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**European Goldfields Limited**

**Consolidated Financial Statements**  
**(Unaudited)**

**First Quarter 2010**

**Disclosure of auditor review of interim consolidated financial statements**

The interim consolidated financial statements of the Company for the three-month periods ended 31 March 2010 and 31 December 2009 have not been reviewed by the auditors of the Company.

# European Goldfields Limited

Consolidated Balance Sheets

As at 31 March 2010 and 31 December 2009

(Unaudited – Prepared by Management)

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

	Note	31 March 2010 \$ Unaudited	31 December 2009 \$ Audited
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	101,836	113,642
Accounts receivable	13	28,277	26,813
Derivative financial asset	13	209	-
Current taxes receivable		3,700	3,954
Future tax assets		92	119
Prepaid expenses		1,451	13,794
Inventory	3	6,952	4,993
		<u>142,517</u>	<u>163,315</u>
<b>Non-current assets</b>			
Property, plant and equipment	4	108,876	96,100
Deferred exploration and development costs	5		
Greek production stage mineral properties		23,359	24,051
Greek development stage mineral properties		405,717	405,146
		<u>429,076</u>	<u>429,197</u>
Romanian development stage mineral properties		52,092	50,173
Turkish exploration stage mineral properties		1,868	1,625
		<u>483,036</u>	<u>480,995</u>
<b>Investment in associates</b>	6	711	711
<b>Investment other</b>	7	1,246	1,490
<b>Future tax assets</b>		1,485	1,489
		<u>737,871</u>	<u>744,100</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	9,415	12,684
Derivative financial liability	13	-	1,064
Deferred revenue	10	3,867	4,549
Future tax liabilities	8	-	-
		<u>13,282</u>	<u>18,297</u>
<b>Non-current liabilities</b>			
Future tax liabilities	8	90,211	90,083
Asset retirement obligation	9	7,101	7,068
Deferred revenue	10	48,208	48,412
		<u>145,520</u>	<u>145,563</u>
<b>Non-controlling interest</b>		3,008	2,930
<b>Shareholders' equity</b>			
Capital stock	11	549,734	545,180
Contributed surplus	11	9,548	10,047
Accumulated other comprehensive income	11	36,946	35,911
Deficit		(20,167)	(13,828)
		<u>576,061</u>	<u>577,310</u>
		<u>737,871</u>	<u>744,100</u>

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

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**Approved by the Board of Directors**

(s) Timothy Morgan-Wynne  
Timothy Morgan-Wynne, Director

(s) Bruce Burrows  
Bruce Burrows, Director

# European Goldfields Limited

Consolidated Statements of Profit and Loss  
 For the three-month periods ended 31 March 2010 and 2009  
 (Unaudited – Prepared by Management)  
 (in thousands of US Dollars, except per share amounts)

		Three months ended	
		31 March 2010	31 March 2009
	Note	\$	\$
<b>Income</b>			
Sales		10,435	10,742
Cost of sales	3	(8,116)	(9,611)
Depreciation and depletion		(1,640)	(1,473)
<b>Gross profit/(loss)</b>		<u>679</u>	<u>(342)</u>
<b>Other income</b>			
Hedge contract profit		-	2,417
Interest income		62	508
Foreign exchange gain/(loss)		1,563	(2,882)
Loss in dilution of interest in associates	6	-	86
Share of loss of associate	6	-	(26)
		<u>1,625</u>	<u>103</u>
<b>Expenses</b>			
Corporate administrative and overhead expenses		1,993	1,000
Equity-based compensation expense		3,635	428
Hellas Gold administrative and overhead expenses		1,270	1,148
Hellas Gold water treatment expenses (non-operating mines)		891	955
Accretion of asset retirement obligation	9	33	30
Depreciation		306	179
		<u>8,128</u>	<u>3,740</u>
<b>Loss for the period before income taxes</b>		<u>(5,824)</u>	<u>(3,979)</u>
<b>Income taxes</b>			
Current taxes		11	-
Future taxes		427	(540)
		<u>438</u>	<u>(540)</u>
<b>Loss for the period after income taxes</b>		<u>(6,262)</u>	<u>(3,439)</u>
<b>Non-controlling interest</b>		(77)	183
<b>Loss for the period</b>		<u>(6,339)</u>	<u>(3,256)</u>
<b>Loss per share</b>			
Basic	20	(0.03)	(0.02)
Diluted		(0.03)	(0.02)
<b>Weighted average number of shares (in thousands)</b>			

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Basic	181,769	179,884
Diluted	181,769	179,884

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

# European Goldfields Limited

Consolidated Statements of Shareholders' Equity  
As at 31 March 2010 and 31 December 2009

(Unaudited – Prepared by Management)  
(in thousands of US Dollars, except per share amounts)

