	2,817	583	25	621	2,975	2,078	5,660
Lead/silver concentrate (tonnes)	1,105	824	857	2,090	1,393	488	1,294	1,238

∗ Net of smelter payable deductions

CORPORATE UPDATE

Increase in Institutional Shareholder base – On 8 April 2010 a number of major institutional investors bought 6,684,641 common shares in the Company from Mr. Dimitrios Koutras, a Non-Executive Director of European Goldfields, in the London market at a price of £4.35 per share. This transaction reflects strong investor appetite for the Company resulting from recent progress in its permitting processes. Mr. Koutras now owns 10,408,715 common shares in the Company representing approximately 5.7% of the total issued common shares.

The shares sold by Mr. Koutras were purchased in the market in November 2008 at a time when European Goldfields needed to demonstrate the support of its management and directors. Accordingly, in selling the shares on 8 April 2010, Mr. Koutras' position in the Company reverts back to his core long term holding level in European Goldfields. The Company's management is particularly pleased that this sale has facilitated a further broadening of the Company's investor base. The Company is also pleased to report that Mr. Koutras remains fully committed to European Goldfields and expects no further reduction in his holding in the Company.

Aktor Constructions International, European Goldfields' largest shareholder with 35,447,246 common shares, or approximately 19.4% of the total issued common shares, is also fully supportive of the Company and does not have any plans to reduce its current position.

SUMMARY OF FINANCIAL RESULTS

Stratoni operations

The Stratoni mine's financial results for the eight most recently completed quarters are summarised in the following table:

Financial performance								
(in thousands of US dollars)	**2010 Q1**	**2009 Q4**	**2009 Q3**	**2009 Q2**	**2009 Q1**	**2008 Q4**	**2008 Q3**	**2008 Q2**
Sales	11,134	13,656	11,500	9,472	4,935	8,465	13,250	13,000
EBITDA	3,018	2,601	1,315	305	(3,025)	(5,233)	1,742	1,017
Gross profit	1,378	1,196	(449)	(1,561)	(4,345)	(7,060)	171	(198)
Capital expenditure	287	2,053	596	2,793	4,214	3,543	2,496	2,086
Depreciation and depletion	1,640	1,405	1,764	1,866	1,320	1,827	1,571	1,215

Base metal prices stabilised during Q1 2010 after a strong improvement throughout 2009, as prices recovered from their trough in Q1 2009, peaking at the very end of the 2009 calendar year. Therefore base metal revenues and earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the quarter ending the 31 March 2010 saw a strong improvement compared to the same period in 2009.

Reconciliation of Stratoni revenues – Q1 2010				
(in thousands of US dollars unless stated otherwise)	**Zinc**	**Lead**	**Silver**	**Total**
Payable metal	3,633t	2,385t	178,184oz	n/a
Realised price	$2,269t	$2,168t	$8.24oz	n/a
Payable metal revenue	8,244	5,171	1,469	14,884
TC/RCs	(2,735)	(647)	(160)	(3,542)
Transport recoveries/(charges)	50	8	-	58
Net revenue	5,559	4,532	1,309	11,400
Prior quarter adjustments	(92)	(147)	(27)	(266)
Total revenue	5,467	4,385	1,282	11,134

Reconciliation of Stratoni revenues – Q1 2009				
(in thousands of US dollars unless stated otherwise)	**Zinc**	**Lead**	**Silver**	**Total**
Payable metal	4,144t	2,347t	183,504oz	n/a
Realised price	$1,182t	$1,181t	$7.64oz	n/a
Payable metal revenue	4,900	2,771	1,402	9,073
TC/RCs	(3,108)	(873)	(64)	(4,045)
Transport recoveries/(charges)	(56)	(140)	-	(196)
Net revenue	1,736	1,758	1,338	4,832
Prior quarter adjustments	22	79	2	103
Total revenue	1,758	1,837	1,340	4,935

Total quarterly revenues from concentrate sales increased year on year as a result of higher prices realised. Payable metal sales were at similar levels: payable zinc decreased 12%, lead increased 2% and silver decreased 3% respectively compared to the prior year quarter; whereas realised prices showed a very strong recovery: realised prices for zinc were $2,269 per tonne, up 92%, and for lead $2,168 per tonne, up 84% compared to Q1 2009. As base metal prices stabilised during Q1 2010, prior quarter revenue adjustments yielded a negative impact for Q1 2010, compared to positive adjustments in Q1 2009. The combination of higher net smelter returns and higher realised prices compared to the prior year quarter led to an increase of 126% in payable base metal revenues.

Olympias project

Hellas Gold completed all the shipments of Olympias concentrates in Q4 2009 representing the total of the surface gold bearing concentrate stockpile.

Financial performance								
(in thousands of US dollars)	**2010 Q1**	**2009 Q4**	**2009 Q3**	**2009 Q2**	**2009 Q1**	**2008 Q4**	**2008 Q3**	**2008 Q2**
Sales	(699)	5,073	5,537	6,732	5,807	4,309	2,851	5,461
Gross profit	(699)	4,067	4,012	4,747	4,003	2,995	1,222	3,668
Depreciation and depletion	-	196	124	184	153	106	72	129

Although no sales were made in Q1 2010, final pricing adjustments to prior period sales as a result of a lower gold price incurred negative revenues of $0.7 million, compared to positive revenues of $5.8 million for the same period in 2009. Q4 2009 saw the gold price break through the $1,200 per ounce level, and some of the sales invoices finalised in Q1 2010 had to be marked down from these levels.

