For Immediate Release 19 March 2009

EUROPEAN GOLDFIELDS LIMITED

RESULTS FOR 2008

STRONG BALANCE SHEET, NO DEBT

STRONG PRODUCTION PERFORMANCE

CERTEJ COMPLETES FEASIBILITY STUDY- NEW MINING PERMIT AWARDED

19 March 2009 - European Goldfields Limited (AIM: EGU / TSX: EGU) ("**European Goldfields**" or the "**Company**") today reports its results for the financial year ended 31 December 2008.

Financial highlights:

- Sales of $60 million reflecting lower metal prices
- Operating profit of $5.6 million
- Working capital of $193 million
- Profit (after tax) of $5.5 million
- Capex of $37 million underwrites future projects
- Greek corporate tax rate reduced to 20%

Operational highlights:

- Stratoni: Mine production up 26% versus 2007. Focus on cost reduction and productivity efficiencies
- Skouries: Continued progress on engineering - mill shells and other major components ready for shipment
- Olympias: Continued sale of gold concentrates - submission of EIS for re-treatment of tailings
- Certej: Definitive Feasibility Study completed, life of mine extended - new mining permit awarded - permitting process well advanced

Corporate highlights:

- European Goldfields added to S&P/TSX Composite Index
- Chairman increases personal shareholding
- Cameron Mingay and Martyn Konig appointed as Non-Executive Directors
- Joint Venture in Turkey with Ariana Resources underway
- Total project reserves now exceed 10 million ounces of Gold

Commenting on the results, David Reading, Chief Executive Officer of European Goldfields, said: *"We continue to build a successful European mining company. Despite the market downturn during 2008 we made significant progress during the year in project development in Greece and permitting in Romania. With the proven support of our partners and stakeholders, excellent infrastructure and a strong and growing reserve base, we are delivering robust projects through a realistic and phased development programme. Though we are benefiting from the falling costs of building our mines, we remain focused on preserving*

our substantial cash balances and continuing to develop our business into a mid-tier mining group. In summary the company is well positioned to overcome the current down turn and grow our business. This position is endorsed by our significant capital spend in 2008 and our strong balance sheet."

Conference Call & Webcast - European Goldfields will host a conference call on **Thursday 19 March 2009 at 10:00 a.m. ET / 2:00 pm (London, UK time)** to update investors and analysts on its results.
Participants may join the call by dialing the following numbers, approximately 10 minutes before its start.

- **From North America:** (toll free) 1 866 793 4279
- **From the UK, Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Sweden & Switzerland:** +44 (0)20 8609 1435 or (toll free from the UK) 0808 109 1498
- **Participant pass code:** 887754#

*A **live audio webcast** will be available on: http://mediaserve.buchanan.uk.com/webcasts/room8audio/lrframes.htm*

*A **replay of the webcast** will be available on:http://mediaserve.buchanan.uk.com/webcasts/eg190309/lrframes.htm*

SELECTED FINANCIAL DATA

Year ended 31 December		
(in thousands of US dollars, except per share amounts)	**2008 $**	**2007 $**
Statement of profit and loss		
Sales	60,044	86,405
Gross profit	5,647	43,787
(Loss)/Profit before income tax	(11,599)	33,435
Income taxes	16,639	(5,217)
Profit after income tax	5,040	28,218
Non-controlling interest	479	(5,019)
Profit for the period	5,519	23,199
Earnings per share	0.03	0.16

(in thousands of US dollars)	**31 December 2008 $**	**31 December 2007 $**
Balance sheet		
Working capital	192,675	226,431
Total assets	766,095	782,131

European Goldfields' audited consolidated financial statements and management's discussion and analysis for the years ended 31 December 2008 and 2007 are filed on SEDAR at www.sedar.com.

Annual revenues fell as a direct result of the fall in zinc and lead prices during 2008, particularly in the second half of the year. From July 2008, the Company's lead hedging programme became effective and generated income of US$4.9 million for the year. Working capital declined as the Company continued its capital expenditure programmes at its operating mine and development projects.

Capex of $37 million underwrites future projects

European Goldfields spent $37 million in 2008 on its portfolio of projects, which underlines its commitment to bringing its project pipeline into production. The new underground infrastructure at Stratoni is almost complete, which is expected to yield further operating and efficiency benefits from mid 2009. At Skouries, the fabrication of the SAG and ball mills by Outotec made significant advances, along with the basic engineering and project design, which will allow the project to be fast tracked upon the receipt of permits. During the year, the company completed its feasibility study on the Certej project and has subsequently increased its life to 16 years. All the Company's development projects now have a project lives of 16 to 20 years and competitive cash costs compared to the global gold industry.

Greek corporate tax rate reduced to 20%

In September 2008, the Greek Government enacted new legislation reducing corporate tax rates from 25% in 2009 to 20% in 2014 by 1% per annum. The Company was therefore required to restate its future tax liability arising from its Greek Mineral Properties using the new lower forecast tax rates. This resulted in a reduction of the future tax liability by $17.6 million, which was recognised in the income statement as a credit to current tax in Q4 2008. This change in future tax rates will also reduce the total tax burden on its Greek operations and development projects by almost 20%.

CORPORATE ACTIVITY

Highlights:

- Chairman increases personal shareholding
- Added to S&P/TSX Composite Index
- New Non-Executive Directors
- Joint Venture finalised with Ariana Resources
- Total project reserves exceed 10 million ounces of Gold

In the last quarter of 2008 Mr Dimitrios Koutras, Non-Executive Chairman of European Goldfields, made purchases in the London market such that he now owns 17,408,715 common shares in the company amounting to approximately 9.7% of total issued common shares.

The Company was also pleased to have been added to the S&P/TSX Composite Index on 24 March 2008 and to have welcomed two new Non-Executive Directors in Cameron Mingay and Martyn Konig.

Cameron Mingay, age 56, is a senior partner in the Cassels Brock & Blackwell LLP, Securities Group. Cam's diverse practice covers the areas of securities, corporate, mergers, acquisitions and divestitures, and natural resource law. He also sits on the Boards of Directors of Allied Nevada Gold Corp. and Silver Bear Resources Inc.

Martyn Konig, age 51, has 27 years experience in investment banking and the commodity markets. Since 2005, Mr. Konig has served as Chief Executive Officer of Blackfish Capital, including managing the Blackfish Capital Resources Fund, a hedge fund focused on small/mid cap mining companies. He has extensive experience in the natural resource sector, acting as CEO from 2004-2008 of AIM listed Latitude Resources Limited, a mining investment company, prior to which he held senior management roles in resource finance and commodity trading operations at various international investment banks. Mr. Konig was a main Board Director of NM Rothschilds and Sons Ltd. for 15 years and held senior positions

at Goldman Sachs and UBS. He is a Barrister and Fellow of the Chartered Institute of Bankers, as well as a Non-Executive Director of TSX listed Western Goldfields Inc.

In April 2008 the Company finalised its previously announced Joint Venture ("JV") with Ariana Resources plc (AIM: AAU) ("Ariana"). The JV involves the development of Ariana's properties in north-eastern Turkey, which include the Ardala copper-gold porphyry and 15 other licences covering a total area of 229km². The company has been active within Turkey since June 2008.

The increase in gold reserves at Certej to 2.41 million ounces resulted in total project gold reserves now exceeding 10 million ounces.

STRATONI OPERATIONS (GREECE)

Highlights:

- Production up by 26% versus 2007
- Metal concentrate sales increased by 12%
- Record process plant performance
- Focus on productivity efficiencies and cost reduction

Production up by 26% versus 2007

The Stratoni mine consists of a lead-zinc-silver deposit and lies approximately four km from the coastal town of Stratoni in northern Greece. The Company's 95%-owned subsidiary Hellas Gold mined a total of 271,660 wet tonnes in 2008 (2007 - 214,875). Hellas Gold completed 30 shipments in 2008 (2007 - 26). This translates into an increase of 12% in tonnes of base metal concentrates sold. Sales from Stratoni were as follows:

	2008	2007
Production		
Ore mined (wet tonnes)	271,660	214,875
Sales		
Zinc concentrate (tonnes)	44,838	38,152
- Containing payable: Zinc (tonnes)*	18,496	15,891
Lead concentrate (tonnes)	22,321	23,123
- Containing payable: Lead (tonnes)*	14,086	14,963
Silver (oz)*	1,077,550	1,172,234
Inventory (end of period)		
Ore mined (wet tonnes)	1,778	-
Zinc concentrate (tonnes)	2,975	1,689
Lead/silver concentrate (tonnes)	488	49

* Net of smelter payable deductions

On average, mined and processed lead and zinc grades in 2008 have been 1.0% and 0.8% respectively lower than reserve grades reflecting the high degree of accuracy of the geological model. In 2008, zinc and lead concentrates sales increased by 18% and reduced by 4% respectively.

In the current metal price and general economic environment, Hellas Gold will postpone any further ramp up in production levels until an improvement in metal prices is sustained. Therefore, Stratoni mine production is expected to remain at current levels, resulting in mine production of approximately 300,000 wet metric tonnes for 2009. This approach optimises the overall cost base at the mine and focuses on the achievement of operating efficiencies with the current levels of manpower. The operation also benefits from its lead hedge programme which in 2009 has put options over 7,200 tonnes of lead at a price of $2,500 per tonne.

Record process plant performance

Plant throughput was an annual record of 263,453 dry tonnes for 2008. During August, a monthly record of 34,095 dry tonnes at almost 1,200 per day was achieved. This represented equivalent annualised throughput of over 400,000 tpa during the period of full production. Zinc and lead metal recoveries are being maintained over budget at a consistent 92%. The new on-stream analyser will continue to optimise the metallurgical performance of the operation.

Focus on efficiencies and development to ramp up production

Ore production rates from underground have steadily increased from an average of 885 tonnes per day in 2007 to 1,100 tonnes per day in 2008, and the mine now operates effectively at over 1,200 tonnes per day. The 2009 mine budget focuses on productivity efficiencies and cost reduction.

The Decline connected during the year and the Upper Adit is 64% complete and expected to connect mid 2009 to complete the main Mavres Petres infrastructure. This will improve efficiencies and facilitate future ramp ups in production due to improved access, ventilation and supply facilities.

The Decline has also enabled trialling of 'larger', more productive stopes and these layouts are to be extended to suitable additional lower areas of the orebody.

Second accesses from the Main Internal Ramp to an additional number of levels are being prioritised in 2009 to provide more mining faces enhancing both production and flexibility.

The Company is currently in the final stages of concluding a new and revised mining contract for 2009 that delivers unit cost reductions to the mine.

Long term tailings strategy

The fine and coarse tailings disposal strategy has been successfully implemented during 2008. A key part of that strategy is the commissioning and successful operation of the filter presses for dewatering fine tailings and water treatment plant sludge for dry storage. Coarse tailings are disposed of underground as part of backfilling activities reducing the required surface disposal volumes by 65%. Fine tailings fraction and associated water residues are filter pressed to produce dry cake for surface storage at significantly reduced volumes.

Safety development

The Safety Department commenced working towards compliance with ISO18000 and intends to formally apply for review in 2009 and full accreditation in 2010.

Continued commitment to the environment and the community

Hellas Gold's responsibility to both the environment and local community continues with the full implementation of the tailings plan noted above. The backfilling programme has substantially reduced the ingress of water to historical workings and reduced the volume of contaminated water generated. The new water treatment plant at Stratoni will provide greater capacity for the process plant as well as operational efficiencies. The new facility will treat water from Mavres Petres, allowing the existing plant to treat water from Madem Lakkos. The company also commenced a programme to enable 'small business starts', the first being a plant nursery near Olympiada village.

Stratoni exploration

Exploration completed on the western and down-dip extensions of the Mavres Petres orebody is expected to add to reserves at least replacing what was mined in 2008. Final figures will be published in the near future.

SKOURIES PROJECT (GREECE)

Highlights:

- Fabrication of long lead time equipment - SAG and Ball mill shells finished
- Continued progress on engineering

The Company's Skouries gold-copper project is located 35 km by road from the Stratoni port in northern Greece. Skouries is situated on a high plateau with no habitation in the immediate vicinity. The project is currently at the development stage. Skouries is a typical gold-copper porphyry deposit that forms a near-vertical pipe. The project has reserves of 3.9 million ounces gold and 800Kt copper. The orebody will be extracted by open pit and underground mining methods. The revenue stream will be through production of Gold doré from gravity concentration as well as the sale of Copper-Gold concentrates.

Fabrication of long lead time equipment

Hellas Gold signed a contract for €36m with Outotec Minerals OY ("Outotec") for the supply of a large technology and services package for Skouries.

Outotec has already delivered a basic engineering package to Hellas Gold for the grinding mills, flotation equipment, process control and paste thickeners. The Basic Engineering has subsequently been developed and advanced by Outotec and the appointed engineer for the project, the Athens based contractor ENOIA. Fabrication of the SAG and ball mills are well advanced with the mills shells, gear boxes, liners and motors all ready for shipment. The remaining components are on schedule for ex works delivery in the third quarter of 2009.

Continued progress on engineering

Orders for the long lead items outside of Outotec's scope are being prepared by, ENOIA, and include a primary crusher, pebble crushers, transformers and switch gear. Detailed fabrication engineering drawings for the flotation tank cells are well advanced in readiness for order placement. Offers for fabrication of those cells in Greece have been received and are under evaluation with the intention of placing orders by year end.

ENOIA are currently optimising the overall project lay out and coordinating project activities both within and outside of Outotec's scope, which includes design and procurement. This work is being managed by a team consisting of both Hellas Gold and European Goldfields personnel.

