Amending



# European Goldfields (Services) Limited

Report and Financial Statements

Year Ended

31 December 2011

Company Number 05159196

# European Goldfields (Services) Limited

**Directors' report**
**for the year ended 31 December 2011**

**Contents**

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**Directors**
Martyn Konig (resigned 6 March 2012)
Timothy Morgan-Wynne (resigned 15 July 2012)
Mark Rachovides (resigned 6 March 2012)
Dawn Moss (appointed 24 February 2012)
Eldorado Gold (BC) Corporation (appointed 15 July 2012)

**Secretary and registered office**
Scrip Secretaries Limited; Fifth Floor, 17 Hanover Square, London, W1S 1HU.

**Company number**
05159196

**Auditors**
Ernst & Young LLP, 1 More London Place, London, SE1 2AF, United Kingdom

The directors present their report together with the audited financial statements for the year ended 31 December 2011

**Results and dividends**

The profit and loss account is set out on page 5 and shows the loss for the year of £18,752,213 (2010 – loss of £6,079,699).

The directors do not recommend the payment of a dividend for the year (2010 - £Nil)

**Principal activities, trading review and future developments**

The company is a service company for other companies in the group headed by European Goldfields Limited at 31 December 2011 On 24 February 2012 the Group was acquired by Eldorado Gold (BC) Corporation, a company limited in Canada, which has become the new ultimate parent

Although the Company made a loss for the year ended 31 December 2011, it continues to be supported by its parent company, Eldorado Gold (BC) Corporation On this basis, it is the intention of the directors that the business of the Company will continue for the foreseeable future.

**Risks and uncertainties**

The principal activity of the company is that of a service company for Eldorado Gold (BC) Corporation and as such it is not exposed to significant risks. Risks that have been identified are classified as financial. The Company's exposures to price risk, credit risk, liquidity risk and cash flow risk are not material for the assessment of assets, liabilities and the financial statements.

**Charitable and political donations**

During the year the Company made no charitable contributions (2010 - £Nil).

**Directors and their interests**

The directors of the company during the year were.

Martyn Konig
Timothy Morgan-Wynne
Mark Rachovides

No director held any interest in the ordinary share capital of the Company. Martyn Konig and Mark Rachovides resigned from the Company on 6 March 2012 and Tim Morgan-Wynne resigned from the Company on 15 July 2012 Dawn Moss was appointed director on 24 February 2012 and Eldorado Gold (BC) Corporation was appointed as a corporate director on 15 July 2012.

**Going Concern**

The Company is responsible for providing management, technical and engineering services to the subsidiaries of the parent Company, Eldorado Gold (BC) Corporation. The Company participates in centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the Company's parent Eldorado Gold Corporation to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Eldorado Gold Corporation group to continue as a going concern or to continue to provide the required financial support

The Company's directors consider it appropriate to prepare the financial statements on a going concern basis, since the parent undertaking has agreed to provide sufficient finance to enable the Company to meet its liabilities as they fall due for the foreseeable future.

# European Goldfields (Services) Limited

**Statement of Directors' responsibilities**
**for the year ended 31 December 2011**

**Policy and practice with respect to payment of suppliers**

It is the Company's policy to pay creditors on the dates agreed in the contracts or purchase orders and upon the satisfactory performance of their obligations

**Auditors**

A resolution to appoint Ernst & Young LLP, as auditors of the company will be proposed at the annual general meeting

**Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgments and accounting estimates that are reasonable and prudent,

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business Included where no separate statement on going concern is made by the directors

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continues to adopt the going concern basis in preparing the financial statements

**Disclosure of information to the auditors**

Each director at the time this report was approved confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

**On behalf of the Board**

Dawn Moss
**Director**
August 1, 2012

### Independent auditor's report to the members of European Goldfields (Services) Limited

We have audited the financial statements of European Goldfields (Services) Limited for the year ended 31 December 2011 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

### Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Steven Dobson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 August 2012

### Independent auditor's report to the members of European Goldfields (Services) Limited

We have audited the financial statements of European Goldfields (Services) Limited for the year ended 31 December 2011 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

### Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Steven Dobson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 August 2012

# European Goldfields (Services) Limited

**Profit and loss account**
**for the year ended 31 December 2011**

| | Note | 2011 £ | 2010 £ |
|---|---|---|---|
| **Turnover** | 2 | 16,411,210 | 12,243,944 |
| **Gross Profit** | | 16,411,210 | 12,243,944 |
| Administrative expenses | | (35,073,863) | (18,416,230) |
| **Operating loss** | 5 | (18,662,653) | (6,172,286) |
| Interest receivable and similar income | 6 | 77,131 | 207,837 |
| Interest payable and similar charge | 7 | (166,691) | (115,250) |
| **Loss on ordinary activities before taxation** | | (18,752,213) | (6,079,699) |
| Tax charge | 8 | - | - |
| **Loss on ordinary activities after taxation** | | (18,752,213) | (6,079,699) |

All amounts relate to continuing activities
All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 17 form part of these financial statements