Consolidated results

The Company's statements of profit and loss for the eight most recently completed quarters are summarised in the following table:

Financial performance								
(in thousands of US dollars, except per share amounts)	**2010 Q1 $**	**2009 Q4 $**	**2009 Q3 $**	**2009 Q2 $**	**2009 Q1 $**	**2008 Q4 $**	**2008 Q3 $**	**2008 Q2 $**
Statement of Profit and Loss								
Sales	10,435	18,729	17,037	16,204	10,742	12,774	16,101	18,461
Cost of sales	9,756	13,466	13,474	13,018	11,084	16,839	14,708	14,991
Gross profit	679	5,263	3,563	3,186	(342)	(4,065)	1,393	3,470
Interest income	62	(163)	147	133	508	1,164	1,306	1,502
Foreign exchange gain/(loss)	1,563	88	(501)	1,719	(2,882)	(6,253)	(2,800)	(27)
Hedge contract profit	-	373	1,030	1,801	2,417	3,165	1,362	391
Share of profit/(loss) in associate	-	(3)	(187)	18	60	(3)	(66)	(36)
Expenses	8,128	11,251	5,384	4,204	3,740	5,253	6,054	5,058
Profit/(loss) before income taxes	(5,824)	(5,693)	(1,332)	2,653	(3,979)	(11,245)	(4,859)	242
Income taxes	(438)	(991)	(1,847)	(1,078)	540	17,067	(451)	644
Profit/(loss) after income taxes	(6,262)	(6,684)	(3,179)	1,575	(3,439)	5,822	(5,310)	886
Non-controlling interest	(77)	(159)	56	(136)	183	519	267	(74)
Profit/(loss) for the period	(6,339)	(6,843)	(3,123)	1,439	(3,256)	6,341	(5,043)	812
Earnings/(loss) per share	(0.03)	(0.04)	(0.02)	0.01	(0.02)	0.04	(0.03)	0.00

The Company recorded a loss before taxes of $5.8 million for the three-month period ended 31 March 2010, compared to a loss before taxes of $4.0 million for the same period of 2009. The Company recorded a net loss (after taxes and non-controlling interest) of $6.3 million ($0.03 loss per share) for the three-month period ended 31 March 2010, compared to a net loss of $3.3 million ($0.02 loss per share) for the same period of 2009.

In more detail, the following factors have contributed to the above:

- Most importantly, with the pyrite stockpile fully depleted, the Company's gold concentrate business has been suspended until the retreatment of the tailings dump at Olympias can begin. The sale of gold concentrates has been a more significant profit driver for the Company than the base metals business for the past two years. Therefore, in the three-month period ended 31 March 2010, Hellas Gold sold a total of Nil tonnes of gold bearing pyrite concentrates from Olympias, compared to 26,832 tonnes in the same period of 2009.

- There was a very positive trend for metal prices when looking at the three-month periods ended 31 March: during that period in 2010, base metal prices rallied strongly compared to low lead and zinc price levels during Q1 2009. Thus in the three months ended 31 March 2010, zinc averaged $2,307 per

tonne and lead $2,235 per tonne compared to $1,208 per tonne and $1,173 per tonne respectively for the same period in 2009. Sales of payable zinc in Q1 2010 decreased 12% compared to Q1 2009, whereas sales of payable lead increased 2% over the same period.The Stratoni mine was operating at higher mining levels in the first quarter of 2010 than in the same period of 2009, with mine production increasing 11%, although mill processing decreased 22% respectively. A large ROM stockpile at quarter end will be processed next quarter and benefits should accrue then. Higher metal grades meant that zinc metal in concentrate production increased 15%, and lead in concentrate production by 16%. Payable metal sales in Q1 2010 were in line with mill production for the quarter, with payable zinc sales of 3,633 tonnes, a 12% decrease over the same period in 2009, and payable lead sales up by 2% to 2,385 tonnes.

- Cost of sales was $9.8 million in Q1 2010, compared to $11.1 million for the same period of 2009, and included $1.6 million in depreciation and depletion expenses in 2010, compared to $1.5 million for the same period of 2009. In Q1 2010, lower production rates and lower US dollar unit operating costs reduced Stratoni cash costs of production by $1.0 million, but relative changes in concentrate stockpiles increased cash cost of sales by $1.2 million. Overall cost of sales was reduced by a further $1.6 million of lower transport costs and inventory adjustments, offset by $0.1 million of higher depreciation and depletion costs.

- As a result, the Company recorded a gross profit of $0.7 million in Q1 2010 on revenues of $10.4 million compared to a gross loss of $0.3 million on revenues of $10.7 million for the same period of 2009.

- The Company's corporate administrative and overhead expenses have increased from $1.0 million in 2009 to $2.0 million for the same period in 2010. The main element of this increase relates to additional costs following the vesting of three large tranches of RSUs in the quarter.