The Greek civil engineering company, MHXME S.A, has been appointed to carry out the civil design of the Skouries Project. Kion Architects of Athens have been appointed to provide the architectural designs for the project. Greek geotechnical consultants Omicron Kappa have completed the detailed design of the open pit and submitted their engineering work for the roads network, both of which are being reviewed.

OLYMPIAS PROJECT (GREECE)

Highlights:

- Continued gold concentrate sales
- Submission of EIS for re-treatment of tailings

The Company's Olympias project consists of a polymetallic (gold, lead, zinc and silver) deposit located 8 km north of the Stratoni mine. At present Hellas Gold is selling gold

concentrates from the existing stockpile on the property and is pursuing applications for the relevant permits to resume mining. Hellas Gold plans to resume underground mining operations at Olympias after the necessary permits are awarded.

Continued sales of gold concentrates

The Olympias project benefits from an existing stockpile of gold-bearing pyrite concentrates which represented, at 31 December 2008, a reserve of approximately 101,000 tonnes grading 23.5 g/t gold (containing approximately 75,000 oz of gold), in addition to tailings containing 238,000 oz of gold and substantial underground reserves of gold, lead, zinc and silver.

Hellas Gold completed 34 shipments of Olympias concentrates in 2008 (2007 - 47). This translates into 63,533 in tonnes of pyrite concentrates sold. Sales of pyrite concentrates were as follows:

	2008	2007
Sales		
Gold concentrate (dry tonnes)	63,533	79,554

In the latter half of 2008 shipments of gold concentrate were disrupted by industrial action at the port of Thessaloniki, which restricted the availability of containers for use in concentrate shipments. Matters have subsequently improved and in January 2009, more concentrate was shipped than in all of the fourth quarter of 2008 due to the Company's successful sourcing of containers and a normalization of industrial relations at the port.

Total of 313,000 oz of gold reserves still located on surface

In addition to the stockpile of gold concentrates, Hellas Gold plans to process 2.4Mt of stockpiled tailings arising from the previous operations at Olympias, which will produce approximately 350,000 tonnes of concentrates (containing 238,000 oz of gold), and resume underground mining operations at Olympias producing more gold bearing pyrite concentrates for sale to existing and new off-take purchasers.

Olympias benefits from extensive mining and plant infrastructure already in place, including a concentrator plant, a shaft down to a depth of 400 metres below surface and a port facility nearby at Stratoni. The International contractor Outotec Minerals OY inspected the facilities in July 2007 and concluded that the plant could be brought back into efficient operation quickly and at relatively modest cost.

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

Submission of EIS for re-treatment of tailings

Mine schedules, plant refurbishment plans and cost studies for the second phase of the Olympias project approach completion. In Q2 2008 the company submitted an Environmental Impact Study ("EIS") to allow the early processing of existing tailings, which will produce additional gold concentrate and allow the rehabilitation of a significant area of the Olympias valley. It is planned that this re-processing will commence in parallel with refurbishment of the plant lines for run of mine production and the necessary underground development to recommence production in Phase Two. The Company has received expressions of interest for the detailed design phase from Greek engineering companies, which are currently being evaluated pending the outcome of the Olympias EIS application.

PERMITTING PROCESS - SKOURIES AND OLYMPIAS

The Company continues to receive the support of the Greek Ministry of Development for its Business Plan and its preliminary environmental impact study ("PEIS"). The business plan

focuses on a phased approach to the development of the Skouries gold-copper porphyry deposit and the Olympias gold-lead-zinc-silver deposit. The principal revenue stream in the early phases will be through the sale of concentrates. The Company's current plan is to develop Olympias in two phases to allow refurbishment of existing infrastructure and the subsequent construction of new gold processing facilities in the brownfield Stratoni area. Skouries will initially be mined as a low strip open pit operation, followed by highly productive underground mining.

As reported previously, approval of the PEIS had been delayed due to specific delays relating to ministerial input into the final report. This affected a large number of projects, public and private, in Greece. Progress has continued and the remaining administrative procedures to finalise approval are in process. A site visit by a team of specialists from the Ministry of Culture took place in early October and it is not anticipated that this visit will elicit any new concerns. The political situation in Greece is widely reported and has slowed all decision making, but the Company remains confident of a positive outcome. It has not been advised of any specific delays or new issues. The administrative process has proven lengthier than first anticipated due to a scale of project development that has not been permitted before. Previous permits issued in Greece were all for individual projects, not a business plan.

Approval of the PEIS by the Ministry of Environment will be expressed as a Project Pre-Approval from the Greek State with an invitation to the Company to submit its final EIS to allow public consultation. On approval of the EIS, the environmental permits for Skouries and Olympias will be issued.

The Company will then submit to the Greek government a final technical report on the Skouries and Olympias projects, which will restate the principles of the business plan and take into account any conditions detailed in the environmental permit. The mining permits are expected to be issued on approval of the technical report by the Greek government.

EXPLORATION IN GREECE

The completion of processing the airborne geophysical survey carried out in late 2007 has revealed four new zones of conductive rocks with electromagnetic ("EM") signatures typical for massive sulphides such as the known mineralisation at Stratoni, Olympias and Piavitsa. All the zones are located within the northern part of Hellas Gold's permit area in Greece, where marble units host polymetallic massive sulphide. The new zones are distinct from any known mineralisation and represent some 20 kilometres of potential strike. Each anomalous area will now be investigated in the field with mapping, geochemistry and possibly follow-up ground geophysics in order to define future drill targets.

The EM survey had already successfully confirmed an anomaly extending eight kilometres of strike at the Piavitsa massive sulphide target. Two kilometres of this strike length have massive sulphide drill intercepts which correspond exactly with the EM anomaly.

In total, the EM survey has now identified or confirmed a total of 28 kilometres of conductive anomalies, some of which host known mineralisation. To put this in context, the massive sulphide reserves at Stratoni and Olympias have a strike extent totalling two kilometres.

In addition, the magnetic component of the survey has already identified a 17 kilometre by six kilometre belt of porphyry intrusives over which a three dimensional model has been completed defining two other major targets. Follow-up reconnaissance mapping on the ground has confirmed the presence of porphyry style mineralisation.

A number of drill sites have good access through existing roads, which will allow some drilling to take place in the coming months. An EIS has been prepared to allow access to drill the remaining sites later in 2009.

CERTEJ PROJECT (ROMANIA)

Highlights:

- Definitive Feasibility Study completed.
- Updated Mining Permit - permitting process now advanced
- Life of mine extended to 16 years
- Project progresses to basic and detailed engineering phases
- New licences awarded covering approximately 450 square kilometres

Feasibility studies completed and mining permit updated **-** Deva Gold completed a Technical Feasibility Study ("**TFS**") for its Certej project that was accepted by the National Agency for Mineral Resources ("**NAMR**") in July 2008 which means that the company was issued with a modified mining permit and can mine the deposit.

Detailed technical and economic studies on Certej culminated with a Definitive Feasibility Study announced on 23 July 2008). This was further updated to incorporate an optimisation of the tailings facility sites and additional reserves defined from in-pit lower-grade material and existing dumps, announced in January 2009.

The following table summarises the key project indices:

Reserves			
Tonnes	Years 1-11.5	2.8Mt	0g/t Au, 11.4 g/t Ag
	Years 11.5-16	4.1Mt	64 g/t Au, 11.7 g/t Ag
Strip Ratio	Years 1-11.5	3.1	
Annual Throughput		3Mt	
Overall Gold Recovery		81%	
Overall Silver Recovery		74%	
Life of Mine		16 years	
Production			
	Years 1-3	Years 1-11.5	
Average gold production, oz pa	172,000	155,000	
Average silver production, oz pa	720,000	816,000	
Costs			
	€million	**€million**	
Capital	Initial	Sustaining	
	133.4	**47.4**	
Cash Costs*	US$370/oz Au*		

** Net of silver by-product credits at $7.50/oz*		
Financial		
Post tax IRR		21.3%

Project returns have increased slightly, as the increase in the sustaining capital costs has been offset by the extension in the life of the mine, improved foreign exchange factors and slightly reduced initial capital costs.

The Company was pleased to report that the project continues to be on track for permitting. We have concluded that key technical milestones can be achieved and that a fully viable development of the project can now be established within key operational criteria.

Coffey Mining (formerly RSG Global Consulting Pty Ltd) completed a pit optimisation and pit design study, which included a geotechnical drilling programme designed by Golder Associates. The study resulted in a better conversion from resources to reserves and confirmed that the deposit will be mined with an open pit strip ratio of 3.1:1.

The project will involve the mining and processing of 3.0 million tonnes of ore per annum over an open life of 11 and a half years. The open pit is expected to yield approximately 160,000 oz of gold and 820,000 oz of silver per year in doré, reflecting an average total process recovery of 81% for gold and approximately 75% for silver. Thereafter, the plant will be fed for a further five years at the same throughput rate by material previously stockpiled from the open pit or historic dumps.

The metallurgical process involves the production of a gold and silver-bearing concentrate followed by the production of gold and silver bullion in doré on site by means of the Albion Process. The Albion Process is a combination of ultra-fine grinding of concentrates and oxidative leaching at atmospheric pressure. The liberated gold and silver is then recovered as doré by the conventional Carbon in Leach (CIL) process.

Following on from recommendations made by Aker Solutions the company carried out further work in-house, principally comprising optimising the process plant location, investigating alternative lower costs plant vendors, more fully utilising local contracting services and obtaining more competitive rates for local inputs, which significantly reduced the capital cost estimate.

The residues from the flotation and gold plants will be disposed of in two separate but adjoining tailings management facilities (TMFs), which are ideally located and designed for this project. The EIS confirms that the Certej project and its TMFs will have a negligible impact on the local water streams, flora and fauna. Golder Associates have completed the design and cost study for the TMFs. The location of the two TMFs is in the same valley as the mine and plant, which results in only a single water catchment area and principality for the entire Certej project.

Mine life now 16 years

New probable reserves have been defined extending the total Certej project mine life to 16 years. The reserves are from lower grade material within the existing open pit design and contained by historic dumps adjacent to the Certej deposit and can be summarised as follows:

Description	Category	Tonnes	Au g/t	Au	Ag g/t	Ag

				ounces		ounces
In-pit lower grade material	Probable	7,829,226	0.72	181,200	14.0	3,524,000
Dumps	Probable	6,320,190	0.53	107,700	8.9	1,802,000
Total	Probable	14,149,416	0.64	288,900	11.7	5,326,000

The existing open-pit design was optimised at a gold price of $450 per troy ounce and, whilst the pit forms a natural limit to the mineralisation, there is material within the pit shell that becomes economic at a gold price of $650 per ounce. In the previous mine plan this rock reported to the waste heap.

Drilling and channel sampling of historic dumps situated around the deposit has also defined new resources and reserves. Much of the material would have to be moved to make space for the planned Certej open-pit.

The rock dump and the in-pit lower-grade materials will be stockpiled and fed through the mill after the full grade ore from the pit has been treated in the first 11 and a half years of the life.

The 0.3 million ounces Au and 5.3 million ounces Ag reserves were estimated using mining costs defined in the Certej definitive feasibility study published in September 2008 with an additional cost for re-handling taken into account.

Total reserves at Certej are summarised below:

Description	**Category**	**Million Tonnes**	**Au g/t**	**Au million oz**	**Ag g/t**	**Ag million oz**
Existing Reserve	Probable	32.8	2.01	2.12	11.4	12.0
New Reserve	Probable	14.1	0.64	0.29	11.7	5.3
Total	Probable	46.9		2.41		17.3

Project progresses to basic and detailed engineering phases

The Company has now advanced the process plant design into Basic Engineering phase, which after a rigorous evaluation procedure was awarded to Aker Solutions. This will be carried out with the local engineering company Cepromin. The Company has also contracted Xstrata Technology Ltd in respect of the engineering of the Albion process section of the plant.

Permitting process well advanced

In September 2008 NAMR approved the TFS for the project recognising the quality of the work invested into the Certej project by Deva Gold. The NAMR also confirmed the official approval and registration of the project's resources and reserves. This completed all the approvals required for the project from NAMR and was a very significant step forward in the development of the project, as it effectively updates the mining permit and allows the reserve as outlined in the TFS to be mined.

In February 2008, the Company completed the Environmental Impact Study (the "**EIS**") to develop the Certej project. This has subsequently been revised to incorporate the improvements to the project described previously. This will be submitted to the Romanian environmental authorities in Timisoara in the early part of 2009.

The EIS addresses the proposed increase in mine production at Certej and the processing of the ore on site. The EIS has been carried out over a 12-month period in order to accumulate all the required base line data during the different seasons. The EIS is a detailed multi-discipline study comprising over 2,000 pages subdivided into a number of volumes assessing the environmental, social and health impacts of the project on the mine area.

The EIS was prepared with the contribution of several Romanian institutes of international reputation, namely the National Institute of Research and Development for Industrial Ecology (ECOIND), the National Institute of Research and Development for Environment Protection (ICIM), the Technical University of Construction Bucharest and the Babes-Bolyai University of Cluj. The EIS was prepared to the regulatory framework established by Romanian and EU legislation.

The environmental permitting process is now well advanced and its successful conclusion will allow for construction and full scale operation of the project. As part of that process, Deva Gold received an updated Urbanisation Certificate from Hunedoara County Council, renewing that issued in October 2006. The new Urbanisation Certificate, which incorporates all the modifications to the project since 2006, is valid until 2010 and can be extended further. The award of this new certificate, which legally confirms the designated land use of the project site, again demonstrates the continued support of the Romanian authorities for the development of the Certej project. This confirmation of Certej as a designated industrial mining area also clearly attests to the local community's support for the project.