	Capital Stock \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total \$
<b>Balance – 31 December 2008</b>	538,316	7,788	43,676	(2,045)	587,735
Equity-based compensation expense	-	611	-	-	611
Share issue costs	(10)	-	-	-	(10)
Restricted share units vested	630	(630)	-	-	-
Share options exercised or exchanged	950	(392)	-	-	558
Change in fair value of cash flow hedge	-	-	(2,418)	-	(2,418)
Movement in cumulative translation adjustment	-	-	(128)	-	(128)
Loss for the period	-	-	-	(3,256)	(3,256)
	<u>1,570</u>	<u>(411)</u>	<u>(2,546)</u>	<u>(3,256)</u>	<u>(4,643)</u>
<b>Balance – 31 March 2009</b>	539,886	7,377	41,130	(5,301)	583,092
Equity-based compensation expense	-	6,209	-	-	6,209
Share issue costs	(19)	-	-	-	(19)
Restricted share units vested	2,687	(2,687)	-	-	-
Share options exercised or exchanged	2,626	(852)	-	-	1,774
Change in fair value of cash flow hedge	-	-	(5,432)	-	(5,432)
Revaluation of available-for-sale asset	-	-	157	-	157
Movement in cumulative translation adjustment	-	-	56	-	56
Loss for the period	-	-	-	(8,527)	(8,527)
	<u>5,294</u>	<u>2,670</u>	<u>(5,219)</u>	<u>(8,527)</u>	<u>(5,782)</u>
<b>Balance – 31 December 2009</b>	545,180	10,047	35,911	(13,828)	577,310
Equity-based compensation expense	-	4,055	-	-	4,055
Share issue costs	-	-	-	-	-
Restricted share units vested	4,554	(4,554)	-	-	-
Share options exercised or exchanged	-	-	-	-	-
Change in fair value of cash flow hedge	-	-	1,272	-	1,272
Revaluation of available-for-sale asset	-	-	(244)	-	(244)
Movement in cumulative translation adjustment	-	-	7	-	7
Loss for the period	-	-	-	(6,339)	(6,339)
	<u>4,554</u>	<u>(499)</u>	<u>1,035</u>	<u>(6,339)</u>	<u>(1,249)</u>
<b>Balance – 31 March 2010</b>	549,734	9,548	36,946	(20,167)	576,061

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

# European Goldfields Limited

Consolidated Statements of Cash Flows

For the three-month periods ended 31 March 2010 and 2009

(Unaudited – Prepared by Management)

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

	Three months ended	
	31 March 2010	31 March 2009
Note	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(6,339)	(3,256)
Foreign exchange loss	3,018	3,146
Share of loss in equity investment	-	26
Gain on change of interest in associates	-	(86)
Depreciation	1,584	1,062
Equity based compensation expense	3,635	428
Accretion of asset retirement obligation	9      33	30
Current taxation	11	-
Future tax asset recognised	427	(540)
Non-controlling interest	77	(183)
Deferred revenue recognised	10    (887)	(718)
Depletion of mineral properties	737	786
	<u>2,296</u>	<u>695</u>
Net changes in non-cash working capital	15    (6,571)	(3,618)
	<u>(4,275)</u>	<u>(2,923)</u>
<b>Cash flows from investing activities</b>		
Deferred exploration and development costs – Romania	(1,272)	(885)
Property, plant and equipment – Greece	(1,782)	(8,953)
Deferred development costs – Greece	(284)	(519)
Deferred exploration costs – Turkey	(182)	(77)
Purchase of equipment	(731)	(97)
Investment in associates	-	(143)
	<u>(4,251)</u>	<u>(10,674)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options	-	558
	-	558
<b>Effect of foreign currency translation on cash</b>	<u>(3,280)</u>	<u>(3,262)</u>
<b>Decrease in cash and cash equivalents</b>	(11,806)	(16,301)
<b>Cash and cash equivalents – Beginning of period</b>	<u>113,642</u>	<u>170,296</u>
<b>Cash and cash equivalents – End of period</b>	<u>101,836</u>	<u>153,995</u>

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## European Goldfields Limited

Consolidated Statements of Other Comprehensive Income and loss

For the three-month periods ended 31 March 2010 and 2009

(Unaudited – Prepared by Management)

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

	Three months ended	
	31 March 2010	31 March 2009
	\$	\$
Loss for the period	(6,339)	(3,256)
<b>Other comprehensive income/(loss) in the period</b>		
Currency translation adjustment	7	(128)
Gains and losses on derivative designated as cash flow hedges	1,272	-
Gains and losses on derivative designated as cash flow hedges in prior periods transferred to profit in the current period	-	(2,418)
Unrealised gain on available-for-sale financial asset	(244)	-
<b>Comprehensive loss</b>	<u>(5,304)</u>	<u>(5,802)</u>

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**The accompanying notes are not part of these consolidated financial statements**

## **European Goldfields Limited**

Notes to Consolidated Financial Statements  
For the periods ended 31 March 2010 and 2009  
(Unaudited – Prepared by Management)  
(in thousands of US Dollars, except per share amounts)

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## 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".