- The Company recorded a non-cash equity-based compensation expense of $3.6 million in Q1 2010, compared to $0.4 million for the same period of 2009. Again, the changes relate to recent new equity compensation, including the finalisation of the Special Grant in the current quarter and the ongoing portion of grants from Q4 2009. Equity-based compensation relates to options, restricted share units ("**RSUs**") and deferred phantom units ("**DPUs**"). Both RSUs and DPUs are valued by direct reference to the Company's share price, without the need for estimates to calculate the fair value of these instruments. RSUs are valued using the share price upon issuance, whilst DPUs are revalued to the Company's closing share price at the end of each reporting period. Options are valued using option valuation methodologies which require estimates to determine fair value. The Company continued a practice of recharging some of its equity-based compensation expense to its operating subsidiaries, a portion of which is capitalised by such subsidiaries.

- The Company recorded a foreign exchange gain of $1.6 million in Q1 2010, compared to a foreign exchange loss of $2.9 million in Q1 2009. These exchange differences arise as a result of changes in the US dollar values of Hellas Gold's net current assets or liabilities.

- Hellas Gold's administrative and overhead expenses amounted to $1.3 million in Q1 2010 compared to $1.1 million for the same period of 2009, primarily as a result of higher public relations costs. Hellas Gold's administrative and overhead expenses include the costs of the Athens based office and environmental and water treatment expenses not directly attributable to the Stratoni operation.

- Hellas Gold incurred an expense of $0.9 million in Q1 2010, compared to $1.0 million for the same period of 2009, for ongoing water pumping and treatment at its non-operating mines of Olympias and Madem Lakkos backfilling, in compliance with Hellas Gold's commitment to the environment under its contract with the Greek State.

- The Company recorded a charge for income taxes of $0.4 million in Q1 2010, compared to a credit of $0.5 million for the same period of 2009. All movements related to changes in future tax provisions in the Company's subsidiary Hellas Gold.

- The Company recorded a charge of $0.08 million in 2010 relating to the non-controlling shareholder's interest in Hellas Gold's profit (after tax), compared to a credit of $0.2 million for the same period of 2009.

Financial instruments

Hedging commitments – The Company enters into financial transactions in the normal course of business and in line with Board guidelines for the purpose of hedging and managing its expected exposure to commodity prices. There are a number of financial institutions which offer metal hedging services and the Company deals with highly rated banks and institutions who have demonstrated long term commitment to the mining industry. The Company has one counterparty in respect of its lead and zinc hedge contracts noted below. Market conditions and prices would affect the fair value of these hedge contracts and in certain market conditions, where the fair value of the hedge contract is positive to the Company and the counterparty were unable to honour its obligations under the hedge contract, the Company would be exposed to the value of the hedge, being the difference between the hedged price and the then current market price on the date of the settlement. The hedges below are treated as cash flow hedges in accordance with CICA 3865: Hedges.

Lead and Zinc hedging contracts – As at 31 March 2010, the Company had entered into hedging arrangements as illustrated below which, for the amount of production shown, protects the Company from decreasing prices below the floor price and limits participation in increasing prices above the cap price. The period of the hedge is from 1 April 2010 until 31 December 2010 and is cash settled on a monthly basis between the monthly average of the relevant commodity price and the cap and floor price, as applicable. As at 31 March 2010, these contracts had a fair value of $209 (2009 - $(1,064)), determined by a third party valuation using the appropriate Black-Scholes options valuation model based on the then prevailing market prices including lead and zinc prices, interest rates and market volatility.

Period April 2010 – December 2010		Lead	Zinc
Total Volume	(tonne)	4,500	5,850
Monthly Volume	(tonne)	500	650
Floor Price	($/tonne)	2,000	2,000
Cap Price	($/tonne)	2,900	2,925

During the period ended 31 March 2010, the Company recorded income relating to its hedging program of $Nil (2009 - $2,417).

Given the current maturity profile of the hedge, market expectations and parameters, we expect that the fair value of the existing hedge contracts of $209 will be released to net income within the next 12 months.

Related parties

Aktor S.A ("Aktor") Greece's largest construction Company owns 5% of Hellas Gold the Company's 95% owned subsidiary. Aktor is a 100% subsidiary of Ellaktor S.A., which owns 19.4% of the Company's issued share capital. Aktor, which is deemed a related party, contracts management, technical and engineering services to Hellas Gold.

During the period ended 31 March 2010, Hellas Gold incurred costs of $8,089 (2009 – $9,384) which have been recognised as cost of sales in the statements of profit and loss and capitalised to property, plant and equipment, for services received from Aktor. As at 31 March 2010, Hellas Gold had accounts payable of $3,110 (2009 – $9,044) to Aktor. 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 (2009 – 30 days).

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet and cash flows for the eight most recently completed quarters are summarised in the following table:

(in thousands of US dollars, except per share amounts)	**2010 Q1 $**	**2009 Q4 $**	**2009 Q3 $**	**2009 Q2 $**	**2009 Q1 $**	**2008 Q4 $**	**2008 Q3 $**	**2008 Q2 $**
Balance sheet (end of period)								
Cash	101,836	113,642	124,112	142,728	153,995	170,296	192,456	205,908
Working capital	129,143	144,899	146,158	171,185	176,319	192,675	208,609	216,822
Total assets	737,871	744,100	749,870	753,196	757,206	766,095	775,369	796,537
Non current liabilities	145,520	145,563	153,882	153,544	154,882	155,727	183,881	185,897
Statement of cash flows								
Cash flows from operating activities	(4,275)	(4,589)	2,865	(7,733)	(2,923)	883	(6,421)	(609)
Investing activities	(4,251)	(6,851)	(22,793)	(6,167)	(10,674)	(11,672)	(5,030)	(9,271)
- Plant and equipment	(2,513)	(4,101)	(20,649)	(3,450)	(8,953)	(12,998)	(2,971)	(3,065)
- Deferred exploration and development costs	(1,738)	(2,440)	(2,137)	(2,600)	(1,481)	(2,837)	(2,007)	(1,798)
- Other	-	(310)	(7)	(117)	(240)	4,163	(52)	(4,407)
Financing activities	-	1,692	-	80	558	(10)	-	54
Effect of foreign exchange on cash	(3,280)	(722)	1,312	2,553	(3,262)	(6,229)	(2,233)	152
Total movement in cash	(11,806)	(10,470)	(18,616)	(11,267)	(16,301)	(17,028)	(13,384)	(9,674)

As at 31 March 2010, the Company had cash and cash equivalents of $101.8 million, compared to $113.6 million as at 31 December 2009, and working capital of $129.1 million, compared to $144.9 million as at 31 December 2009. The Company has sufficient capital for its needs until all the permits to construct its new mines are received, at which point additional capital will be required. The Company is confident that the bank debt and capital markets have sufficient liquidity to provide any additional capital it may require to bring its project portfolio into production.

The decrease in cash and cash equivalents as at 31 March 2010, compared to the balances as at 31 December 2009, resulted primarily from changes in working capital balances ($6.6 million), the effect of foreign currency translation on cash ($3.3 million), capital expenditure in Greece ($1.8 million), deferred exploration and development costs in Romania ($1.3 million), corporate capital expenditure ($0.7 million), deferred development costs in Greece ($0.3 million) and deferred exploration costs in Turkey ($0.2 million), offset by operating cash flow ($2.3 million).

The following table sets forth the Company's contractual obligations including payments due for each of the next five years and thereafter:

			Payments due by period *(in thousands of US dollars)*		
Contractual obligations	**Total**	**Less than 1 year**	**2 – 3 years**	**4 – 5 years**	**After 5 years**
Operating lease (London office)	1,290	162	638	490	-
Operating lease (Athens office)	945	140	280	280	245
Outotec OT – Processing Plant	3,363	3,363	-	-	-
Total contractual obligations	5,598	3,665	918	770	245

The Company's contractual obligation with Outotec relates to the contract to supply the large technology services for its Skouries project.

In 2010, the Company expects to spend a total of $65 million in capital expenditures to fund the development of its project portfolio. This amount comprises $3 million at its existing operation at Stratoni to upgrade the mill and mining equipment, $25 million at Olympias as part of the refurbishment of the mine and process plant, and $5 million at Skouries as the Company expects to continue to spend on engineering studies. At Certej, the Company expects to spend $31 million as it progresses through the final stages of environmental permitting, and advances through the basic and detailed engineering phases. In addition to its capital expenditure programme, the Company expects to spend $16 million in exploration over the wider licence areas in Greece, Romania and Turkey, $9 million on Hellas Gold administrative and overhead and water treatment expenses, and $12 million on corporate administrative and overhead expenses. The Company expects to fund all such costs from existing cash balances and operating cash flow generated from its Hellas Gold operations.

OUTSTANDING SHARE DATA

The following represents all equity shares outstanding and the numbers of common shares into which all securities are convertible, exercisable or exchangeable:

Common shares:	182,831,046
Common share options:	5,069,164
Restricted share units:	882,602
Less: Issued to JOE plan	(500,000)
Common shares (fully-diluted):	188,282,812
Preferred shares:	Nil

NON GAAP PERFORMANCE MEASURES

The Company uses certain performance measures in its analysis. Some of these performance measures have no meaning within Canadian GAAP and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

Cash operating cost per tonne milled is a Non-GAAP measure which the Company uses as a key performance indicator, which reflects the fact that it is a key performance measure that Stratoni mine management uses to monitor operating performance. The Stratoni ore body produces three saleable products, being zinc lead and silver. Using a measure which focuses on actual cost of the production process rather than a measurement of cost per product eliminates distortions resulting from grade mined or realised metal prices, and provides a real indication of cost management compared to tonnage processed. Management uses these statistics to assess how well the Company's producing mine is performing compared to plan and to assess overall efficiency and effectiveness of the mining operation.

The Company provides this cash cost information as it is a key performance indicator required by users of the Company's financial information in order to assess the Company's profit potential and performance relative to its peers. The cash cost figure represents the total of all cash costs directly attributable to the related mining and processing operations without the deduction of any credits in respect of by-product sales. Cash cost is not a GAAP measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers. Cash operating cost per tonne milled is a measure denominated in Euros, and therefore, when stated in US dollars, will be affected by changes in the Euro – US dollar exchange rate.