The permitting process is now in its final stages. Deva Gold has also submitted a Zonal Urbanisation Plan ("**PUZ**") to the relevant Romanian authorities. Deva Gold has advanced the planning procedures for this next step, the PUZ approval, including public meetings with the affected local communities, and has received almost all the constituent approvals required from various official bodies. The remaining significant approval in the PUZ process is an environmental approval to be issued locally through the Timisoara office of the Ministry of Environment; the process for which is well underway.

The Company expects to be able to announce the dates for the remaining public hearings for the PUZ process in the near future.

Following the approval of the PUZ, the EIS will also then be subject to the last requirement for public consultation prior to the issuance of the environmental permit. These are the final approvals required for the construction and operation of the plant, the tailings design and other related infrastructure.

EXPLORATION IN ROMANIA

The Company has acquired two new prospecting licences totalling some 454 square kilometres. The licences cover two distinct areas. The first area forms a westward extension to the Company's existing group of licences centred on Certej. This western extension covers some 317 square kilometres and is adjacent to the well-known Brad mines, which have produced as much as 20 million ounces of gold according to historic records, and were operated by the Romanian state until 2006. Deposits in this geological terrain include examples of disseminated gold, porphyry mineralisation as well as the more prolific and higher grade epithermal deposits. The Company has also acquired raw data from an airborne magnetic and radiometric geophysical survey which covers much of the area and will begin processing this data in early 2009.

The second area covers some 137 square kilometres and includes the Deva copper gold porphyry and the Muncel-Vetel massive sulphide deposits. The Deva porphyry was operated by the Romanian state owned mining company between 1950 and 2001. During this time it produced some 19 million tonnes of ore at a grade of 0.7% copper. Gold grades were not recorded systematically throughout the mine life but are indicated to be approximately 0.5 g/t gold. The porphyry is defined to a depth of 800 metres and is one of a series of intrusives within a volcanic complex, which is completely under explored. The Muncel-Vitel area hosts known copper, lead and zinc mineralisation in a series of stacked massive sulphide horizons recorded as being Volcanogenic Massive Sulphides (VMS) type. The mineralisation has been

traced along more than 5 kilometres of strike length and the area has never been investigated with modern techniques.

European Goldfields plans to commence reconnaissance mapping, geochemical and geophysical surveying and sampling of these exciting and highly prospective areas early in 2009. This will be the first time that modern techniques have been applied to much of the area acquired and the Company will capitalise on its knowledge of porphyry and epithermal deposits gained from our previous work on the Tethyan belt of central and southeast Europe within Greece, Romania and Turkey.

EXPLORATION IN TURKEY

In April 2008 the company entered into a joint venture (JV) with Ariana Resources plc (Ariana) with respect to mineral properties in the Eastern Pontide area of northeast Turkey.

Significant progress has been made both in assessing the properties within the JV and in identifying new areas for acquisition following seven months of exploration.

Mapping and lithological sampling of the advanced Ardala porphyry target has delineated the extents of the various porphyry types and alteration phases. This work has confirmed that porphyry mineralisation continues to the south of the previously recognised outcrops. Modelling of the newly discovered zone is now complete and drill testing will commence in mid 2009.

Sampling and mapping work on the other JV concessions is ongoing together with the generative programme that has so far identified several prospective areas for new ground acquisition. A regional geological model for the Eastern Pontides Belt of Turkey is being produced.

The Company continues to look for new opportunities in Turkey and the exploration team has conducted a number of exploration site visits to various portfolios, properties and deposits, both within the JV area of interest and elsewhere in Turkey.

Documents to be sent to shareholders

Copies of the Company's Annual Report, Management's Discussion and Analysis and Consolidated Financial Statements for the year ended 31 December 2008, and copies of the Notice of Meeting and Management Proxy Circular for the Annual Meeting of Shareholders of the Company to be held on 20 May 2009, will be sent to Shareholders and filed on SEDAR at www.sedar.com

About European Goldfields

European Goldfields Limited is a resource company involved in the acquisition, exploration and development of mineral properties in Greece, Romania and South-East Europe.

Greece - European Goldfields holds a 95% interest in Hellas Gold S.A. Hellas Gold owns three major gold and base metal deposits in Northern Greece. The deposits are the polymetallic operation at Stratoni, the Olympias project which contains gold, zinc, lead and silver, and the Skouries copper/gold porphyry project. Hellas Gold commenced production at Stratoni in September 2005 and started selling an existing stockpile of gold concentrates from Olympias in July 2006. Hellas Gold is applying for permits to develop and build the Skouries and Olympias projects.

Romania - European Goldfields owns 80% of the Certej gold/silver project in Romania. In July 2008, the National Agency of Mineral Resources approved the technical feasibility study in support of its permit application and issued a new mining permit for the Certej project.

For further information please contact:

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Resources & reserves parameters

For additional information on the resource and reserve estimates quoted in this news release, please refer to the Company's Resources & Reserves Declaration at www.egoldfields.com/goldfields/resources.jsp. Patrick Forward, General Manager, Exploration of the Company, was the Qualified Person under Canadian National Instrument 43-101 responsible for reviewing the disclosure of resource and reserve estimates quoted in this news release.

Forward-looking statements

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 resources, the timing and amount of estimated future production, costs and timing of development of new deposits, permitting time lines and expectations regarding metal recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: changes in the price of gold, base metals or certain other commodities (such as fuel and electricity) and currencies; uncertainty of mineral reserves, resources, grades and recovery estimates; uncertainty of future production, capital expenditures and other costs; currency fluctuations; financing and additional capital requirements; the successful and timely permitting of the Company's Skouries, Olympias and Certej projects; legislative, political, social or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; the speculative nature of gold and base metals exploration and development, including the risks of diminishing quantities or grades of reserves; the risks normally involved in the exploration, development and mining business; and risks associated with internal control over financial reporting. For a more detailed discussion of such risks and material factors or assumptions underlying these forward-looking statements, see the Company's Annual Information Form for the year ended 31 December 2007, filed on SEDAR at www.sedar.com. 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.

European Goldfields Limited

Financial Statements
(Audited)

31 December 2008 and 2007

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of European Goldfields Limited are the responsibility of management and have been approved by the Board of Directors of the Company. The consolidated financial statements include some amounts that are based on management's best estimate using reasonable judgment.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorised, assets safeguarded and proper records are maintained.

The Audit Committee of the Board of Directors has met with the Company's external auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by BDO Dunwoody LLP, Chartered Accountants, and their report follows.

(s) David Reading	(s) Timothy Morgan-Wynne
David Reading	Timothy Morgan-Wynne
Chief Executive Officer	Chief Financial Officer

Auditors' Report o the Shareholders of European Goldfields Limited

We have audited the balance sheets of European Goldfields Limited as at 31 8 and 2007 and the statements of profit and loss, other comprehensive income, equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether these consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(s) BDO Dunwoody LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 18, 2009

European Goldfields Limited

Consolidated Balance Sheets

As at 31 December 2008 and 2007

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

	Note	2008 $	2007 $
Assets			
Current assets			
Cash and cash equivalents		170,296	218,839
Accounts receivable	6	20,057	20,408
Hedge contract	17	10,282	-
Current taxes receivable		3,820	4,935
Future tax assets		2,004	2,178
Prepaid expenses		1,414	2,834
Inventory	7	3,069	2,110
		210,942	251,304
Non current assets			
Plant and equipment	8	74,401	48,776
Deferred exploration and development costs	9		
Greek production stage mineral properties		26,652	29,199
Greek exploration stage mineral properties		403,907	402,155
		430,559	431,354
Romanian exploration stage mineral properties		45,187	38,285

	Note		
Turkish exploration stage mineral properties		456	-
		476,202	469,639
Investment in associates	10	2,075	-
Restricted investment		-	4,900
Other financial assets	17	-	882
Future tax assets	11	2,475	6,630
		766,095	782,131
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	16,263	9,977
Current taxes payable		-	12,718
Future tax liabilities	11	3,496	-
		19,759	22,695
Non current liabilities			
Future tax liabilities	11	90,294	109,943
Asset retirement obligation	13	6,937	6,805
Deferred revenue	14	58,496	65,344
		155,727	182,092
Non-controlling interest		2,874	3,341
Shareholders' equity			
Capital stock	15	538,316	537,275

Contributed surplus	15	7,788	5,997
Accumulated other comprehensive income	15	43,676	38,295
Deficit		(2,045)	(7,564)
		587,735	574,003
		766,095	782,131

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

Approved by the Board of Directors

(s) Timothy Morgan-Wynne (s) Jeffrey O'Leary
Timothy Morgan-Wynne, Director Dr Jeffrey O'Leary, Director

European Goldfields Limited
Consolidated Statements of Profit and Loss
For the years ended 31 December 2008 and 2007
(in thousands of US Dollars, except per share amounts)

	Note	2008 $	2007 $
Income			
Sales		60,044	86,405
Cost of sales		(48,424)	(37,546)
Depletion of asset retirement obligation		(442)	(526)
Depreciation and depletion		(5,531)	(4,546)
Gross profit		5,647	43,787
Other income			
Hedge contract profit		4,918	-
Interest income		5,729	6,588
Foreign exchange (loss)/gain		(6,406)	3,904
Share of loss in equity investment		(105)	-
		4,136	10,492
Expenses			
Corporate administrative and overhead expenses		4,859	4,296
Equity-based compensation expense		2,900	1,798
Hellas Gold administrative and overhead expenses		7,620	9,827
Hellas Gold water treatment expenses (non-operating mines)		5,188	4,315
Accretion of asset retirement obligation	13	133	124
Amortisation		682	484
		21,382	20,844
		(11,599)	33,435

	Note		
(Loss)/Profit for the year before income taxes			
Income taxes	11		
Current taxes		(1,454)	7,712
Future taxes		(15,185)	(2,495)
		(16,639)	5,217
Profit for the year before non-controlling interest		5,040	28,218
Non-controlling interest		479	(5,019)
Profit for the year		5,519	23,199
Earnings per share	24		
Basic		0.03	0.16
Diluted		0.03	0.15
Weighted average number of shares (in thousands)			
Basic		179,566	148,245
Diluted		181,223	150,100

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

European Goldfields Limited
Consolidated Statements of Equity
As at 31 December 2008 and 2007
(in thousands of US Dollars, except per share amounts)

	Capital Stock $	**Contributed Surplus $**	**Accumulated Other Comprehensive Income $**	**Deficit $**	**Total $**
Balance - 31 December 2006	246,890	7,135	4,276	(30,763)	227,538
Equity-based compensation expense	-	2,488	-	-	2,488
Shares issued for equity financing	130,059	-	-	-	130,059
Shares issued as consideration for acquisition	161,425	-	-	-	161,425
Share issue costs	(4,777)	-	-	-	(4,777)
Restricted share units vested	2,646	(2,646)	-	-	-
Share options exercised or exchanged	1,032	(980)	-	-	52
Movement in cumulative translation	-	-	33,137	-	33,137

adjustment					
Change in fair value of cash flow hedge	-	-	882	-	882
Profit for the year	-	-	-	23,199	23,199
	290,385	(1,138)	34,019	23,199	346,465
Balance - 31 December 2007	537,275	5,997	38,295	(7,564)	574,003
Equity-based compensation expense	-	2,788	-	-	2,788
Share issue costs	(10)	-	-	-	(10)
Restricted share units vested	973	(973)	-	-	-
Share options exercised or exchanged	78	(24)	-	-	54
Change in fair value of cash flow hedge	-	-	5,904	-	5,904
Movement in cumulative translation adjustment	-	-	(523)	-	(523)
Profit for the year	-	-	-	5,519	5,519
	1,041	1,791	5,381	5,519	13,732
Balance - 31 December 2008	538,316	7,788	43,676	(2,045)	587,735

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

European Goldfields Limited **2008** **2007**

Consolidated Statements of Cash Flows

For the years ended 31 December 2008 and 2007

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

	Note	2008 $	2007 $
Cash flows from operating activities			
Profit for the year		5,519	23,199
Share of loss in equity investment		105	-
Foreign exchange loss		6,368	6,391

Amortisation		3,336	2,482
Equity-based compensation expense		3,001	1,798
Accretion of asset retirement obligation	13	133	124
Current taxation		(1,454)	7,712
Future taxes		(15,185)	(2,495)
Non-controlling interest		(479)	5,019
Deferred revenue recognised		(6,399)	(3,738)
Depletion of mineral properties		3,398	3,075
		(1,657)	43,567
Net changes in non-cash working capital	19	2,004	(8,247)
Taxation paid		(10,326)	-
		(9,979)	35,320
Cash flows from investing activities			
Deferred exploration and development costs – Romania		(6,096)	(5,735)
Plant and equipment – Greece		(26,181)	(21,606)
Deferred development costs – Greece		(2,489)	(2,347)
Deferred development costs – Turkey		(429)	-
Investment in subsidiary		(14)	-
Purchase of land		(2,705)	-
Purchase of equipment		(173)	(127)
Further acquisition in Hellas Gold		-	(9,972)
Restricted investment		4,900	(557)
Investment in associates		(2,694)	-
		(35,881)	(40,344)
Cash flows from financing activities			
Proceeds from equity financing		-	130,059

Deferred revenue	3,563	64,389
Proceeds from exercise of share options	54	52
Share issue costs	(10)	(7,153)
	3,607	187,347
Effect of foreign currency translation on cash	(6,290)	1,929
(Decrease)/Increase in cash and cash equivalents	(48,543)	184,252
Cash and cash equivalents – Beginning of year	218,839	34,587
Cash and cash equivalents – End of year	170,296	218,839

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

	2008 $	**2007 $**
Profit for the year	5,519	23,199
Other comprehensive income in the year		
Currency translation adjustment	(523)	33,137
Change in fair value of cash flow hedge	5,904	882
Comprehensive income	10,900	57,218

European Goldfields Limited

Notes to Consolidated Financial Statements
For the years ended 31 December 2008 and 2007
(in thousands of US Dollars, except per share amounts)

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 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".