The Company is a developer-producer with globally significant gold reserves located within the European Union. The Company generates cash flow from its 95% owned Stratonis operation, a high grade lead/zinc/silver mine in North-Eastern Greece. European Goldfields will evolve into a mid tier producer through responsible development of its project pipeline of gold and base metal deposits at Skouries and Olympias in Greece and Certej in Romania. The Company plans future growth through development of its highly prospective exploration portfolio in Greece, Romania and Turkey.

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 fund 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. Significant accounting policies

These interim consolidated financial statements have been prepared on the going concern basis in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**") using the same accounting policies as those disclosed in Note 2 to the Company's audited consolidated financial statements for the years ended 31 December 2009 and 2008.

These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2009 and 2008.

### 3. Inventory

This balance comprises the following:

	<b>31 March 2010 \$</b>	<b>31 December 2009 \$</b>
Ore mined	1,833	102
Metal concentrates	2,413	2,195
Material and supplies	2,706	2,696
	<u>6,952</u>	<u>4,993</u>

The components of cost of sales were as follows:

	<b>31 March 2010 \$</b>	<b>31 March 2009 \$</b>
Mining cost	6,352	5,639
Direct labour	737	1,075
Indirect labour	243	204
Other overhead costs	1,319	1,510
Increase in gross inventories	(1,539)	(1,450)
Freight charges	1,004	2,423
Write-down of inventory to net realisable value	-	210
	<u>8,116</u>	<u>9,611</u>

As at 31 March 2010, the value of total inventory carried at net realizable value amounted to \$Nil (2009 – \$Nil), which includes a write-down of \$Nil (2009 – \$314).

#### 4. Property, plant and equipment

	Plant and equipment \$	Vehicles \$	Mine development land and buildings \$	Total \$
<b>Cost – 2010</b>				
At 31 December 2009	64,240	2,107	43,464	109,811
Additions	14,068	34	292	14,394
Transfers	(11,917)	-	11,917	-
Disposals	-	-	-	-
At 31 March 2010	<u>66,391</u>	<u>2,141</u>	<u>55,673</u>	<u>124,205</u>
<b>Accumulated depreciation – 2010</b>				
At 31 December 2009	6,269	1,390	6,052	13,711
Provision for the period	527	38	1,053	1,618
Disposals	-	-	-	-
At 31 March 2010	<u>6,796</u>	<u>1,428</u>	<u>7,105</u>	<u>15,329</u>
Net book value at 31 March 2010	<u>59,595</u>	<u>713</u>	<u>48,568</u>	<u>108,876</u>

During 2010, the total depreciation charge amounted to \$1,602 (2009 – \$4,056) and the net book value amount of property, plant and equipment not amortised amounted to \$67,426 (2009 – \$75,499).

# European Goldfields Limited

Notes to Consolidated Financial Statements  
For the three-month periods ended 31 March 2010 and 2009  
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## 5. Deferred exploration and development costs

### Greek mineral properties:

	Stratoni \$	Olympias \$	Skouries \$	Other exploration \$	Total \$
<b>Balance – 31 December 2009</b>	<u>24,051</u>	<u>237,311</u>	<u>167,549</u>	<u>286</u>	<u>429,197</u>
Acquisition of mineral properties	-	-	-	-	-
Deferred development costs	86	313	247	11	657
Depletion of mineral properties	<u>(778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(778)</u>
	<u>(692)</u>	<u>313</u>	<u>247</u>	<u>11</u>	<u>(121)</u>
<b>Balance – 31 March 2010</b>	<u>23,359</u>	<u>237,624</u>	<u>167,796</u>	<u>297</u>	<u>429,076</u>

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.

# European Goldfields Limited

Notes to Consolidated Financial Statements

For the three-month periods ended 31 March 2010 and 2009

(Unaudited – Prepared by Management)

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

## Romanian mineral properties:

	Certej \$	Other exploration \$	Total \$
<b>Balance – 31 December 2009</b>	<u>44,270</u>	<u>5,903</u>	<u>50,173</u>
Project development and exploration	822	70	892
Permit acquisition	(19)	-	(19)
Project overhead	993	34	1,027
Depreciation	16	3	19
	<u>1,812</u>	<u>107</u>	<u>1,919</u>
<b>Balance – 31 March 2010</b>	<u>46,082</u>	<u>6,010</u>	<u>52,092</u>

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 Canel exploration licences are held by the Company's wholly-owned subsidiary, European Goldfields Deva SRL.

As at the 31 March 2010, the following cost had been incurred on the remaining Romanian mineral properties:

	31 March 2010 \$	31 December 2009 \$
Baita-Craciunesti	3,336	3,334
Voia	1,845	1,847
Magura Tebii	189	181
Exploration projects	640	541
	<u>6,010</u>	<u>5,903</u>

# European Goldfields Limited

Notes to Consolidated Financial Statements

For the three-month periods ended 31 March 2010 and 2009

(Unaudited – Prepared by Management)

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## Turkish Mineral Properties:

	Ardala \$	Other exploration \$	Total \$
<b>Balance – 31 December 2009</b>	1,468	157	1,625
Exploration	-	23	23
Project overhead	155	56	211
Permit acquisition	5	4	9
Depreciation	-	-	-
	160	83	243
<b>Balance – 31 March 2010</b>	1,628	240	1,868

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<sup>2</sup>, 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 the Ardala property may be increased to 80% by funding to completion of a Bankable Feasibility Study. All other 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.