The following table reconciles cash operating cost per tonne to cost of sales as disclosed in our income statement for the most recent 8 quarters:

(in thousands of US dollars)	**2010 Q1 $**	**2009 Q4 $**	**2009 Q3 $**	**2009 Q2 $**	**2009 Q1 $**	**2008 Q4 $**	**2008 Q3 $**	**2008 Q2 $**
Milled production (dmt)	47,701	63,345	50,167	60,287	52,984	73,320	63,040	73,280
Cash operating cost per tonne milled (€)	110	117	116	106	119	109	109	103
Cash operating cost per tonne milled ($)	151	173	165	144	156	145	164	161
Cash cost of production	7,221	10,948	8,288	8,687	8,278	10,609	10,346	11,831
Movement in concentrate inventory	(109)	(916)	1,080	(175)	(1,300)	368	893	423
Cash cost of sales - Stratoni	7,112	10,032	9,368	8,512	6,978	10,977	11,239	12,254
Amortisation and depletion	1,640	1,601	1,888	2,050	1,473	1,933	1,643	1,344
Concentrate transport costs	1,004	1,833	2,218	2,666	2,423	2,977	1,565	1,664
Inventory write-down/adjustments	-	-	-	(210)	210	952	261	(271)
Cost of sales	9,756	13,466	13,474	13,018	11,084	16,839	14,708	14,991

Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") is a Non-GAAP measure which the Company uses as an indicator of the cash generation. For each operation, it is calculated as gross profit adjusted for all depreciation, depletion and amortisation charges as presented under Canadian GAAP.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**"), which assumes the Company will be able to realise assets and discharge liabilities in the normal course of business for the foreseeable future. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern and reflect the following critical accounting estimates.

Deferred exploration and development costs – Acquisition costs of resource properties, together with direct exploration and development costs incurred thereon, are deferred and capitalised. Upon reaching commercial production, these capitalised costs are transferred from exploration properties to producing properties on the consolidated balance sheets and are amortised into operations using the unit-of-production method over the estimated useful life of the estimated related ore reserves.

The proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involved the study geological, geophysical and economic data and the reliance on a number of financial and technical assumptions. The estimates of the reserves may be subject to change based on new information gained subsequent to the initial assessment. This 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. A total of $415 for Q1 2010 (2009 - $601) was charged to the income statement in relation to depletion of mineral properties, which were subject to these estimates. If actual reserves prove to be significantly different from current estimates, a material change to amounts charged to earnings could occur. A total of $483,036 of mineral properties was stated on the balance sheet that are subject to these estimates now and in the future.

Long-lived assets – All long-lived assets and intangibles held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognised based on the fair value of the assets. Under Canadian GAAP, a fall in metal prices is one of a number of factors in whether long-lived assets are subject to impairment. In such circumstances, management would prepare future cash flow forecasts to establish whether any actual impairment had occurred. These estimates are based on future expectations, and a number of assumptions and judgments made by management, the same as those required for the estimation of reserves. Current metal prices do not suggest there has been any impairment on any of the Company's long-lived assets. If such an impairment were to occur, this could result in a material charge to earnings. A total of $483,036 of mineral properties was stated on the balance sheet that are subject to this estimation process.

Long-lived assets are depreciated against operations using the unit-of-production method over the estimated useful life of the estimated related ore reserves. As stated above, the determination of reserves is dependent upon the reliance on a number of financial and technical assumptions, which may be subject to change. If actual reserves prove to be significantly different from current estimates, a material change to amounts charged to earnings could occur.

Asset retirement obligation – The fair value of the liability of an asset retirement obligation is recorded when it is legally incurred and the corresponding increase to the mineral property is depreciated over the life of the mineral property. The future costs of retirement obligations are estimated by management based upon knowledge of the cost of these activities and a number of assumptions and judgments are made by management in their determination. These estimates are regularly reviewed for reasonableness and any changes to the original cost estimate reflected in the asset retirement obligation liability. The liability is

adjusted over time to reflect an accretion element considered in the initial measurement at fair value and revisions to the timing or amount of original estimates and drawdowns as asset retirement expenditures are incurred. As at 31 March 2010, the Company had an asset retirement obligation relating to its Stratoni property in Greece amounting to $7,101 (2009 - $6,967) subject to these estimates. A total of $136 for Q1 2010 (2009 - $105) was charged to the income statement in relation to asset retirement obligation, which were subject to these estimates. A significant change to either the estimated future costs or to reserves could result in a material change to amounts charged to earnings.

***Equity-based compensation* –** The Company operates a share option plan, an RSU plan and a DPU plan. The Company accounts for equity-based compensation granted under such plans using the fair value method of accounting. Under such method, the cost of equity-based compensation is estimated at fair value and is recognised in the profit and loss statement as an expense, or capitalised to deferred exploration and development costs when the compensation can be attributed to mineral properties. The Company uses the Black-Scholes option pricing model to estimate fair values of share options granted, and uses the market price of common shares to determine fair value of RSUs granted and DPUs issued. 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. In relation to DPUs, the trend of cost charged or credited to income statement relates directly to the fluctuation in the Company's share price. A total of $3,635 for Q1 2010 (2009 - $428) was charged to the income statement in relation to equity-based compensation, which were subject to these estimates.

***Future taxes* –** The Company uses the asset and liability method of accounting for future income taxes. Under this method, current income taxes are recognised for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognised for temporary differences between the tax and accounting bases of assets and liabilities, calculated using the currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Future income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings, which are subject to assumptions on the future tax rates and recoverability of any tax losses. Should these estimates change, the carrying value of income tax assets or liabilities may change, and consequently the charge or credit to the income statement. A total charge of $427 for Q1 2010 (2009 - $540 credit) to the income statement in relation to future income taxes, which were subject to these estimates.

SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS") - In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that IFRS will replace Canadian GAAP for publicly listed companies, for interim and annual financial statements relating to fiscal years beginning on or after 1 January 2011, including comparative figures for the prior years. In April 2008, the AcSB issued for comment its Omnibus Exposure Draft, Adopting IFRS in Canada. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators.

The Company intends to transition to IFRS on 1 January 2011, and will file its first interim financials under IFRS for the quarter ended 31 March 2011. The IFRS compliant financial statements will include reconciliations for the quarter as well as reconciliations as at the 1 January 2010 transition date. The Company has identified four phases to its conversion process:

- Design and planning,
- Detailed assessment and quantification of differences under IFRS
- Implementation
- Post implementation.

Design and planning

During the design and planning phase, the Company focused on ensuring that the correct skills were available and on the longer term planning to ensure the smooth transition to IFRS. This commenced in Q2 2008, when the Company established a project management team which included members of the finance function at the subsidiary level, who were already experienced in the preparation of IFRS accounts. Other team members were provided with IFRS training. In addition, the Company's finance function already had some IFRS experience from the preparation of a detailed reporting pack under IFRS on a quarterly basis for its major shareholders. This IFRS pack includes accounting adjustments for all material differences between IFRS and Canadian GAAP, with the exception of IFRS 1. During Q3 2008, the Company also undertook a preliminary IFRS diagnostic report which included an initial assessment of key accounting areas where IFRS differs to Canadian GAAP and which could possibly have a significant impact on the financial statements. The report also outlined the key systems and processes which would be affected by the conversion process, namely internal control over financial reporting as well as disclosure controls and procedures. Concluding the planning and design phase, the Company also established a preliminary timeline for key milestones and deliverables to be reported to the audit committee on an ongoing basis.

Detailed assessment and quantification of differences under IFRS

In Q4 2008, the Company moved to the next phase of its IFRS conversion process, by initiating an appropriate review and assessment of all accounting differences under IFRS standards, with particular focus on IFRS 1. This included a detailed assessment of all fixed assets throughout the Group to identify assets where a different treatment is required under IFRS. This assessment also identified the following areas where there are potential differences between IFRS and Canadian GAAP which may effect the Company, as described below:

- *Business combinations*

  Date of acquisition

  Under IFRS, when shares of the acquirer are issued to the seller as payment of the purchase price, the fair value will be based on the share price on the date that control of the subsidiary was acquired. Canadian GAAP requires the fair value to be based on the announcement date share price.

  Acquisition related costs

  Under IFRS, transaction costs are fully expensed on acquisition whereas Canadian GAAP allows these transaction costs to be recognised as part of the acquisition.

Minority Interest

Under IFRS, a non controlling interest is recorded according to its share of the fair value of assets and liabilities of the acquired entity. Minority interest is recorded at the historical carrying value of the assets and liabilities of the acquired entity.

- *Consolidations*

  Under IFRS, changes in ownership in interests, after control is obtained and do not result in a loss of control are accounted for as equity transactions, while under Canadian GAAP these changes are accounted for as step acquisitions using purchase accounting.

- *Exploration for and evaluation of mineral resources*

  IFRS provides a specialised statement with regards to extractive industry in respect of the exploration for and evaluation of mineral resources, which separately identifies and accounts for pre-exploration, exploration and evaluation and development expenditure and are classified as either tangible or intangible assets according to their nature. Canadian GAAP does not have a single accounting standard for exploration and evaluation activities and there is no requirement either to separately identify and account for pre-exploration, exploration and evaluation and development expenditure, or to separate between tangible and intangible assets.

- *Property, plant and equipment*

  Under IFRS, where a component of property, plant and equipment has a significant cost in relation to the cost of the item as a whole, it must be separately depreciated. This policy applies in Canadian GAAP but in practice a higher threshold of materiality is applied.

- *Foreign currency translation*

  Under IFRS, the functional currency concept is used to determine the measurement of foreign currency translation. This is based on the currency of the primary economic environment in which the entity operates. In determining foreign currency translations, Canadian GAAP makes use of self-sustaining and integrated operations with a different hierarchy of indicators.

- *Impairment of assets*

  Under IFRS, a one-step approach for both testing and measuring impairment, in which discounted cash flows are compared to the carrying values of the assets. Canadian GAAP requires a two-step approach for impairment testing in which the Company must first compare undiscounted cash flows to the carrying value and determine whether an impairment exists. Only if the cash flows are below carrying values, the Company would then be required to discount the cash flows to calculate the impairment.

- *Rehabilitation provisions*

  Under IFRS, rehabilitation provisions include both legal and constructive obligations. Canadian GAAP only requires recognition of the liability only once legally bound. The accretion expense under IFRS is presented as an interest expense, whereas Canadian GAAP does not prescribe any presentation for asset retirement obligation accretion. The discount rate under Canadian GAAP is based on the current credit-adjusted, risk free rate for any upward adjustments, and the original credit adjusted risk free rate for downward adjustments. IFRS requires the use of a current pre-tax discount rate which must be updated at the end of reporting period.

- *Share-Based payments*

  Canadian GAAP requires that the fair value of share-based awards with graded vesting be recognised on a straight-line basis over the entire vesting period. Under IFRS, each tranche of an award is considered a separate grant with separate vesting dates and each are accounted for separately.