***Greece* -** The Company holds a 95% interest in Hellas Gold S.A ("**Hellas Gold**"). Hellas Gold owns three major gold and base metal deposits in Northern Greece. The deposits are the polymetallic operation at Stratoni, the Olympias project which contains gold, zinc, lead and silver, and the Skouries copper/gold porphyry project. Hellas Gold commenced production at Stratoni in September 2005 and commenced selling an existing stockpile of gold concentrates from Olympias in July 2006. Hellas Gold is applying for permits to develop the Skouries and Olympias projects.

***Romania* -** European Goldfields owns 80% of the Certej gold/silver project in Romania. In July 2008, the National Agency of Mineral Resources approved the technical feasibility study in support of its permit application and issued a new mining permit for the Certej project.

The underlying value of the deferred exploration and development costs for mineral properties is dependent upon the existence and economic recovery of reserves in the future, and the ability to raise long-term financing to complete the development of the properties.

For the coming year, the Company believes it has adequate funds available to meet its corporate and administrative obligations and its planned expenditures on its mineral properties.

2. Basis of Presentation

These 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. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

3. Significant accounting policies

These consolidated financial statements reflect the following significant accounting policies.

***Basis of consolidation* -** Business acquisitions are accounted for under the purchase method and the results of operations of these businesses are included in these consolidated financial statements from the acquisition date. Investments in associates over which the Company has significant influence are accounted for using the equity method.
These consolidated financial statements include the accounts of the Company and the following subsidiaries:

Company	**Country of incorporation**	**Ownership**
Deva Gold (Barbados) Ltd	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
Hellas Gold B.V.	Netherlands	100% owned
European Goldfields Deva SRL	Romania	100% 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	60.86% owned
Greek Nurseries SA	Greece	50% owned
Macedonian Copper Mines SA	Greece	100% owned

The 20% minority interest held in the Company's 80% owned subsidiary, Deva Gold S.A. ("**Deva Gold**"), is accounted for in these consolidated financial statements. The Company is required to fund 100% of all costs related to the exploration and development of the mineral properties held by Deva Gold. 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.

***Associates* -** Associates are those entities in which the Company has a material long term interest and in respect of which the group exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity, but which it does not control.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's share of its associates post-acquisition profits or losses is recognised in the statement of profit and loss. Cumulative post-acquisition movements are adjusted against the carrying amount of investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has unsecured obligations or made payments on behalf of the associate.

Inventory - 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, such as 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 and net realisable value and on a weighted average basis.

***Plant and equipment* -** Plant and equipment are recorded at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis based on a useful life of 3 years for office equipment, 6 years for vehicles, 10 years for leasehold improvements, at rates varying between 3 and 5 years for exploration equipment and at rates varying between 4 and 20 years for buildings. Amortisation for equipment used for exploration and development are capitalised to mineral properties.

***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.

Based on annual impairment reviews made by management, in the event that the long-term expectation is that the net carrying amount of these capitalised exploration and development costs will not be recovered such as would be indicated where:

- Producing properties:
  - the carrying amounts of the capitalised costs exceed the related undiscounted net cash flows of reserves;

- Exploration properties:
  - exploration activities have ceased;
  - exploration results are not promising such that exploration will not be planned for the foreseeable future;
  - lease ownership rights expire; or
  - insufficient funding is available to complete the exploration program;

then the carrying amount is written down to fair value accordingly and the write-down amount charged to operations.

Impairment of 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.

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 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 for drawdowns as asset retirement expenditures are incurred. As at 31 December 2008 and 2007, the Company had an asset retirement obligation relating to its Stratoni property in Greece.

Deferred revenue **-** The Company receives 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 prepayment, which is accounted for as deferred revenue, is recognised as sales revenue on the basis of proportion of settlements during the period to expected total settlements.

Revenue recognition **-** Revenues from the sale of concentrates are recognised and are measured at market prices when the rights and obligations of ownership pass to the customer. 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 terms of the contracts result in non-hedge derivatives that do not qualify for hedge accounting treatment, because of the difference between the provisional price and the final settlement price.

These embedded derivatives are adjusted to fair value through revenue each period 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.

***Income taxes* -** Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognised for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The benefit of the temporary differences is not recognised to the extent the recoverability of future income tax assets is not considered more likely than not.

***Equity-based compensation* -** The Company operates a share option plan, a restricted share unit plan and a deferred phantom unit 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 recognised to deferred exploration and development costs when the compensation can be attributed to mineral properties. 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.

***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.

***Foreign currency translation* -** The Company's functional currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities and revenue and expenses arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in operations.

Integrated foreign subsidiaries and associates are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenue and expenses are translated at actual or average rates for the period. Exchange gains or losses arising from the translation are included in operations except for those related to mineral properties which are capitalised.

Self-sustaining foreign subsidiaries and associates are accounted for under the current rate method. Under this method, all assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at actual or average rates for

the period. Exchange gains or losses arising from the translation are recorded in equity in the cumulative translation adjustment component of other comprehensive income.

***Estimates, risks and uncertainties* -** The preparation of financial statements in conformity with generally accepted accounting principles 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 exploration, development costs for mineral properties, asset retirement obligations and equity-based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

***Financial Instruments* -** The Company's cash and cash equivalents have been classified as held for trading, investments and investments in marketable securities have been classified as available-for-sale and are recorded at fair value on the balance sheet. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders' equity on the balance sheet.

All derivatives are to be recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments will be included in net profit, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortised cost, subject to impairment reviews. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

***Cash and cash equivalents* -** Cash and cash equivalents include cash and deposits with original maturities of three months or less.

***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 net profit.

If a derivative 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 profit. Subsequent gains and losses from ineffective derivative instruments are recognised in profit in the period they occur.

Comprehensive Income **-** Comprehensive income includes both net profit and other comprehensive income. Other comprehensive income includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realised.

4 Significant changes in accounting policies

Capital Disclosure **-** Effective 1 January 2008, the Company adopted CICA Handbook, Section 1535, Capital disclosures. The new standard requires disclosures of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Inventories **-** Effective 1 January 2008, the Company adopted the CICA Handbook Section 3031, Inventories. The new section requires inventories to be measured at the lower of cost and net realisable value and provides guidance on the cost methodology used to assign costs to inventory, disallows the use of last-in-first-out inventory costing methodology and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount previously written down is to be reversed. Upon adoption, the impact to the financial statements arising was immaterial.

Standards of Financial Statement Presentation **-** Effective 1 January 2008, the Company adopted CICA Handbook Section 1400, General standards of Financial Statement Presentation. This section provides guidance related to management's assessment of the Company's ability to continue as a going concern. The additional requirement requires management to make an assessment of the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this standard had no impact on the Company's presentation of its financial position.

Financial Instruments Presentation and Disclosures **-** Effective 1 January 2008, the Company adopted CICA Handbook Sections 3862, *Financial instruments* - disclosures, and 3863, *Financial instruments* - Presentation. These new sections represent a revision and enhancement to Section 3861, *Financial instrument - Presentation and disclosure*. Under the new standards, the Company is required to disclose information about the significance of financial instruments for its financial position and performance and qualitative and quantitative information about its exposure to risks arising from financial instruments, as well as management's objectives, policies and processes for managing such risks. The adoption of these standards did not have an impact on the classification and valuation of financial instruments. The new disclosures resulting from adoption of these standards are included in note 17.

Change in functional currency **-** Hellas Gold completed a long term planning exercise on its Stratoni mine. As a stand alone business, Stratoni was shown to generate excess of US dollar revenues over Euro expenses for its life of mine. Hellas Gold also has a series of development projects which will increase the excess of US dollar revenues over Euro

denominated cost. Also taken into consideration along with the net cash flows, were the following factors:

- All sales are priced in US dollars;
- Sales markets are international, rather than domestic to Greece;
- Day to day activities are financed by US dollar denominated sales;
- Significant amounts of future financing earmarked for the development projects has already been raised in US dollars by European Goldfields Limited, and other financing activities in Hellas Gold, prepaid sales receipts, have all been US dollar denominated;
- Labour and materials are predominantly denominated in Euros.

Overall, it was deemed that the net exposure to the US dollar was greater than the exposure to the Euro, and that the functional currency of Hellas Gold should change to the US dollar. The change in functional currency is effective 1 January 2008 and applied prospectively.

5. Business combination - Acquisition of an additional 30% interest in Hellas Gold

In June 2007, the Company completed the acquisition of additional shares in Hellas Gold, increasing its total interest from 65% to 95%. The total consideration paid by the Company for the purchased shares was satisfied as follows:

(a) The issue of 35,447,246 common shares of the Company; and

(b) $8.42 million paid in cash to the vendor.

Transaction costs of $1.55 million were also accounted for as part of the acquisition.

A summary of the accounting treatment of fair value of net assets acquired and consideration paid is as follows:

	$
Current assets	31,272
Property, plant and equipment	12,220
Other assets	6,536
Current liabilities	(7,050)
Other liabilities	(20,470)
Mineral properties	198,518

Future tax liabilities	(49,630)
	171,396

Purchase consideration:	$
Cash paid	8,418
Shares issued (35,447,246 common shares)	161,424
Transaction costs	1,554
Purchase price	171,396

For accounting purposes, the Company has used an average share price based upon 5 days prior and post the announcement of the transaction, to value the share element of the purchase consideration.

6. Accounts receivable

This balance comprises the following:

	2008 $	2007 $
Value added taxes recoverable	11,780	17,996
Accounts receivable	8,277	2,412
	20,057	20,408

7. Inventory

This balance comprises the following:

	2008 $	2007 $
Ore mined	397	-
Metal concentrates	767	865
Material and supplies	1,905	1,245
	3,069	2,110

At as 31 December 2008, the value of total inventory carried at net realisable value amounted to $767 (2007 - Nil), which includes a write-down of $953 (2007 - Nil).

The components of cost of sales were as follows:

	2008 $	2007 $
Mining cost	28,313	20,219
Direct labour	4,991	4,064
Indirect labour	964	711
Other overhead costs	7,259	6,507
Increase in gross inventories	(1,100)	(314)

Freight charges	7,044	6,359
Write down of inventory to net realisable value	953	-
	48,424	37,546

8. Plant and equipment

	Plant and equipment $	Vehicles $	Mine development land and buildings $	Leasehold improvements $	Total $
Cost - 2007					
At 31 December 2006	13,220	1,236	15,608	256	30,320
Additions	17,154	599	3,926	55	21,734
Disposals	(34)	(8)	-	-	(42)
Currency translation adjustment	1,361	105	1,678	-	3,144
At 31 December 2007	31,701	1,932	21,212	311	55,156
Accumulated amortisation - 2007					
At 31 December 2006	1,681	685	888	58	3,312
Provision for the year	1,261	318	1,000	27	2,606
Disposals	(24)	(8)	-	-	(32)
Currency translation adjustment	233	81	180	-	494
At 31 December 2007	3,151	1,076	2,068	85	6,380
Net book value at 31 December 2007	28,550	856	19,144	226	48,776
Cost - 2008					
At 31 December 2007	31,701	1,932	21,212	311	55,156
Additions	14,674	138	14,210	5	29,027
Disposals	(21)	(8)	-	-	(29)
At 31 December 2008	46,354	2,062	35,422	316	84,154
Accumulated amortisation - 2008					
At 31 December 2007	3,151	1,076	2,068	85	6,380
Provision for the year	1,527	215	1,616	32	3,390
Disposals	(10)	(7)	-	-	(17)
At 31 December 2008	4,668	1,284	3,684	117	9,753
Net book value at 31 December 2008	41,686	778	31,738	199	74,401

During 2008, the net book value amount of plant and equipment not amortised amounted to $43,098 (2007 - $30,984)

9. Deferred exploration and development costs

Greek mineral properties:

	Stratoni $	Olympias $	Skouries $	Other exploration $	Total $
Balance - 31 December 2006	14,677	108,078	74,079	-	196,834
Acquisition of mineral properties	14,239	109,037	75,242	-	198,518
Deferred development costs	769	255	1,373	158	2,555
Depletion of mineral properties	(2,749)	(334)	-	-	(3,083)
Currency translation adjustment	2,263	20,320	13,947	-	36,530
	14,522	129,278	90,562	158	234,520
Balance - 31 December 2007	29,199	237,356	164,641	158	431,354
Acquisition of mineral properties	-	-	78	-	78
Deferred development costs	502	369	1,573	95	2,539
Depletion of mineral properties	(3,049)	(363)	-	-	(3,412)
	(2,547)	6	1,651	95	(795)
Balance - 31 December 2008	26,652	237,362	166,292	253	430,559

The Stratoni, Skouries and Olympias properties are held by the Company's 95% owned subsidiary, Hellas Gold. In September 2005, the Stratoni property commenced production.

Romanian mineral properties:

	Certej $	Other exploration $	Total $
Balance - 31 December 2006	26,862	4,920	31,782
Exploration	3,010	184	3,194
Project management	1,682	42	1,724
Project overhead	1,300	205	1,505
Amortisation	61	19	80
	6,053	450	6,503
Balance - 31 December 2007	32,915	5,370	38,285
Exploration	2,158	420	2,578

Project management	1,894	376	2,270
Project overhead	1,795	170	1,965
Amortisation	70	19	89
	5,917	985	6,902
Balance - 31 December 2008	38,832	6,355	45,187

The Certej exploitation licence and the Baita-Craciunesti exploration licence are 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 Cainel exploration licences are held by the Company's wholly-owned subsidiary, European Goldfields Deva SRL.