# European Goldfields Limited

Notes to Consolidated Financial Statements  
For the three-month periods ended 31 March 2010 and 2009  
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## 6. Investment in associates

	31 March 2010 \$	31 December 2009 \$
Balance – Beginning of period	711	2,075
Shares acquired	-	141
Share of loss of associate	-	(76)
Cumulative translation adjustment	-	(32)
Share issue cost	-	(28)
Loss in dilution of interest in associates	-	(36)
Reclassification as investment available-for-sale	-	(1,333)
Balance – End of period	<u>711</u>	<u>711</u>

In January 2008, Hellas Gold acquired a 50% share of Greek Nurseries SA for a consideration of \$834 (€530), at the date of acquisition the Company had no net assets.

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 was \$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.

In January 2009, Ariana performed a share issue which the Company took part in, however this resulted in a dilution of ownership as the Company did not subscribe to 20.13% of the new shares being issued. After the share issue the Company held 19.87% interest in Ariana. During September 2009, Ariana carried out a further share placement in which the Company did not subscribe and as at 31 December 2009, the Company held 16.58% of the issued share capital. Since October 2009, the Company has not had a representative on the board of Ariana and therefore no longer has significant influence. As a result, the Company has accounted for its investment in Ariana as an investment available-for-sale.

## 7. Investment other

	31 March 2010 \$	31 December 2009 \$
Balance – Beginning of period	1,490	-
Reclassification from investment in associate	-	1,333
Fair value adjustment	(244)	157
Balance – End of period	<u>1,246</u>	<u>1,490</u>

The above investment is accounted for as an available-for-sale asset.

# European Goldfields Limited

Notes to Consolidated Financial Statements  
For the three-month periods ended 31 March 2010 and 2009  
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## 8. Future tax liability

The following table reflects future income tax liabilities:

	<b>31 March 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
Mineral properties	84,448	84,491
Plant and equipment	1,425	1,329
Exploration and development expenditure	3,022	3,187
Accrued expenses & other	621	286
Inventory	-	10
Retirement obligation	695	780
	<u>90,211</u>	<u>90,083</u>
Less: Current portion	-	-
Future income tax liabilities recognised	<u>90,211</u>	<u>90,083</u>

## 9. 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 periods ended 31 March 2010 and 31 December 2009:

	<b>31 March 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
Asset retirement obligation – Beginning of period	7,068	6,937
Accretion expense	33	131
Asset retirement obligation – End of period	<u>7,101</u>	<u>7,068</u>

As at 31 March 2010, the undiscounted amount of estimated cash flows required to settle the obligation is \$7,206 (31 December 2009 – \$7,805). The estimated cash flow has been discounted using a credit adjusted risk free rate of 5.04% (31 December 2009 – 5.04%). The expected period until settlement is five years.

# European Goldfields Limited

Notes to Consolidated Financial Statements

For the three-month periods ended 31 March 2010 and 2009

(Unaudited – Prepared by Management)

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

## 10. 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 km<sup>2</sup> 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. During the period ended 31 March 2010, Hellas Gold delivered concentrate containing ounces 165,781 (31 December 2009 – 772,865 ounces) of silver for credit to Silver Wheaton.

In September 2007, Hellas Gold entered into an agreement with a subsidiary of Celtic Resources Holdings (“**Celtic**”) 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. During the period a total of Nil wmt (31 December 2009 – 24,680 wmt) of concentrate was delivered to Celtic.

The following table reconciles movements on deferred revenue associated with Celtic and the Silver Wheaton transaction:

	<b>31 March 2010 \$</b>	<b>31 December 2009 \$</b>
Deferred revenue – Beginning of period	52,961	58,496
Additions	-	-
Revenue recognised	<u>(886)</u>	<u>(5,535)</u>
	52,075	52,961
Less: Current portion	<u>(3,867)</u>	<u>(4,549)</u>
Deferred revenue – End of period	<u>48,208</u>	<u>48,412</u>

# European Goldfields Limited

Notes to Consolidated Financial Statements  
 For the three-month periods ended 31 March 2010 and 2009  
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 (in thousands of US Dollars, except per share amounts)

## 11. 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 \$
<b>Balance – 31 December 2009</b>	181,339,813	545,180
Restricted share units vested	991,233	4,554
Share options exercised or exchanged	-	-
Share issue costs, net of tax	-	-
	<u>991,233</u>	<u>4,554</u>
<b>Balance – 31 March 2010</b>	<u>182,331,046</u>	<u>549,734</u>
<b>Contributed surplus</b>		
	<b>31 March 2010 \$</b>	<b>31 December 2009 \$</b>
Equity-based compensation expense	8,970	9,469
Broker warrants	578	578
	<u>9,548</u>	<u>10,047</u>