- *Income taxes*

  Under IFRS, a deferred tax asset or liability is recognised for exchange loss or gains relating to foreign non-monetary assets and liabilities that are re-measured into functional currency using historical rates. There is no such requirement under Canadian GAAP.

This assessment took place during Q1 2009 and was further developed during the rest of 2009 along with additional in-depth training to members of the project management team as well as attendance of seminars relating to IFRS changeover. This process was extended to the finance departments of the group, in particular looking at the possibilities of converting local accounts and reporting to IFRS. The project team also identified and made an initial assessment of the various elections the Company is required to make with regards to IFRS 1 which was presented to the group auditors BDO Dunwoody LLP Q3 2009.

During Q4 2009, the Company changed its group auditors to Ernst & Young LLP ("E&Y"), and a new IFRS implementation plan was drawn up with them. This new plan was designed to allow the Company to finalise its required elections under IFRS 1 after the 2009 audit under Canadian GAAP had been completed. This also included E&Y performing its own independent work to confirm the Company's assessment process.

During Q1 2010, the Company continued with its plan set out with E&Y in order to meet the objective of establishing opening IFRS balances as at 1 January 2010, which would act as the opening position for the 2010 comparatives to the 2011 financial year for which IFRS reporting. The Company has also agreed on the following timetable with E&Y, with regards to the remainder of 2010:

- During Q2 2010, a roll forward and finalisation of impact assessment (including quantification of differences), which had been carried by the Company to date and ensure that this has included all current IFRS updates,
- Sign off on all technical papers prepared by the Company as well as on IFRS 1 choices and exemptions, including additional financial statement disclosures, by the end of Q2 2010.
- Preparation of skeleton IFRS financials for 2010, in Q3 & Q4 2010.
- Ongoing work relating to Group reporting pack modification, as well as IFRS implementation by subsidiaries that have elected to implement IFRS in their jurisdictions.
- Completion of all IFRS work relating to IT and systems by the end of Q3 2010.

The audit committee will continue to be reported to on a timely basis on progress of the implementation process and achievement of the timetable as set out above.

RISKS AND UNCERTAINTIES

Current Global Conditions – Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the Company's Common Shares could be adversely affected.

Market price volatility – The trading price of the Common Shares may be subject to large fluctuations. The trading price of the Common Shares may increase or decrease in response to a number of events and factors, some of which are directly related to the Company's success and some of which are not directly related to the Company's success and are therefore not within the Company's control. Such events and factors include: the price of gold and other metals, the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Common Shares or the shares of other companies in the mineral resource sector, changes in general economic conditions, the number of the Common Shares to

be publicly traded after an offering, the breadth of the public market for the Common Shares, the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors, developments that affect the market for all mineral resource sector shares, and the attractiveness of alternative investments.

The effect of these and other factors on the market price of the Common Shares on the exchanges in which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future. A decline in the market prices of the Company's securities could also impair the Company's ability to raise additional capital.

In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted against the Company, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

Dilution – The Company may require additional funds to fund exploration and development programs and potential acquisitions. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial amounts of Common Shares, or the availability of such Common Shares for sale, could adversely affect the prevailing market prices for the Company's securities.

No dividends – The Company has never paid cash dividends on the Common Shares. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends on the Common Shares for the foreseeable future. Furthermore, the Company may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in Common Shares in the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Company's board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Foreign country risk – Any changes in regulations in Greece, Romania or Turkey, 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 Greece, Romania or Turkey of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Romania, Greece or Turkey will not be imposed in the future.

Current economic and fiscal difficulties involving Greece could result in a sovereign debt default and could negatively impact economic, political and social stability. This situation is still uncertain but the IMF and Eurozone member states have finalised a financial support mechanism for Greece. The Company still believes this situation is not specifically or directly relevant to its assets in the country, however it may deteriorate and thus negatively impact the Company.

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. 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.

Unless otherwise indicated, mineral resource and mineral reserve figures presented herein are based upon estimates made by company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. There can be no assurance that: these estimates will be accurate, mineral reserves, mineral resources or other mineralisation figures will be accurate, or this mineralisation could be mined or processed profitably.

Mineralisation estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

The mineral reserve and mineral resource estimates contained herein have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold and silver may render portions of the Company's mineralisation uneconomic and result in reduced reported mineralisation. Any material reductions in estimates of mineralisation, or of the Company's ability to extract this mineralisation, could have a material adverse effect on the Company's results of operations or financial condition.

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 mineral resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

Mining involves various types of risks and hazards, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, seismic activity, flooding, fires, periodic interruptions due to inclement or hazardous weather conditions, variations in grade, deposit size, density and other geological problems, mechanical equipment performance problems, unavailability of materials and equipment including fuel, labour force disruptions, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and unanticipated transportation costs.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, loss of key employees, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Where considered practical to do so, the Company maintains insurance against risks in the operation of its business in amounts which it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by its insurance policies. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse affect on the financial position of the Company.