As at the 31 December 2008, the following cost had been incurred on the remaining Romanian mineral properties:

	2008 **$**	**2007** **$**
Baita- Craciunesti	3,312	3,166
Voia	1,741	1,167
Magura Tebii	136	-
Cainel	1,166	1,037
	6,355	5,370

Turkish Mineral Properties

	Ardala **$**	**Other exploration** **$**	**Total** **$**
Balance - 31 December 2007	-	-	-
Exploration	30	2	32
Project overhead	402	5	407
Permit acquisition	6	-	6
Amortisation	11	-	11
	449	7	456
Balance - 31 December 2008	449	7	456

In April 2008, the Company entered into a Joint Venture ("**JV**") with Ariana Resources plc (**"Ariana"**) which became effective in May 2008 after the transfer of Ariana's properties was confirmed by the General Directorate of Mining Affairs in Turkey. The JV involves the development of Ariana's current properties in an Area of Intent (**"AOI"**) in the Greater Pontides region of north-eastern Turkey, which include the Ardala copper-gold porphyry and fifteen other licences covering a total area of 229km^2, and a Strategic Partnership within the AOI to define new opportunities for the JV.

The Turkish licences are held by the JV through a Turkish Company Pontid Madencilik. Currently the Company has a 51% interest in all the properties within the JV and the Company will fund 100% of all costs related to the development of these properties. Ownership of these properties may be increased to 80% by funding to completion of a Bankable Feasibility Study. Any new concessions within the JV 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.

10. Investment in associates

	2008 $	2007 $
Balance - Beginning of period	-	-
Shares acquired	2,692	-
Share of loss	(105)	-
Cumulative translation adjustment	(517)	-
Equity-based compensation expense	5	-
Balance - End of period	2,075	-

In January 2008, Hellas Gold acquired a 50% share of Greek Nurseries SA for a consideration of $834 (€530).

In May 2008, the Company subscribed for 20.13% of the issued share capital of Ariana through a $1,858 (£929) private placement of shares. The difference between the cost of the investment of $1,830 and the underlying net book value of Ariana is $132 at the date of acquisition. This excess represents additional fair value assigned to mineral properties of Ariana and will be depleted upon commencement of mining operations of Ariana.

11. Income taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rate to the amounts recognised in the consolidated statements of profit and loss:

	2008 $	2007 $
Income tax rate	34.50%	37.12%
Income taxes at statutory rates	4,002	12,411
Tax rate difference from foreign jurisdictions	1,205	(2,573)
Permanent differences	3,149	(3,031)
Change in tax rate	(18,434)	(258)
Change in valuation allowance	1,443	(1,332)
	(16,639)	5,217

The following table reflects future income tax assets:

	2008 $	2007 $
Loss carry forwards	8,693	7,426
Intangibles	2	10
Retirement obligation	1,323	1,700
Inventory	3	1,265
Personal indemnities	39	37
Accruals	-	1,241
Capital raising costs	1,108	2,376
Valuation allowance	(6,689)	(5,247)
	4,479	8,808
Less: Current portion	(2,004)	(2,178)
Future income tax assets recognised	2,475	6,630

The following table reflects future income tax liabilities:

	2008	2007
	$	$
Mineral properties	85,167	104,752
Plant and equipment	882	701
Exploration and development expenditure	2,709	3,003
Accrued expenses & other	-	1,487
Retirement obligation	873	-
Hedge contract	3,496	-
Foreign exchange	663	-
	93,790	109,943
Less: Current portion	(3,496)	-
Future income tax liabilities recognised	90,294	109,943

The tax liability arises as a result of the increase in value placed on the mineral properties held by Hellas Gold on acquisition by the Company. This future tax liability will reverse as the corresponding mineral properties are amortised.

As at 31 December 2008, the Company has available tax losses for income tax purposes of approximately $29,656 (2007 -$30,461) which may be carried forward to reduce taxable income derived in future years.

The non-capital losses expire as follows:

	2008
	$
2009	2,206
2016	2,742
Non expiring losses	24,708
	29,656

In addition, the Company incurred share issue costs and other deductible temporary differences, which have not yet been claimed for income tax purposes, totalling approximately as at 31 December 2008 was $2,828 (2007 - $3,112). Subject to certain restrictions, exploration and development expenditures available to reduce taxable income in Romania as at 31 December 2008 was $45,189 (2007 - $33,629).

A valuation allowance has been provided as a portion of the potential income tax benefits of these carry-forward non-capital losses and deductible temporary differences and the realisation thereof is not considered more likely than not.

12. Accounts payable and accrued liabilities

The balance principally comprises amounts outstanding for normal operations and ongoing costs. The average credit period taken during the financial year ended 31 December 2008 was 30 days (2007 - 30 days).

13. Asset retirement obligation

Management has estimated the total future asset retirement 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. The following table reconciles the asset retirement obligation for the financial years ended 31 December 2008 and 2007:

	2008 $	2007 $
Asset retirement obligation - Beginning of year	6,805	6,031
Currency translation adjustment	-	650
Accretion expense	132	124
Asset retirement obligation - End of year	6,937	6,805

As at 31 December 2008, the undiscounted amount of estimated cash flows required to settle the obligation is $7,805 (2007 - $7,421). The estimated cash flow has been discounted using a credit adjusted risk free rate of 5.04% (2007 – 5.04%). The expected period until settlement is six years.

14. Deferred revenue

In April 2007, Hellas Gold agreed to sell to Silver Wheaton (Caymans) Ltd. ("**Silver Wheaton**") 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 in northern Greece (the "**Silver Wheaton Transaction**"). The sale was made in consideration of a prepayment to Hellas Gold of $57.5 million in cash, plus a fee per ounce of payable silver to be delivered to Silver Wheaton of the lesser of $3.90 (subject to an inflationary adjustment beginning after year three) and the prevailing market price per ounce. The current Stratoni proven and probable silver reserve contains approximately 12 million ounces of silver.
In April 2007, Hellas Gold entered in an agreement with MRI Trading AG for the sale of 25,000 wet metric tonnes of gold bearing pyrite concentrate. Hellas Gold received a prepayment of $2.18 million in cash. A further agreement with MRI Trading AG was entered into in March 2008, for the sale of a further 23,372 dry metric tonnes, for which Hellas Gold received a prepayment of $3.56 million in cash. The remaining balances relating to MRI prepayments were transferred to current liabilities reflecting the repayment of these amounts to MRI in February 2009. In September 2007, Hellas Gold entered into an agreement with a subsidiary of Celtic Resources Holdings Plc for the sale of 50,000 wet metric tonnes of gold bearing pyrite concentrate, for which Hellas Gold received a prepayment of $4.71 million in cash.

The following table reconciles movements on deferred revenue associated with the MRI and Celtic Resources prepayments, and the Silver Wheaton Transaction:

	2008 $	2007 $
Deferred revenue - Beginning of period	65,344	-
Additions	3,564	64,389
Revenue recognised	(6,399)	(3,738)
Foreign currency translation adjustment	-	4,693
Transferred to current liabilities	(4,013)	-
Deferred revenue - End of period	58,496	65,344

During the year ended 31 December 2008, Hellas Gold delivered concentrate containing ounces 1,038,762 (2007 - 952,729 ounces) of silver for credit to Silver Wheaton.

15. Capital stock

Authorised:

- Unlimited number of common shares, without par value
- Unlimited number of preferred shares, issuable in series, without par value

Issued and outstanding (common shares - all fully paid):

	Number of Shares	Amount $
Balance - 31 December 2006	114,801,848	246,890
Restricted share units vested	840,000	2,646
Share options exercised or exchanged	473,287	1,032
Shares issued for equity financing	27,600,000	130,059
Shares issued as consideration for acquisition	35,447,246	161,425
Share issue costs, net of tax	-	(4,777)
	64,360,533	290,385
Balance - 31 December 2007	179,162,381	537,275
Restricted share units vested	195,000	973
Share options exercised or exchanged	25,000	77
Share issue costs, net of tax	-	(9)
	220,000	1,041
Balance - 31 December 2008	179,382,381	538,316

Contributed surplus:

	2008 $	2007 $
Equity-based compensation expense	7,210	5,419
Broker warrants	578	578
	7,788	5,997

Accumulated other comprehensive income

The components of accumulated other comprehensive income were as follows:

	2008 $	2007 $
Cumulative translation adjustment	36,890	37,413
Fair value of cash flow hedge (net of tax)	6,786	882
	43,676	38,295

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

Share Option Plan

The Company operates a Share Option Plan (together with its predecessor, the "**Share Option Plan**") authorising the directors to grant options with a maximum term of 5 years, to acquire common shares of the Company to the directors, officers, employees and consultants of the Company and its subsidiaries, on terms that the Board of Directors may determine, within the limitations of the Share Option Plan. The maximum number of common shares of the Company which may be reserved for issuance for all purposes under the Share Option Plan shall not exceed 15% of the common shares issued and outstanding from time to time (26,907,357 shares as at 31 December 2008).

An optionee under the Share Option Plan may elect to dispose of its rights under all or part of its options (the "**Exchanged Rights**") in exchange for the following number of common shares of the Company (or at the Company's option for cash) in settlement thereof (the "**Settlement Common Shares**"):

Number of Settlement Common Shares = Number of Optioned Shares issuable on exercise of the Exchanged Rights X (Current Price - Exercise Price) / Current Price

As at 31 December 2008, the following share options were outstanding:

Expiry date	**Number of Options**	**Exercise price C$**
2009	250,000	2.80
2009	360,000	3.07
2009	75,000	3.15
2009	250,000	4.20
2010	359,999	2.00
2011	66,666	3.25
2011	600,000	3.85
2011	150,000	4.10
2012	250,000	5.66
2012	150,000	5.71
2012	270,000	5.87
2013	50,000	1.99
2013	360,000	3.54
2013	135,000	5.07
2013	165,000	6.80
	3,491,665	4.01

During the years ended 31 December 2008 and 2007, share options were granted, exercised, exchanged and forfeited as follows:

	Number of Options	**Weighted average exercise price C$**
Balance - 31 December 2006	3,213,665	3.06
Options granted	745,000	5.73
Options exercised	(25,000)	2.11
Options exchanged for shares	(802,000)	2.61
Options forfeited	(75,000)	5.47
Options expired	(50,000)	2.50

Balance - 31 December 2007	3,006,665	3.80
Options granted	1,010,000	4.64
Options exercised	(25,000)	2.11
Options exchanged for shares	-	-
Option forfeited	(500,000)	4.14
Options expired	-	-
Balance - 31 December 2008	3,491,665	4.01

Of the 3,491,665 (2007 - 3,006,665) share options outstanding as at 31 December 2008, 2,421,667 (2007 - 2,269,999) were fully vested and had a weighted average exercise price of C$3.53 (2007 - C$3.24) per share. The share options outstanding as at 31 December 2008, had a weighted average remaining contractual life of 3.18 years (2007 – 2.97 years).

The weighted average grant date fair value cost of the 1,010,000 share options granted during the financial year ended 31 December 2008 (2007 - 745,000) was $1,659 (2007 - $2,088). For outstanding share options, including options granted during the year and those which were not fully vested during the year ended 31 December 2008, the Company incurred a total equity-based compensation cost of $1,384 (2007 - $1,209) of which $1,057 (2007 - $1,057) has been recognised as an expense in the statement of profit and loss and $327 (2007 - $151) has been capitalised to deferred exploration and development costs.

The fair value of the share options granted has been estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions: weighted average risk free interest rate of 2.05% to 3.05% (2007 - 3.23%); volatility factor of the expected market price of the Company's shares of 32.86% to 89.59% (2007 - 58% to 59%); a weighted average expected life of the share options of 5 years (2007 - 5 years), maximum term of 5 years and a dividend yield of Nil (2007 – Nil).

In 2008, 500,000 options forfeited during the year represent options cancelled and were replaced with DPUs. These have been accounted for as a stock modification.

Restricted Share Unit Plan

The Company operates a Restricted Share Unit Plan (the "**RSU Plan**") authorising the directors, based on recommendations received from the Compensation Committee, to grant Restricted Share Units ("**RSUs**") to designated directors, officers, employees and consultants. The RSUs are "phantom" shares that rise and fall in value based on the value of the Company's common shares and are redeemed for actual common shares on the vesting dates determined by the Board of Directors when the RSUs are granted. The RSUs vest on the dates below however upon a change of control of the Company they would typically become 100% vested. The maximum number of common shares of the Company which may be reserved for issuance for all purposes under the RSU Plan shall not exceed 2.5% of the common shares issued and outstanding from time to time (4,484,560 shares as at 31 December 2008).

As at 31 December 2008, the following RSUs were outstanding:

Vesting date	Number of RSUs	Grant date fair value of underlying shares C$
1 January 2009	175,000	3.81
30 June 2009	30,000	5.74
	205,000	4.09

During the years ended 31 December 2008 and 2007, RSUs were granted, vested and forfeited as follows:

	Number of RSUs	Weighted average grant date fair value of underlying shares C$
Balance - 31 December 2006	1,105,000	3.26
RSUs granted	390,000	5.69
RSUs vested	(840,000)	3.47
RSUs forfeited	(470,000)	4.26
Balance - 31 December 2007	185,000	4.86
RSUs granted	365,000	5.26
RSUs vested	(195,000)	5.08
RSUs forfeited	(150,000)	6.59
Balance - 31 December 2008	205,000	4.09

The weighted average grant date fair value cost of underlying shares of the 365,000 RSUs granted during the financial year ended 31 December 2008 (2007 - 390,000) was $1,888 (2007 - $2,065). For outstanding RSUs which were not fully vested, including RSU's granted during the year ended 31 December 2008, the Company incurred a total equity-based compensation cost of $1,399 (2007 - $1,279) of which $889 (2007 - $741) has been recognised as an expense in the statement of profit and loss and $510 (2007 - $538) has been capitalised to deferred exploration and development costs.