### Accumulated other comprehensive income

The components of accumulated other comprehensive income were as follows:

	31 March 2010 \$	31 December 2009 \$
Cumulative translation adjustment	36,825	36,818
Fair value of cash flow hedge (net of tax)	209	(1,064)
Available-for-sale asset	(88)	157
	<u>36,946</u>	<u>35,911</u>

# European Goldfields Limited

Notes to Consolidated Financial Statements

For the three-month periods ended 31 March 2010 and 2009

(Unaudited – Prepared by Management)

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

## 12. 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 (27,349,657 shares as at 31 March 2010).

An option holder 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**”):

$$\begin{array}{l} \text{Number of} \\ \text{Settlement} \\ \text{Common Shares} \end{array} = \begin{array}{l} \text{Number of Optioned Shares} \\ \text{issuable on exercise of the} \\ \text{Exchanged Rights} \end{array} \times \frac{\text{(Current Price – Exercise Price)}}{\text{Current Price}}$$

As at 31 March 2010, the following share options were outstanding:

<b>Expiry date</b>	<b>Number of Options</b>	<b>Exercise price C\$</b>
2010	60,000	2.00
2011	66,666	3.25
2011	600,000	3.85
2011	50,000	4.10
2012	250,000	5.66
2012	150,000	5.71
2012	256,666	5.87
2013	50,000	1.99
2013	360,000	3.54
2013	135,000	5.07
2013	78,333	6.80
2014	1,300,000	6.00
2014	50,000	7.00
2014	1,600,000	6.03
2015	62,500	6.06
	<u>5,069,165</u>	<u>5.40</u>

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During the period ended 31 March 2010 and 2009, share options were granted, exercised, exchanged and forfeited as follows:

	Number of Options	Weighted average exercise price C\$
<b>Balance – 31 December 2009</b>	<u>3,406,665</u>	<u>5.10</u>
Options granted	1,662,500	6.03
Options exercised	-	-
Options exchanged for shares	-	-
Options forfeited	-	-
<b>Balance – 31 March 2010</b>	<u>5,069,165</u>	<u>5.40</u>

Of the 5,069,165 (2009 – 3,241,665) share options outstanding as at 31 March 2010, 2,002,221 (2009 – 2,310,001) were fully vested and had a weighted average exercise price of C\$4.68 (2009 – C\$3.24) per share. The share options outstanding as at 31 March 2010, had a weighted average remaining contractual life of years 3.66 (2009 – 2.44 years).

The weighted average grant date fair value cost of the 1,662,500 share options granted during the period ended 31 March 2010 (2009 – Nil) was C\$4,178 (2009 – C\$ Nil). For outstanding share options, including options granted during the three-month period and those which were not fully vested during the three-month period ended 31 March 2010, the Company incurred a total equity-based compensation cost of \$1,034 (2009 – \$294) of which \$778 (2009 – \$221) has been recognised as an expense in the statement of profit and loss and \$256 (2009 – \$73) 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 and Parisian option pricing model with the following assumptions: weighted average risk free interest rate of 0.05% (2009 – Nil); volatility factor of the expected market price of the Company's shares of 68.40% (2009 – Nil); a weighted average expected life of the share options of 5 years (2009 – Nil), maximum term of 5 years and a dividend yield of Nil (2009 – Nil).

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## 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 (4,558,276 shares as at 31 March 2010).

As at 31 March 2010, the following RSUs were outstanding:

Vesting date	Number of RSUs	Grant date fair value of underlying shares C\$
08 December 2010	70,102	6.18
31 December 2010	283,332	6.19
31 December 2011	200,000	6.02
31 December 2011	133,332	6.19
25 January 2012	31,250	6.32
25 January 2012	31,250	6.32
31 December 2012	133,336	6.19
	882,602	6.16

During the three-month period ended 31 March 2010 and 2009, RSUs were granted, vested and forfeited as follows:

	Number of RSUs	Weighted average grant date fair value of underlying shares C\$
<b>Balance – 31 December 2009</b>	1,261,334	5.09
RSUs granted	612,500	6.20
RSUs vested	(991,232)	4.82
RSUs forfeited	-	-
<b>Balance – 31 March 2010</b>	882,602	6.16

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The weighted average grant date fair value cost of underlying shares of the 612,500, RSUs granted during the period ended 31 March 2010 (2009 – 584,779) was C\$6.20 (2009 – C\$2.67). For outstanding RSUs which were not fully vested, including RSU's granted during the period ended 31 March 2010, the Company incurred a total equity-based compensation cost of \$3,021 (2009 – \$318) of which \$2,213 (2009 – \$118) has been recognised as an expense in the statement of profit and loss and \$808 (2009 – \$200) 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 give 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 31 March 2010 has been included in current liabilities.