Capital and Operating Cost risks – The Company's forecasts, feasibility studies and technical reports are based on a set of assumptions current as at the date of completion of these forecasts and studies. The realised operating and capital costs achieved by the Company may differ substantially owing to factors outside the control of the Company, including currency fluctuations, supply and demand factors for the equipment and supplies, global commodity prices, transport and logistics costs and competition for human resources. Though the Company incorporates a level of contingency in its assumptions, these may not be adequate depending on market conditions

***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.

Market Prices

- ***Mineral and Commodity prices –*** The Company's profitability and long-term viability depend, in large part, upon the market price of gold and other metals and minerals produced from the Company's properties. The market price of gold and other metals is volatile and is impacted by numerous factors beyond the Company's control, including: expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and certain other currencies, interest rates, global or regional political or economic conditions, supply and demand for jewellery and industrial products containing metals, costs of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and producers of gold and other metals in response to any of the above factors.

  There can be no assurance that the market price of gold and other metals will remain at current levels or that such prices will improve. A decrease in the market price of gold, silver and other metals could adversely affect the profitability of the Company's existing mines, which would have a material adverse effect on the Company's financial condition and results of operations. A decline in the market price of gold, silver, or other metals, may also require the Company to write-down its mineral reserves which would have a material and adverse affect on its earnings and profitability.

- ***Currency fluctuations –*** Gold and other metals are sold throughout the world principally in United States dollars. Further, the capital markets in which the Company would have access to for financing (debt and equity), are predominantly denominated in United States Dollars. The Company's capital and operating costs for its European projects are incurred principally in Euros. As a result, any significant and sustained appreciation of the Euro against the U.S. dollar may materially increase the Company's costs and reduce revenues. The Company does not currently use any derivative products to manage or mitigate any foreign exchange exposure.

- ***Interest Rate Fluctuations –*** The Company currently has no debt, but as part of its strategy going forward may incur project debt to complete the development of certain of the Company's assets. This would introduce interest rate risk to the Company as its borrowing cost will fluctuate with interest rates over which the Company has no control.

- ***Counterparty Credit Risk*** - The Company's credit risk is primarily attributable to trade receivables from concentrate sales to our offtakers and on cash balances and short term investments with the Company's bankers. Though the Company is selects its offtakers considering their credit standing and diversifies this risk by selling to a number of different offtakers, however, there is a risk that should these offtakers not perform the Company will not realise its trade receivables. The majority of the Company's cash and cash equivalents are on deposit with banks or money market participants with a Standard and Poors rating of at least A.

Exploration, development, mining and other licences – The Company's current operations, including further exploration, development and mining activities, require certain licenses, concessions, leases, permits and regulatory consents (the "**Authorisations**") from various levels of governmental authorities. The Company may also be required to obtain certain property rights to access, or use, certain of its properties in order to proceed to development. There can be no assurance that all Authorisations which the Company requires for the conduct of mining operations will be obtainable on reasonable terms or in a timely manner, or at all, that such terms may not be adversely changed, that required extension will be granted, or that the issuance of such Authorisations will not be challenged by third parties. Delays in obtaining or a failure to obtain such Authorisations or extension thereto, challenges to the issuance of such Authorisations, whether successful or unsuccessful, changes to the terms of such Authorisations, or a failure to comply with the terms of any such Authorisations that the Company has obtained, could have a material adverse impact on the Company.

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 are 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.

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.

Tax matters – The Company believes that it is, and intends to take all necessary steps to remain, resident solely in Canada for income tax purposes. The Company's tax residency is, however, affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If ever the Company were to cease to be tax resident in Canada, it would be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this could have a material adverse effect on the Company's business, financial condition and results of operations. Further, the income tax consequences to holders of Common Shares would be different from those applicable if the Company were resident in Canada.

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 expects 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.

Competition – The international mining industry is highly competitive. The Company's ability to acquire properties and add mineral reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter competition from other mining companies in its efforts to hire experienced mining professionals. Competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. Competition for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays or both.

Conflicts of Interest – Certain directors of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnership or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors may conflict with the interests of the Company. Directors of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Legal Proceedings – the Company is a party to the legal proceedings described under the heading "Legal Proceedings". If decided adversely to the Company, these legal proceedings, or others that could be brought against the Company in the future which are not now known, for example, litigation based on its business activities, environmental laws, volatility in its stock price or failure to comply with its disclosure obligations, could have a material adverse effect on the Company's financial condition or operations.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Executive Chairman and the Chief Financial Officer of the Company (the "**Certifying Officers**") have established and maintained in the period ended 31 March 2010 disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**IFCR**") for the Company.

The Certifying Officers have caused DC&P, as defined in National Instrument 52-109 ("**NI 52-109**"), to be designed under their supervision, to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to the Certifying Officers by others within those entities, as appropriate, to allow decisions regarding required disclosure within the time periods specified by legislation, particularly during the period in which interim and annual filings are being prepared.

The Certifying Officers have evaluated the effectiveness of the Company's DC&P as at 31 March 2010. Based upon that evaluation, the Certifying Officers have concluded that the DC&P are adequate and effective for the period ended 31 March 2010.

The Certifying Officers have caused internal control over financial reporting, as defined in NI 52-109, to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

As of 31 March 2010 the Certifying Officers assessed the effectiveness of the Company's internal control over financial reporting. Based upon that evaluation, the Certifying Officers concluded that the internal controls and procedures are adequate and effective for the period ended 31 March 2010.

During the period ended 31 March 2010, there has been no change in the Company's internal control over financial reporting that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Certifying Officers believe that disclosure controls and procedures and internal control systems can only provide reasonable assurance, and not absolute assurance, that such objectives are met.