Deferred Phantom Unit Plan

The company operates a Deferred Phantom Unit plan (the "**DPU Plan**") authorising the directors based on recommendation by the Human Capital Management Committee to grant Deferred Phantom Units ("**DPUs**") to independent eligible directors. The DPU are units which gives rise to a right to receive a cash payment the value of which, on a particular date should be the market value of the equivalent number of shares at that date. The market value at December 31, 2008 has been included in current liabilities.

As at 31 December 2008, the following DPUs were outstanding:

Grant date	Number of DPUs	Grant date Fair Value of DPUs

		C$
5 December 2008	406,500	1.86
	406,500	1.86

During the years ended 31 December 2008 and 2007, DPUs were granted and forfeited as follows:

	Number of DPUs	Fair Value of DPUs C$
Balance - 31 December 2006	-	-
DPUs granted	-	-
DPUs redeemed	-	-
DPUs forfeited	-	-
Balance - 31 December 2007	-	-
DPUs granted and vested	406,500	3.24
DPUs forfeited	-	-
Balance - 31 December 2008	406,500	3.24

Of the 406,500 (2007 - Nil) DPU's granted during the year, 406,500 (2007 - Nil) were fully vested.

The weighted average grant date fair value cost of the 406,500 DPU's granted during the financial year ended 31 December 2008 (2007 - Nil) was $760 (2007 - Nil). The weighted average fair value cost of the 406,500 DPU's as at the 31 December 2008, based on the year end share price, amounted to $1,054 (2007 - Nil).

17. Financial instruments and financial risk management

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, restricted investment, accounts payable, accrued liabilities, embedded derivatives and hedge contracts.

Short-term financial assets are amounts that are expected to be settled within one year. The carrying amounts in the consolidated balance sheets approximate fair value because of the short term nature of these instruments.

The embedded derivatives are classified as a short term financial asset.

The carrying amounts for the financial instruments as at 31 December 2008 and 2007, are as follows:

	2008 $	2007 $
Financial Assets:		
Held for trading, measured at fair value		
Cash and cash equivalents	170,296	218,839
Restricted investment	-	4,900
	170,296	223,739

Loans and receivables, measured at amortised cost		
Accounts receivable	20,057	20,408
Financial Liabilities		
Other liabilities, measured at amortised costs		
Accounts payable, accrued liabilities and income taxes payable	16,263	22,695
Derivative Financial instruments, measured at fair value		
Designated as cash flow hedge		
Hedge contract	10,282	882

Credit risk **-** Credit risk represents the financial loss the Company would suffer if the Company's counterparties to a financial instrument, in owing an amount to the Company, fail to meet or discharge their obligation to the Company.

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, accounts receivable and hedging contracts. The cash equivalents consist mainly of short-term investments, such as money market deposits. The Company does not invest in asset-backed commercial papers and has deposited the cash equivalents only with the largest banks within a particular region or with top rated institutions.
As at 31 December 2008, cash and cash equivalent comprises the following:

	2008 **$**	**2007** **$**
Interest bearing bank accounts	123,297	216,569
Term deposits	46,999	7,170
	170,296	223,739

The Company has accounts receivable from trading counterparties to whom concentrate products are sold. Where traders are chosen as counterparties, only the larger and most financially secure metal trading groups are dealt with. The company may also transact agreements with trading groups who have direct interests in smelting capacity, or direct to the smelters themselves.

Of the total trade receivable as at 31 December 2008, 3 (2007 - 4) customers represented 90% (2007 - 95%) of the total. The Company does not anticipate any loss for non-performance.

As at 31 December 2008, the accounts receivable comprises the following:

	2008 **$**	**2007** **$**
Trade receivables	4,986	1,964

Valued added taxes recoverable	11,780	17,996
Other accounts receivable	3,291	448
	20,057	20,408

As at 31 December 2008, the Company considers its accounts receivable excluding Value Added Taxes recoverable and other accounts receivable to be aged as follows:

Ageing	**2008**	**2007**
	$	**$**
Current	1,807	1,793
Past due (1-30 days)	2,632	92
Past due (31-60 days)	417	-
Past due (more than 60 days)	130	79
	4,986	1,964

Interest rate risk **-** The Company is exposed to interest rate risk arising from fluctuations in interest rates on its cash equivalents. The Company seeks to maximise returns on cash equivalents, without risking capital values. The Company's objectives of managing its cash and cash equivalents are to ensure sufficient funds are maintained on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposits with the Company's banks so they earn interest. Upon placing amounts of cash and cash equivalents on short-term deposits, the Company uses top rated institutions and ensures that access to the amounts can be gained at short notice. During the year ended 31 December 2008 the company earned interest income of $5,729 (2007 - $6,588) on cash and cash equivalents, based on rates of returns between 0.50% and 4.40% (2007 - 2.75% and 7.10%)

Currency risk **-** The Company is exposed to currency risk on accounts receivable, accounts payable and cash holdings that are denominated in a currency other than the functional currencies of the individual entities in the group. As at the 31 December 2008, the Company held the equivalent of $30,246 (2007 - $44,676) in net assets denominated foreign currencies. These balances are primarily made up of Euro and to a lesser extent Pound Sterling.

For the year ended 31 December 2008 the Company recorded a foreign exchange loss of $6,406 (and a gain of $3,904 in 2007), mainly due to the translation of its Euro balances in its subsidiaries, with the Euro weakening against the US Dollar the gain in 2007 had arisen due to the Company holding a basket of various currency's with a weakening US Dollar.

The Company publishes its consolidated financial statements in US dollars and as a result, it is also subject to foreign exchange translation

risk in respect of assets and liabilities nominated in Euros in its foreign operations.

Liquidity risk **-** Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due.

The Company manages its liquidity risk by ensuring there is sufficient capital to meet short and long term business requirements after taking into account cash flows from operations and holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short to medium term requirements. Senior management is also actively involved in the review and approval of planned expenditures by regularly monitoring cash flows from operations and anticipated investing and financing activities.

The Company does not have any borrowing or debt facilities and settles its obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and maintaining cash on hand.

Financial liabilities consist of trade payables, accrued liabilities and income taxes payable. As at 31 December 2008, the Company's trade payables and accrued liabilities amounted to $16,263 (2007- $9,977), all which fall due for payment within 12 months of the balance sheet date. The average credit period taken during the year ended 31 December 2008 was 30 days (30 days - 2007).

Commodity Price Risk **-** The value of the Company's mineral resource properties is related to the prices of gold, copper, zinc, lead and silver and outlook for these commodities.

Gold prices historically have fluctuated widely and are affected by numerous factors outside of the company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative investing activities, macro-economic and political variables, and certain other factors related specifically to gold. Base metal prices have historically tended to be driven more by the demand and supply fundamentals for each metal. However, levels of speculative activity in the base metals market have increased in recent years.

The long term profitability of the Company's operations is highly correlated to the market price of its commodities and in particular gold. To the extent that these prices increase, asset values increase and cash flows improve; conversely, declines in metal prices directly impact value and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

The Company has completed a sensitivity analysis to estimate the impact on net profit of a 5% change in foreign exchange rates, a 1% change in interest rates and a 10% change in commodity prices during the years ended 31 December 2008 and 2007. The results of the sensitivity analysis can be seen in the following table:

Impact on Net Profit (+/-)	**2008**	**2007**

	$	$
Change of - 5 % US$: € foreign exchange rate	(460)	(3,256)
Change of + 5 % US$: € foreign exchange rate	564	2,924
Change of +/- 1% in interest rates	1,321	986
Change of +/- 10% in commodities prices	5,417	5,964

Limitations of sensitivity analysis **-** The above table demonstrates the effect of either a change in foreign exchange rates or interest rates in isolation. In reality, there is a correlation between the two factors. Additionally, the financial position of the Company may vary at the time that a change in either of these factors occurs, causing the impact on the Company's results to differ from that shown above.

Hedging and specific 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. As with cash deposits, the Company deals with highly rated banks and in addition, those institutions who have demonstrated long term commitment to the mining sector. The Company has one counterparty relating to the remaining lead hedge contracts. If this counterparty were unable to honour its obligations under the hedge contracts, the Company would be exposed up to the entire value of the hedge stated in the accounts and would be exposed to the difference between the hedge and the then current market price at the date of the settlement of the hedged item. The hedges below are treated as cash flow hedges in accordance with CICA 3865: Hedges.

Lead hedging contracts **-** As at 31 December 2008, the Company had entered into forward hedging arrangements over 7,200 tonnes of lead, using options to provide a minimum: maximum price exposure. The hedging contracts are put/call option collar contracts with maturity dates between 2 January 2009 and 5 January 2010 where the fair value amounted to $10,282 (2007 - $882), established by reference to market prices for lead.

	2009 $
Lead Tonnes	7,200
US dollar price ($/tonne) - Put	2,500
US dollar contract amount ($'000) - Put	18,000
US dollar price ($/tonne) - Call	3,500
US dollar contract amount ($'000) - Call	25,200

18. Capital Risk Management

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company's Board of Directors takes full responsibility for managing the Company's capital and does so through quarterly board meetings, review of financial information, and regular communication with Officers and senior management.

In order to maximise ongoing development efforts, the company does not pay out dividends.

The Company's investment policy is to invest its cash in high-grade investment securities with varying terms and maturity, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry out its plans and operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management as at 31 December 2008.

Capital under management was as follows:

	2008	2007
	$	$
Capital stock	538,316	537,275
Contributed surplus	7,788	5,997
Accumulated other comprehensive income	43,676	38,295
Deficit	(2,045)	(7,564)
	587,735	574,003

19. Supplementary cash flow information

	2008	2007
	$	$
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	(2,242)	(11,962)
Inventory	(943)	(1,164)
Accounts payable and accrued liabilities	5,189	4,879
	2,004	(8,247)

Supplemental disclosure of non-cash transactions:

	2008	2007
Share capital issued for business combination	-	161,424
Share options and restricted share units issued for non-cash consideration	2,788	2,488
Exercise or exchange of share options - Transfer from contributed surplus to share capital	(24)	(980)
Vesting of restricted share units	(973)	(2,646)

20. Commitments

The Company has spending commitments of $180 per year (plus service charges and value added tax) for a term of ten years under the lease for its office in London, England, which commenced in April 2004. The rent

will be reviewed on the fifth anniversary of the commencement of the term to reflect any increase in rents in the market.

Hellas Gold has spending commitments of $145 (€104) per year for a term of 9 years under the lease for its office in Athens, Greece, which commenced in December 2007. The rent will be reviewed on the second anniversary of the commencement of the term to reflect any increase in rents in the market.

As at 31 December 2008, Hellas Gold had entered into off-take agreements pursuant to which Hellas Gold agreed to sell 44,838 dmt of zinc concentrates, 22,321 dmt of lead/silver concentrates and 60,273 dmt of gold concentrates until the financial year's ending 2012.

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 $50,181 (€36,057) which is to be paid by the end of 2009. As at 31 December 2008, $17,459 (€12,515) of the commitment had been paid. Hellas Gold has pledged $24,056 (€17,285) in support of a letter of credit issued on behalf of Outotec Minerals OY through Nordea Bank of Finland.

21. Transactions with related parties

During the year ended 31 December 2008, Hellas Gold incurred costs of $41,852 (2007 - $27,885) for management, technical and engineering services received from a related party, Aktor S.A., a 5% shareholder in Hellas Gold. As at 31 December 2008, Hellas Gold had accounts payable of $3,637 (2007 - $2,125) to Aktor S.A. These expenditures were contracted in the normal course of operations and are recorded at the exchange amount agreed by the parties.

22. Segmented information

The Company has one operating segment: the acquisition, exploration and development of precious and base metal mineral resources properties located in Greece, Romania and Turkey.

Geographic segmentation of plant and equipment and deferred exploration and development costs and operating liabilities is as follows:

	2008 $	2007 $
Sales		
Canada	-	-
Greece	60,044	86,405
Romania	-	-
Turkey	-	-
United Kingdom	-	-
	60,044	86,405
Plant and equipment and deferred exploration and development costs		
Canada	-	-
Greece	501,852	479,656
Romania	47,946	38,418
Turkey	496	-
United Kingdom	309	341

	550,603	518,415
Operating liabilities		
Canada	1,503	832
Greece	14,084	20,037
Romania	252	659
Turkey	80	-
United Kingdom	344	1,167
	16,263	22,695

23. Pension plans and other post-retirement benefits

The Company's subsidiary, European Goldfields (Services) Limited, maintains a defined contribution pension plan for its employees. The defined contribution pension plan provides pension benefits based on accumulated employee and Company contributions. Company contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements. The cost of defined contribution benefits is expensed as earned by employees.

As at 31 December 2008 and 2007, the Company recognised the following costs:

	2008 $	2007 $
Defined contribution plans	261	227

24. Earnings 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:

	2008 $	2007 $
Profit for the year	5,519	23,199
Effect of dilutive potential common shares	-	-
Diluted earnings	5,519	23,199
Weighted average number of common shares for the purpose of basic earnings per share	179,566	148,245
Incremental shares - Share options	1,657	1,855
Weighted average number of common shares for the purpose of diluted earnings per share	181,223	150,100

In 2008, the weighted average number of options excluded from the computation of diluted earnings per share because their effect was not dilutive, was 1,220 (2007 - 670).