As at 31 March 2010, the following DPUs were outstanding:

<b>Grant date</b>	<b>Number of DPUs</b>
05 December 2008	135,500
23 March 2009	3,092
15 May 2009	3,856
18 August 2009	3,459
07 October 2009	55,000
15 November 2009	3,064
19 February 2010	40,065
22 March 2010	3,009
	<u>247,045</u>

During the three-month period ended 31 March 2010 and 2009, DPUs were granted and forfeited as follows:

	<b>Number of DPUs</b>
<b>Balance – 31 December 2009</b>	<u>351,410</u>
DPU's granted and vested	43,074
DPU's exchanged	(147,439)
<b>Balance – 31 March 2010</b>	<u>247,045</u>

Of the 43,074 (2009 – 9,276) DPU's granted during the period, 16,364 (2009 – 9,276) were fully vested.

The fair value cost of the 247,045 (2009 – 415,776) DPUs as at the 31 March 2010, based on the period end share price of C\$6.04 (2009 – C\$3.35), amounted to C\$1,493 (2009 – C\$1,393).

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## 13. Financial instruments and financial risk management

Financial exposures, in varying degrees, arise in the normal course of the Company's consolidated operations and include commodity price risk, foreign exchange risk, interest rate risk, liquidity risk and credit risk associated with trade and financial counterparties. These exposures are monitored by Senior Management and are assessed and mitigated in accordance to the Group Risk Management Policy.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities 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 carrying amounts of the financial instruments and their fair values as at 31 March 2010 and 31 December 2009 are as follows:

	Carrying amount		Fair value	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009
<b>Financial assets</b>				
Cash and cash equivalents	101,836	113,642	101,836	113,642
Accounts receivable	28,277	26,813	28,277	26,813
Derivative financial asset	209	-	209	-
Available-for-sale asset	1,246	1,490	1,246	1,490
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	9,415	12,684	9,415	12,684
Derivative financial liability	-	1,064	-	1,064

	Fair value quoted market price (Level 1)		Fair value valuation technique market observation inputs (Level 2)	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009
<b>Financial assets</b>				
Available-for-sale asset	1,246	1,490	-	-
Derivative financial asset	-	-	209	-
<b>Financial liabilities</b>				
Derivative financial liability	-	-	-	1,064

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Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Company used valuation techniques such as present value and Black - Scholes option valuation techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

**Commodity price risk** – The Company's net profit and value of the mineral resource properties are related to the prices of gold, silver, copper, zinc and lead and the 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 market participants, levels of worldwide production, macro-economic and political variables and certain other factors related specifically to gold. Silver and, in particular, base metal prices have historically tended to be driven more by the demand and supply fundamentals for each metal, however, they are also influenced by speculative activity, macro-economic and political variables and certain other factors related specifically to silver and base metals.

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.

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

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

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

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

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

**Currency risk** – The Company is exposed to currency risk on accounts receivable, accounts payable and cash holdings that are denominated in currencies other than the functional currencies of the operating entities in the group. As at the 31 March 2010, the Company held the equivalent of \$62,997 (31 December 2009 – \$16,133) in net assets denominated in foreign currencies. These balances are primarily made up of Euro and, to a lesser extent, Pound Sterling.

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 Euro denominated assets and liabilities in its foreign operations.

For the three-month period ended 31 March 2010 the Company recorded a foreign exchange gain of \$1,563 (2009 – a loss of \$2,882), mainly due to the translation of Euro balances in its subsidiaries.

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**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 working capital, short and long term business requirements after taking into account cash flows from operations and holdings of cash and cash equivalents. Senior management is 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 financial derivatives. As at 31 March 2010, the Company's trade payables and accrued liabilities amounted to \$9,415 (2009 – \$12,684), all of which fall due for payment within 12 months of the balance sheet date. The average credit period achieved during the period ended 31 March 2010 was 30 days (2009 – 30 days).

As at 31 March 2010, cash and cash equivalents comprises the following:

	<b>31 March 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
Interest bearing bank accounts	101,036	102,686
Short-term deposits	800	10,956
	<u>101,836</u>	<u>113,642</u>

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 March 2010, 6 (2009 – 4) customers represented 93% (2009 – 84%) of the total. The Company does not anticipate any loss for non-performance.

As at 31 March 2010, the accounts receivable comprises the following:

	<b>31 March 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	4,792	6,712
Valued added taxes recoverable	18,068	18,360
Other accounts receivable	5,417	1,741
	<u>28,277</u>	<u>26,813</u>

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As at 31 March 2010, the Company considers its accounts receivable excluding Value Added Taxes recoverable and other accounts receivable to be aged as follows:

Ageing	31 March 2010 \$	31 December 2009 \$
Current	3,180	4,139
Past due (1-30 days)	1,883	2,283
Past due (31-60 days)	176	233
Past due (more than 60 days)	(447)	57
	<u>4,792</u>	<u>6,712</u>

**Interest rate risk** – The Company is exposed to interest rate risk arising from fluctuations in interest rates on its cash equivalents. The Company does not have any borrowings or debt facilities and 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 liquid funds are maintained to meet day to day requirements and to place any amounts which are considered in excess of this on short-term deposits with the Company's banks to earn interest. The Company uses top rated institutions and ensures that access to the amounts can be gained at short notice. During the three-month period ended 31 March 2010 the company earned interest income of \$62 (2009 – \$508) on cash and cash equivalents, based on rates of returns up to 3.5% (2009 – up to 2.50%).