25. Comparative figures

The prior year amounts have been reclassified from statements previously presented to conform to the presentation of 2008 Consolidated Financial Statements.

26. Legal proceedings

In June 2005, certain residents of Stratoniki village submitted a request for the annulment of the Greek government's joint ministerial decision approving the environmental impact study for the Stratoni mine (the "**JMD Approval**"). In November 2005, the same petitioners submitted a request for the annulment of the decision of the Minister of Development approving the Technical Study for the exploitation of the Mavres Petres mine that forms part of the Stratoni complex (the "**MOD Approval**"). The JMD Approval and the MOD Approval are necessary for the continued operation of the Stratoni mine. In both cases the petitioners alleged a lack of legal basis for the approvals and potential harm to the environment and their properties. The Greek government, supported by the Company, the Association of Extractive Companies, and two workers' unions, has taken a position that the approvals are valid. In December 2005 the petitioners requested an injunction to stop work on the Stratoni project pending the hearing of the requests for annulment, but the court rejected the request. A hearing on both requests for annulment will be held shortly. The management of the Company believes that both requests for annulment are unfounded and unlikely to succeed.

27. Post balance sheet event

Since 31 December 2008, the Company granted 584,779 restricted share units under the Company's Restricted Share Unit Plan.

In February 2009, the Company subscribed for an additional 9,700,000 ordinary shares in Ariana Resources plc for a total consideration of $140 (£97).

28. Recently issued accounting standards

Goodwill and intangible assets **-** In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning 1 January 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Business Combination, Consolidated Financial Statements and non controlling interest **-** In January 2009, the CICA issued Handbook Sections 1582 - Business Combinations, 1601 - Consolidated Financial Statements and 1602 - Non-controlling Interests which replace CICA Handbook Sections 1581 - Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's

business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

International Financial Reporting Standards **-** ("IFRS) - In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, and in April 2008, the AcSB issued for comment it's 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 has begun assessing the adoption of IFRS and is in the process of completing its overall conversion plan. The plan assesses the possible benefits of early adoption, the key differences between IFRS and Canadian GAAP including disclosures as well as a timeline for implementation.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2008

The following discussion and analysis, prepared as at 19 March 2009, 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**"). Historical results may not indicate future performance. Forward-looking statements are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2008 and 2007 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 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".

Greece - European Goldfields holds a 95% interest in Hellas Gold S.A. Hellas Gold owns three major gold and base metal deposits in Northern Greece. The deposits are the

polymetallic operation at Stratoni, the Olympias project which contains gold, zinc, lead and silver, and the Skouries copper/gold porphyry project. Hellas Gold commenced production at Stratoni in September 2005 and commenced selling an existing stockpile of gold concentrates from Olympias in July 2006. Hellas Gold is applying for permits to develop the Skouries and Olympias projects.

Romania - European Goldfields owns 80% of the Certej gold/silver project in Romania. In July 2008, the National Agency of Mineral Resources approved the technical feasibility study in support of its permit application and issued a new mining permit for the Certej project.

Results of operations

The Company's results of operations for the year and three-month
period ended 31 December 2008 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 program in Romania. Hellas Gold's operational results for the eight most recently completed quarters are summarised in the following tables:

Stratoni Mine (Greece)

	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Inventory (start of period)								
Ore mined (wet tonnes)	6,489	1,003	2,816	-	4,868	4,603	843	2,499
Zinc concentrate (tonnes)	2,078	5,660	2,745	1,689	2,797	2	3,524	37
Lead/silver concentrate (tonnes)	1,294	1,238	2,213	49	2,042	2,150	1,846	214
Production								
Ore mined (wet tonnes)	70,468	69,847	73,137	58,208	50,643	56,075	53,088	55,069
Ore milled (tonnes)	73,320	63,040	73,280	53,675	53,813	54,499	48,179	55,258
- Average grade: Zinc (%)	8.80	8.82	10.37	9.37	9.00	8.42	11.57	11.39
Lead (%)	6.54	6.40	6.21	5.35	8.12	7.55	9.14	7.38
Silver (g/t)	167	160	155	134	206	186	232	180
Zinc concentrate (tonnes)	12,106	10,451	14,139	9,427	9,082	8,506	10,485	11,731
- Containing: Zinc (tonnes)	5,914	5,132	7,004	4,644	4,425	4,194	5,170	5,760
Lead concentrate (tonnes)	6,750	5,531	6,443	4,035	6,012	5,586	5,955	5,406
- Containing: Lead (tonnes)	4,434	3,726	4,201	2,653	4,021	3,781	4,109	3,744
Silver (oz)	336,336	280,305	316,354	207,215	316,837	297,059	328,879	288,023
Sales								
Zinc concentrate (tonnes)	11,210	14,033	11,224	8,371	10,191	5,710	14,007	8,244
- Containing payable: Zinc (tonnes)*	4,591	5,818	4,633	3,454	4,209	2,364	5,855	3,463
Lead concentrate (tonnes)	7,556	5,475	7,418	1,872	8,004	5,694	5,651	3,774
- Containing payable: Lead (tonnes)*	4,775	3,495	4,628	1,188	5,082	3,759	3,636	2,486
Silver (oz)*	363,205	263,464	355,298	95,582	399,272	297,321	285,349	190,292
Cash operating cost per tonne milled ($)	145	164	161	164	175	144	135	138
Cash operating cost per tonne milled (€)	109	109	103	110	121	105	100	104
Inventory (end of period)								
Ore mined (wet tonnes)	1,778	6,489	1,003	2,816	-	4,868	4,603	843
Zinc concentrate (tonnes)	2,975	2,078	5,660	2,745	1,689	2,797	2	3,524
Lead/silver concentrate (tonnes)	488	1,294	1,238	2,213	49	2,042	2,150	1,846

Financial information *(in thousands of US dollars)*								
Sales ($)	8,465	13,250	13,000	10,097	18,483	16,634	22,866	14,215
Gross profit ($)	(7,060)	171	(198)	3,060	6,147	8,425	13,991	8,294
Capital expenditure ($)	3,543	2,496	2,086	3,111	3,779	12,142	4,673	1,564
Amortisation and depletion ($)	1,827	1,571	1,215	997	2,000	1,256	837	653

- Net of smelter payable deductions

Sale of Gold-Bearing Concentrates from Existing Stockpile at Olympias (Greece)

	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Sales								
Gold concentrate (dmt)	18,566	12,710	22,479	9,778	21,385	28,393	12,686	17,090
Financial information *(in thousands of US dollars)*								
Sales ($)	4,309	2,851	5,461	2,611	4,232	5,029	2,078	2,868
Gross profit ($)	2,995	1,222	3,668	1,789	1,279	2,848	958	1,845
Amortisation and depletion ($)	106	72	129	56	(134)	265	76	120

Lead and zinc prices troughed in Q4 2008, and Q4 base metal revenues were impacted accordingly. In addition, $1.6 million of prior quarter pricing adjustments were made, further depressing base metal revenues. Revenues from the sale of Olympias gold concentrates benefitted from higher tonnages sold compared to Q3.

Q4 unit operating costs of €109 per tonne remained the same as Q3. Benefits of the increase in throughput over Q3 were offset by higher repairs and maintenance costs incurred in the quarter. In dollar terms, the weakening euro reduced Q4 dollar costs by $19 to $145 per tonne from $164 per tonne in Q3.

Summary of quarterly results

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

(in thousands of US dollars, except per share amounts)	2008 Q4 $	2008 Q3 $	2008 Q2 $	2008 Q1 $	2007 Q4 $	2007 Q3 $	2007 Q2 $	2007 Q1 $
Statement of profit and loss								
Sales	12,774	16,101	18,461	12,708	22,715	21,663	24,944	17,083
Cost of sales	16,839	14,708	14,991	7,859	15,289	10,390	9,995	6,944
Gross profit	(4,065)	1,393	3,470	4,849	7,426	11,273	14,949	10,139
Interest income	1,164	1,306	1,502	1,757	2,699	2,320	1,116	453
Foreign exchange gain/(loss)	(6,253)	(2,800)	(27)	2,674	(2,173)	6,494	(265)	(152)
Hedge contract profit	3,165	1,362	391	-	-	-	-	-
Share of loss in equity investment	(3)	(66)	(36)	-	-	-	-	-
Expenses	5,253	6,054	5,058	5,017	6,385	4,819	4,875	4,764
Profit/(loss) before income tax	(11,245)	(4,859)	242	4,263	1,567	15,268	10,925	5,676
Income taxes	17,067	(451)	644	(621)	2,062	(2,764)	(2,796)	(1,719)
Profit/(loss) after income tax	5,822	(5,310)	886	3,642	3,629	12,504	8,129	3,957
Non-controlling interest	519	267	(74)	(233)	(29)	(348)	(2,794)	(1,848)
Profit/(loss) for the period	6,341	(5,043)	812	3,409	3,600	12,156	5,335	2,109
Earnings/(loss) per share	0.04	(0.03)	0.00	0.02	0.02	0.07	0.04	0.02
Balance sheet (end of period)								
Working capital	192,675	208,609	216,822	225,673	226,431	224,289	211,637	45,201
Total assets	766,095	775,369	796,537	794,911	782,131	744,998	729,774	325,501
Non current liabilities	155,727	183,881	185,897	184,635	182,092	168,170	165,125	56,671

Statement of cash flows								
Deferred exploration and development costs - Romania	1,981	1,420	1,092	1,603	2,133	1,658	1,248	696
Plant and equipment - Greece	12,998	2,971	3,065	7,147	3,779	12,142	4,673	1,577
Deferred development costs - Greece	545	519	656	769	915	491	520	421

Selected financial information

The Company's financial results for the years ended 31 December 2008, 2007 and 2006, and the three-month periods ended 31 December 2008 and 2007 are summarised in the following table:

	Years ended 31 December			Three-months ended 31 December	
(in thousands of US dollars)	2008 $	2007 $	2006 $	2008 $	2007 $
Statement of profit and loss					
Sales	60,044	86,405	52,438	12,774	22,715
Cost of sales	54,397	42,618	25,186	16,839	15,289
Gross profit	5,647	43,787	27,252	(4,065)	7,426
Interest Income	5,729	6,588	1,445	1,164	2,699
Hedge contract profit	4,918	-	-	3,165	-
Foreign exchange gain/(loss)	(6,406)	3,904	(752)	(6,253)	(2,173)
Share of loss in equity investment	105	-	-	3	-
Expenses	21,382	20,844	15,937	5,253	6,385
Profit/(loss) before income tax	(11,599)	33,435	12,008	(11,245)	1,567
Income taxes	16,639	(5,217)	(4,824)	17,067	2,062
Profit/(loss) after income tax	5,040	28,218	7,184	5,822	3,629
Non-controlling interest	479	(5,019)	(4,182)	519	(29)
Profit for the period	5,519	23,199	3,002	6,341	3,600
Earnings per share	0.03	0.16	0.03	0.04	0.02
Balance sheet (end of period)					
Working capital	192,675	226,431	41,854	192,675	226,431
Total assets	766,095	782,131	311,943	766,095	782,131
Non current liabilities	155,727	182,092	54,181	155,727	182,092
Statement of cash flows					
Deferred exploration and development costs - Romania	6,096	5,735	3,294	1,981	2,133
Plant and equipment - Greece	26,181	21,606	7,579	12,998	3,779
Deferred development costs - Greece	2,489	2,347	4,032	545	915

The breakdown of deferred exploration and development costs per mineral property for the years ended 31 December 2008, 2007 and 2006, and the three-month periods ended 31 December 2008 and 2007 is as follows:

	Years ended 31 December						Three-month periods ended 31 December			
	2008		2007		2006		2008		2007	
(in thousands of US dollars)	$	%	$	%	$	%	$	%	$	%
Romanian mineral properties										
Certej	5,674	93	5,305	*92*	2,965	*90*	1,806	*91*	1,935	*91*
Other	422	7	430	*8*	329	*10*	175	*9*	198	*9*
	6,096	*100*	5,735	*100*	3,294	*100*	1,981	*100*	2,133	*100*
Greek mineral properties										
Stratoni	492	20	1,006	*43*	64	*2*	(22)	*(4)*	766	*84*

Skouries	1,541	62	1,173	*50*	2,806	*70*	396	*73*	58	*6*
Olympias	362	14	168	*7*	1,162	*28*	77	*14*	91	*10*
Other	94	4	-	-	-	-	94	*17*	-	-
	2,489	*100*	2,347	*100*	4,032	*100*	545	*100*	915	*100*
Total	8,585		8,082		7,326		2,526		3,048	

The Certej exploitation licence and the Baita-Craciunesti exploration licence are held by the Company's 80%-owned subsidiary, Deva Gold S.A. ("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 Cainel exploration licences are held by the Company's wholly-owned subsidiary, European Goldfields Deva SRL.

The Company recorded a loss (before tax) of $11.60 million for the year ended 31 December 2008, compared to a profit (before tax) of $33.44 million for the year ended 31 December 2007. The Company recorded a net profit (after tax and non-controlling interest) of $5.52 million ($0.03 per share) for the year ended 31 December 2008, compared to a net profit of $23.20 million ($0.16 per share) for the year ended 31 December 2007.

The Company recorded a loss (before tax) of $11.25 million for the three-month period ended 31 December 2008, compared to a profit (before tax) of $1.57 million for the three-month period ended 31 December 2007. The Company recorded a net profit (after tax and non-controlling interest) of $6.34 million ($0.04 per share) for the three-month period ended 31 December 2008, compared to a net profit of $3.60 million ($0.02 per share) for the three-month period ended 31 December 2007.