**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 expose the Company to credit risk consist of cash and cash equivalents, accounts receivable and in certain market conditions, 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 paper and has deposited the cash equivalents only with the largest banks within a particular region or with top rated institutions.

The Company's concentrate offtake arrangements also expose it to credit risk which would result should the Company's offtakers default under these arrangements, as a result of which the Company would not realise its trade receivable amount. The Company manages this exposure through assessing the offtaker's credit risk before entering the offtake agreement, the structure of the offtake contract and sells to a number of different offtakers which diversifies this risk

Included in the Company's accounts receivable is an amount of \$17,642 relating to value added taxes recoverable which is subject to Greek government credit risk.

**Sensitivity analysis** – The Company has completed a sensitivity analysis to estimate the impact on net (loss)/profit of a 5% change in foreign exchange rates, a 1% change in interest rates and a 10% change in base metal prices, excluding the effect of hedging, during the three-month ended 31 March 2010 and 2009. The results of the sensitivity analysis can be seen in the following table:

Impact on Net (Loss)/Profit (+/-)	31 March 2010 \$	31 March 2009 \$
Change of - 5 % US\$: € foreign exchange rate	(261)	988
Change of + 5 % US\$: € foreign exchange rate	258	(893)
Change of +/- 1% in interest rates	179	691
Change of +/- 10% in commodities prices	241	830

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**Limitations of sensitivity analysis** – The above table demonstrates the effect of each sensitivity in isolation. In reality, there may be a correlation between a combination of any of these sensitivities. Additionally, the financial position of the Company may vary at the time any of these factors occurs, causing the impact on the Company's results to differ from that shown above.

## 14. Capital Risk Management

The Company's objectives when managing its capital are to maintain financial flexibility to achieve its long term business development plan, whilst managing its costs, optimizing its access to capital markets and preserving capital value. Further, it ensures that there is sufficient liquidity available to meet day to day operating requirements.

The Company currently has no debt and considers its Shareholders' Equity and cash and cash equivalents as components of its capital structure.

The Company's Board of Directors continually assesses the Company's capital through its short-term budgets and long-term development plan, meeting regularly through quarterly board meetings and regular communication with Officers and senior management to assess the requirements, changes to Company's set of assumptions and capital market conditions.

Going forward, as part of its capital management, the Company expects to raise a level of debt based on the forecast cashflows of its projects. As a result, the Company will need to comply with certain financial covenants and financial restrictions accordingly.

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, maturity and counterparties, selected with regards to the expected timing of expenditures from continuing operations and counterparty risk.

The Company expects its current capital resources and anticipated debt raising 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 March 2010.

Capital under management was as follows:

	<b>31 March 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
Capital stock	549,734	545,180
Contributed surplus	9,548	10,047
Accumulated other comprehensive income	36,946	35,911
Deficit	(20,167)	(13,828)
	<u>576,061</u>	<u>577,310</u>

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## 15. Supplementary cash flow information

	31 March 2010 \$	31 March 2009 \$
<b>Changes in non-cash working capital:</b>		
Accounts receivable and prepaid expenses	(734)	(58)
Inventory	(1,918)	(1,497)
Accounts payable and accrued liabilities	(3,919)	(2,063)
	<u>(6,571)</u>	<u>(3,618)</u>
<b>Supplemental disclosure of non-cash transactions:</b>		
Share options and restricted share units issued for non-cash consideration	4,055	611
Exercise or exchange of share options – Transfer from contributed surplus to share capital	-	(392)
Vesting of restricted share units	(4,554)	(630)

## 16. Commitments

The Company has spending commitments of \$162 or £107 (2009 – \$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 was subject to an upward only review in April 2009, for which new rent became effective from November 2008.

Hellas Gold has spending commitments of \$140 (€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 March 2010, Hellas Gold had entered into off-take agreements pursuant to which Hellas Gold agreed to sell 26,833 dmt of zinc concentrates, 4,333 dmt of lead/silver concentrates and 20,869 dmt of gold concentrates until the financial year 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 \$46,461 (€34,470) which is to be paid by the end of 2009. As at 31 March 2010, \$43,098 (€31,974) of the commitment had been paid. The Company has pledged \$800 in support of a letter of credit issued on behalf of Outotec Minerals OY through Nordea Bank of Finland.