The following factors have contributed to the above:

- The key revenue drivers have been commodity prices, lead grades and sale of gold concentrate: during 2008, the price of zinc which is the primary sales product from the Stratoni mine, averaged approximately $1,900 per tonne. This was substantially lower than in 2007 during which the zinc price averaged almost $3,250 per tonne. Quarter on quarter, the change was even more extreme: the zinc price averaged $1,360 per tonne for the three months ended 31 December 2008, compared to $2,720 for the comparable period in 2007. The lead price suffered the same trend: the lead price averaged approximately $2,094 per tonne in 2008 compared to $2,570 per tonne in 2007. However the quarterly change was even more severe than the trend in zinc: the lead price averaged $1,420 per tonne for the three months ended 31 December 2008, compared to $3,220 for the comparable period in 2007. In Q4 2008, revenues were also reduced by $1.6 million as a result of price adjustments to prior quarter sales. Hellas Gold's Stratoni mine was operating at substantially higher levels during 2008 than in 2007, with mine ore production increasing 26% and mill throughput increasing 25%. However, lower grades for lead in 2008 meant that lead concentrate production and sales were at similar levels to 2007, but with lower levels of profitability. In 2008, Hellas Gold sold 63,533 tonnes of gold bearing pyrite concentrates from Olympias, a reduction of 20% compared to the same period of 2007 but higher gold prices more than offset this fall in volumes and resulted in higher gold revenues. In Q4 2008, sales of gold

concentrate were only down 13% compared to the same period in 2007. However, higher gold prices contributed to an increase of 2% in gold revenues. Overall, lower base metal prices and grades outweighed any benefits from the higher gold prices, with the result that revenues and profitability declined during 2008 and in Q4 2008 compared to the same periods of 2007.

- As a result, the Company recorded a gross profit of $5.65 million in 2008 and a gross loss of $4.07 million in Q4 2008, on revenues of $60.04 million and $12.77 million, respectively, compared to a gross profit of $43.79 million in 2007 and $7.43 million in Q4 2007, on revenues of $86.41 million and $22.72 million, respectively. Cost of sales of $54.40 million in 2008 and $16.84 million in Q4 2008, compared to $42.62 million and $15.29 million, respectively, for the same periods of 2007, reflect the higher tonnages mined and processed, and include approximately $0.90 million write down of concentrate stockpiles to net realisable value. Cost of sales in 2008 also included $5.97 million in amortisation and depletion expenses, compared to $5.07 million for the same period of 2007.

- The Company's corporate administrative and overhead expenses have increased from $4.30 million in 2007 and decreased from $1.70 million in Q4 2007, to $4.86 million and $0.94 million, respectively, for the same periods of 2008. Year on year this reflects higher general levels of corporate activity and higher wage costs compared to the prior period, although Q4 2008 was affected by the reversal of unutilised provisions at the year end, whilst Q4 2007 had been increased by the employer's tax liability on RSUs which vested in that quarter.

- The Company recorded a non-cash equity-based compensation expense of $2.90 million in 2008 and $1.35 million in Q4 2008, compared to $1.80 million and $0.29 million, respectively, for the same periods of 2007. In 2008, 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. In Q4 2008, the company issued DPUs to its non-executive directors which resulted in the related expense being recognised in the same quarter.

- The Company recorded a foreign exchange loss of $6.41 million in 2008 and a foreign exchange loss of $6.25 million in Q4 2008. The Q4 loss resulted from the translation of Euro working capital balances held by Hellas Gold into a US dollar functional currency, and occurred mainly from the end of Q3 2008 and throughout Q4 2008 during a period of rapid Euro weakness against the US dollar. In contrast, the Company realised a foreign exchange gain of $3.90 million in 2007, and a loss of $2.17 million in Q4 2007 as the Company gained from holding a basket of Sterling, Canadian dollars and Euros compared to its reporting currency of the US dollar.

- Hellas Gold's administrative and overhead expenses amounted to $7.62 million in 2008 and $1.42 million in Q4 2008, compared to $9.83 million and $3.17 million, respectively, for the same periods of 2007. Hellas Gold's administrative and overhead expenses include the

costs of the Athens based office, environmental, water treatment and other expenses not directly attributable to the Stratoni operation. The change in these costs relate primarily to reduction in cost of various projects in communities around the mine.

- Hellas Gold incurred an expense of $5.19 million in 2008 and $1.33 million in Q4 2008, compared to $4.32 million and $1.07 million, respectively, for the same periods of 2007, for ongoing water pumping and treatment at its non-operating mines of Olympias and Stratoni (Madem Lakkos), in compliance with Hellas Gold's commitment to the environment under its contract with the Greek State. The increase in 2008 relates to higher costs incurred accessing old voids at Madem Lakkos to allow backfilling activities to continue.

- The Company recorded a credit for income taxes of $16.64 million in 2008 and $17.07 million in Q4 2008, compared to a charge of $5.22 million and a credit of $2.06 million, respectively, for the same periods of 2007. Recent legislation phasing a reduction in the Greek corporate tax rate from 25% to 20% in 2014 has required the Company to restate its future tax liability relating to its Greek Mineral Properties using the new lower future tax rates. This resulted in a reduction in the future tax liability of $17.6 million which was credited against the tax provision in the income statement in Q4 2008. In addition losses in 2008 meant that Hellas Gold recorded a further credit against current tax for the year. Higher metal prices and profitability in the prior years led to higher charges for taxation. The credit in Q4 2007 arose as a result of the company recognising a tax asset as confidence increased that brought forward tax losses would be utilised.

- The Company recorded a credit of $0.48 million in 2008 and a credit of $0.52 million in Q4 2008 relating to the non-controlling shareholder's interest in Hellas Gold's loss (after tax), compared to charges of $5.02 million and $0.03 million, respectively, for the same periods of 2007, reflecting the change in profitability at Hellas Gold resulting from the decline in base metal prices during 2008.

Liquidity and capital resources

As at 31 December 2008, the Company had cash and cash equivalents of $170.30 million, compared to $218.84 million as at 31 December 2007, and working capital of $192.68 million, compared to $226.43 million as at 31 December 2007.

The decrease in cash and cash equivalents as at 31 December 2008, compared to the balances as at 31 December 2007, resulted primarily from capital expenditure in Greece ($26.18 million), payment of taxation ($10.33 million), the effect of foreign currency translation on cash ($6.29 million), deferred exploration and development costs in Romania ($6.1 million), the purchase of land ($2.71 million), investment in an associate ($2.69 million), operating cash flow ($1.66 million) and deferred development costs in Greece ($2.49 million), offset by changes in working capital balances ($2.00 million), advanced sales proceeds from offtakers ($3.56 million) and release of restricted investment ($4.90 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)	945	180	360	360	45
Operating lease (Athens office)	1,157	145	289	289	434
Outotec OT - Processing Plant	32,722	32,722	-	-	-
Total contractual obligations	34,824	33,047	649	649	479

In 2009, the Company expects to spend a total of $51 million in capital expenditures to fund the development of its project portfolio. This amount comprises $5 million at its existing operation at Stratoni to complete the expansion of the internal underground infrastructure at Mavres Petres and upgrade the mill, $10 million at Olympias as part of the refurbishment of the mine and process plant, and $30 million at Skouries as the Company expects to continue to spend on long lead time equipment and engineering studies. At Certej, the Company expects to spend $6 million as it progresses through the final stages of environmental permitting, advances through the basic and detailed engineering phases and continues exploration around Certej. In addition to its capital expenditure programme, the Company expects to spend $3 million in exploration over the wider licence area in Greece and Turkey, $9 million on Hellas Gold administrative and overhead and water treatment expenses, and $5 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.

Transactions with related parties

During the year ended 31 December 2008, Hellas Gold incurred costs of $41.85 million (2007 - $27.89 million) for management, technical and engineering services received from a related party, Aktor S.A., a 5% shareholder in Hellas Gold. As at 31 December 2008, Hellas Gold had accounts payable of $3.63 million (2007 - $2.13 million) to Aktor S.A. These expenditures were contracted in the normal course of operations and are recorded at the exchange amount agreed by the parties.

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.

Based on annual impairment reviews made by management, in the event that the long-term expectation is that the net carrying amount of these capitalised exploration and development costs will not be recovered such as would be indicated where:

- Producing properties:

- the carrying amounts of the capitalised costs exceed the related undiscounted net cash flows of reserves;

- Exploration properties:

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire; or
- insufficient funding is available to complete the exploration program;

then the carrying amount is written down to fair value accordingly and the write-down amount charged to operations.

***Impairment of 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.

***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 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 December 2008 and 2007, the Company had an asset retirement obligation relating to its Stratoni property in Greece.

***Revenue recognition* -** Revenues from the sale of concentrates are recognised and are measured at market prices when the rights and obligations of ownership pass to the customer. 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 terms of the contracts result in non-hedge derivatives that do not qualify for hedge accounting treatment, because of the difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period 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.

***Equity-based compensation* -** The Company operates a share option plan, a restricted share unit plan and a deferred phantom unit 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. 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.

Estimates, risks and uncertainties **-** The preparation of financial statements in conformity with generally accepted accounting principles 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 exploration, development costs for mineral properties, asset retirement obligations and equity based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Significant changes in accounting policies

Capital Disclosures - Effective 1 January 2008, the Company adopted CICA Handbook, Section 1535, Capital disclosures. The new standard requires disclosures of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Inventories - Effective 1 January 2008, the Company adopted the CICA Handbook Section 3031, Inventories. The new section requires inventories to be measured at the lower of cost and net realisable value and provides guidance on the cost methodology used to assign costs to inventory, disallows the use of last-in-first-out inventory costing methodology and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount previously written down is to be reversed. Upon adoption, the impact to the financial statements arising was immaterial.

Standards of Financial Statement Presentation - Effective 1 January 2008, the Company adopted CICA Handbook Section 1400, General standards of Financial Statement Presentation. This section provides guidance related to management's assessment of the Company's ability to continue as a going concern. The additional requirement requires management to make an assessment of the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The adoption of this standard had no impact on the Company's presentation of its financial position.

Financial Instruments Presentation and Disclosures - Effective 1 January 2008, the Company adopted CICA Handbook Sections 3862 - Financial instruments - disclosures, and 3863 - Financial instruments - Presentation. These new Sections are a replacement of and represent a revision and enhancement to Section 3861 - Financial instruments - Presentation and disclosure. Under the new standards, the Company is required to disclose information about the significance of financial instruments for its financial position and performance and qualitative and quantitative information about its exposure to risks arising from financial instruments, as well as management's objectives, policies and processes for managing such risks. The adoption of these standards did not have an impact on the classification and valuation of financial instruments.

Change in functional currency - Hellas Gold completed a long term planning exercise on its Stratoni mine. As a stand alone business, Stratoni was shown to generate excess of US dollar revenues over Euro expenses for its life of mine. Hellas Gold also has a series of development projects which will increase the excess of US dollar revenues over Euro denominated costs. Also taken into consideration along with the net cash flows were the following factors:

- All sales are priced in US dollars;
- Sales markets are international, rather than domestic to Greece;
- Day to day activities are financed by US dollar denominated sales;

- Significant amounts of future financing earmarked for the development projects has already been raised in US dollars by European Goldfields Limited, and other financing in Hellas Gold, prepaid sales receipts, have all been US dollar denominated;

- Labour and materials are predominantly denominated in Euros.

Overall, it was deemed that the net exposure to the US dollar was greater than the exposure to the Euro, and that the functional currency of Hellas Gold should change to the US dollar. The change in functional currency was effective 1 January 2008 and applied prospectively.

International Financial Reporting Standards ("IFRS") - In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, and 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 has begun assessing the adoption of IFRS and is in the process of completing its overall conversion plan. The plan assesses the possible benefits of early adoption, the key differences between IFRS and Canadian GAAP including disclosures as well as a timeline for implementation.

As part of the plan, the Company has appointed a team within the group finance function to assess and implement the conversion process, and key personnel have received IFRS training. The Company benefits from having members of the finance function at the subsidiary level who are already experienced in the preparation of IFRS accounts. The team has already identified the material differences between IFRS and Canadian GAAP, and the process of identifying other areas of potential differences is near completion. The Company has already been preparing a detailed reporting pack under IFRS on a quarterly basis. This IFRS pack includes accounting adjustments for all material differences between IFRS and Canadian GAAP, with the exception of IFRS 1. During 2009, the team will focus on preparation for the implementation of IFRS 1, and the increased level of IFRS disclosure compared to Canadian GAAP.

Disclosure controls and procedures & internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer of the Company (the "**Certifying Officers**") have established and maintained in the year ended 31 December 2008 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 December 2008. Based upon that evaluation, the Certifying Officers have concluded that the DC&P are adequate and effective for the year ended 31 December 2008.

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 December 31, 2008 the Certifying Officers assessed the effectiveness of the Company's internal control over financial reporting using the criteria contained in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation, the Certifying Officers concluded that the internal controls and procedures are adequate and effective for the year ended 31 December 2008.

During the year ended 31 December 2008, 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.

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 as at 18 March 2009:

Common shares:	179,807,381
Commonshare options:	3,241,665
Restricted share units:	614,779
Common shares (fully-diluted):	183,663,825
Preferred shares:	Nil

Outlook

Reference is made to the Company's news release dated 19 March 2009 which accompanies this Management's Discussion and Analysis.

Risks and uncertainties

The risks and uncertainties affecting the Company, its subsidiaries and their business are discussed in the Company's Annual Information Form for the year ended 31 December 2008, filed on SEDAR at www.sedar.com.