## 17. Transactions with related parties

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

During the three-month period ended 31 March 2010, Hellas Gold incurred costs of \$8,089 (2009 – \$9,384) which have been recognised as cost of sales in the statements of profit and loss and capitalised to property, plant and equipment, for services received from Aktor. As at 31 March 2010, Hellas Gold had accounts payable of \$3,110 (2009 – \$9,044) to Aktor. These expenditures were contracted in the normal course of operations and are recorded at the exchange amount agreed by the parties. The terms of the payable is 30 days (2009 – 30 days).

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## 18. Segmented report

During the three-month period ended 31 March 2010 and 2009, the Company had four reporting segments. The Company has identified its operating segments based on internal reports prepared by management. Management has identified the operating segments based on the location of its activities. The Company's operations are managed on a regional basis. The Greek reporting segment includes the production activities of the Stratonis mine and development activities of the Olympias and Skouries. The Romanian reporting segment includes the development activities of the Certej project. The Turkish reporting segment includes the exploration activities of the Ardala project. The other reporting segment includes the operation of the Company's corporate office. The accounting policy used by the Company in reporting segments are in accordance with the measurement principles of Canadian GAAP.

	<u>Greece</u>	<u>Romania</u>	<u>Turkey</u>	<u>Corporate</u>	<u>31 March 2010 Total</u>
<b>Assets</b>					
Production stage mineral properties	23,359	-	-	-	23,359
Development stage mineral properties	405,717	52,092	-	-	457,809
Exploration stage mineral properties	-	-	1,868	-	1,868
Property, plant and equipment	104,809	3,364	51	652	108,876
<b>Segment assets</b>	<u>533,885</u>	<u>55,456</u>	<u>1,919</u>	<u>652</u>	<u>591,912</u>
<b>Income</b>					
Sales to external customers					
Base metal concentrate sales	11,134	-	-	-	11,134
Gold pyrite sales	(699)	-	-	-	(699)
<b>Total segment income</b>	<u>10,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,435</u>
<b>Result</b>					
Segment result excluding hedge contract profit and equity based compensation	1,929	-	9	(3,537)	(1,599)
Hedge contract profit	-	-	-	-	-
Equity-based compensation	-	-	-	(3,635)	(3,635)
Total segment result before income taxes	1,929	-	9	(7,172)	(5,234)
Income taxes (expense)/benefit	(469)	-	-	31	(438)
<b>Total segment result</b>	<u>1,460</u>	<u>-</u>	<u>9</u>	<u>(7,141)</u>	<u>(5,672)</u>
Reconciliation of segment loss after income taxes					
Depletion					(557)
Accretion					(33)
Write-down of mineral property					-
Loss for the period					<u>(6,262)</u>

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	<u>Greece</u>	<u>Romania</u>	<u>Turkey</u>	<u>Corporate</u>	<u>31 March 2009 Total</u>
<b>Assets</b>					
Production stage mineral properties	26,039	-	-	-	26,039
Development stage mineral properties	404,237	46,291	-	-	450,528
Exploration stage mineral properties	-	-	536	-	536
Property, plant and equipment	79,265	2,772	41	294	82,372
<b>Segment assets</b>	<u>509,541</u>	<u>49,063</u>	<u>577</u>	<u>294</u>	<u>559,475</u>
<b>Income</b>					
Sales to external customers					
Base metal concentrate sales	4,935	-	-	-	4,935
Gold pyrite sales	5,807	-	-	-	5,807
<b>Total segment income</b>	<u>10,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,742</u>
<b>Result</b>					
Segment result excluding hedge contract profit and equity based compensation	(4,555)	-	(12)	(707)	(5,274)
Hedge contract profit	-	-	-	2,417	2,417
Equity-based compensation	-	-	-	(428)	(428)
Total segment result before income taxes	(4,555)	-	(12)	1,282	(3,285)
Income taxes (expense)/benefit	1,003	-	-	(463)	540
<b>Total segment result</b>	<u>(3,552)</u>	<u>-</u>	<u>(12)</u>	<u>819</u>	<u>(2,745)</u>
Reconciliation of segment loss after income taxes					
Depletion					(664)
Accretion					(30)
Write-down of mineral property					-
Loss for the period					<u>(3,439)</u>

# European Goldfields Limited

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(Unaudited – Prepared by Management)  
(in thousands of US Dollars, except per share amounts)

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## 19. 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 March 2010 and 2009, the Company recognised the following costs:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>\$</b>	<b>\$</b>
Defined contribution plans	54	44

## 20. Loss per share

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

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>\$</b>	<b>\$</b>
Loss for the period	(6,339)	(3,256)
Effect of dilutive potential common shares	-	-
Diluted earnings	<u>(6,339)</u>	<u>(3,256)</u>
Weighted average number of common shares for the purpose of basic earnings per share	181,769	179,884
Incremental shares – Share options	-	-
Weighted average number of common shares for the purpose of diluted earnings per share	<u>181,769</u>	<u>179,884</u>

## 21. Comparative figures

Certain prior period amounts have been reclassified from statements previously presented to conform to the presentation of the three-month period ended 31 March 2010 and 2009, Consolidated Financial Statements.

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## 22. Recently issued accounting standards

***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 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.