# European Goldfields (Services) Limited

**Balance Sheet**
**for the year ended 31 December 2011**

| | Note | 2011<br>£ | 2010<br>£ |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 9 | 477,024 | 524,122 |
| **Current assets** | | | |
| Debtors | 10 | 6,845,191 | 4,025,495 |
| Cash at bank and in hand | | 982,742 | 809,616 |
| | | 7,827,933 | 4,835,111 |
| **Liabilities: amounts falling due within one year** | 11 | 7,514,409 | 4,749,559 |
| **Net current assets** | | 313,524 | 85,552 |
| **Net assets** | | 709,548 | 609,674 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 100 | 100 |
| Capital contribution reserve | 14 | 34,645,705 | 15,712,618 |
| Profit and loss account | 14 | (33,855,257) | (15,103,044) |
| **Shareholders' funds** | | 709,548 | 609,674 |

The financial statements were approved by the Board of Directors and authorised for August 1, 2012

Moss

Dawn Moss
**Director**

Company number 05159196

The notes on pages 7 to 17 form part of these financial statements

## 1 Accounting policies

*Basis of preparation*
The financial statements have been prepared under the historical cost convention and are in accordance with UK GAAP accounting standards. The principal accounting policies that have been applied are detailed below The directors consider it appropriate to prepare the financial statements on a going concern basis, since the parent undertaking has agreed to provide sufficient finance, whether directly or through one of its subsidiaries, to enable the company to meet its liabilities as they fall due for the foreseeable future.

*Cash flow statement*

The company has taken the exemption under Financial Reporting Standard No 1 "Cash Flow Statements" not to prepare a cash flow statement as a consolidated cash flow statement is included in the financial statements of its ultimate parent company.

*Turnover*
Turnover represents sales to group companies at invoiced amounts less value added tax.

*Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates·

| | | |
|---|---|---|
| Computer hardware and software | - | 33 1/3% per annum |
| Leasehold improvements | - | 10% per annum or life of lease |
| Fixtures, fittings and equipment | - | 20% per annum |

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted.

*Leases*

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Lease premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the year to the date on which the rent is first expected to be adjusted to the prevailing market rate.

1. **Accounting policies** *(Continued)*

*Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

*Share-based payments*

European Goldfields Limited makes share-based awards to employees of the European Goldfields Limited group and in particular European Goldfields (Services) Limited, including free shares and options in European Goldfields Limited. In accordance with FRS 20 and UTIF Abstract 44 these awards are accounted for by the Company

The cost of equity-settled transactions with suppliers of goods and services is measured by reference to the fair value of the good or service received, unless that fair value cannot be estimated reliably The fair value of the good or service received is recognised as an expense as the Company receives the good or service. The cost of equity-settled transactions with employees, and transactions with suppliers where fair value cannot be estimated reliably, is measured by reference to the fair value of the equity instrument The fair value of equity-settled transactions with employees is recognised as an expense over the vesting period. The fair value of the equity instrument is determined at the date of grant, taking into account market based vesting conditions The fair value is determined using an option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement

*Foreign Currencies*

Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at exchange rates prevailing at the date of the transaction, Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the period end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss as they arise

## 2. Turnover

Turnover is wholly attributable to the principal activity of the Company

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| *Analysis by geographical market* | | |
| North America | 13,038,058 | 8,536,406 |
| Europe | 3,373,152 | 3,707,538 |
| | 16,411,210 | 12,243,944 |

## 3. Employees

| | 2011<br>£ | 2010<br>£ |
|---|---|---|
| Staff costs (excluding directors) consist of: | | |
| Wages and salaries | 2,227,704 | 1,694,602 |
| Social security costs | 2,414,448 | 1,250,973 |
| Pension costs | 170,367 | 109,529 |
| Other costs | 132,509 | 82,143 |
| Share-based payments | 8,988,565 | 1,892,687 |
| | 13,933,593 | 5,029,934 |

| The average number of employees during the year was as follows. | Number | Number |
|---|---|---|
| Full time | 25 | 23 |

Staff costs excluding share-based payments are recharged to fellow companies within the European Goldfields Group.

## 4. Directors

| | 2011 £ | 2010 £ |
|---|---|---|
| Directors' remuneration consists of: | | |
| Salaries | 1,611,497 | 1,947,250 |
| Company contribution to pension scheme | 62,015 | 54,745 |
| Social security and other costs | 2,053,341 | 233,800 |
| Share-based payments | 9,944,522 | 5,355,491 |
| | 13,671,375 | 7,591,286 |

Directors' costs are recharged to fellow companies within the European Goldfields Limited group. Emoluments of the highest paid director amounted to £5,411,362 (2010 - £3,397,155) and included a contribution to a pension scheme of £Nil (2010 - £Nil).

During 2011 – 1 (2010 – 1) of Company's directors exercised options that were granted in the prior years and 3 (2010 – 3) of the Directors received shares under the long term incentive schemes.

## 5. Operating loss

| | 2011 £ | 2010 £ |
|---|---|---|
| This has been arrived at after charging | | |
| Depreciation | 172,461 | 141,591 |
| Building rental – operating leases | 279,895 | 292,102 |
| Auditor's remuneration | 16,000 | 16,000 |
| Foreign currency loss | 46,677 | 68,295 |

Included in auditor's remuneration is an amount of £4,000 (2010 - £4,000) relating to non audit fees

## 6. Interest receivable and similar income

| | 2011 £ | 2010 £ |
|---|---|---|
| Interest on bank deposit | - | 117,986 |
| Intercompany loans | 77,131 | 89,851 |
| | 77,131 | 207,837 |

## 7. Interest payable and similar charge

| | 2011 £ | 2010 £ |
|---|---|---|
| Intercompany loan interest | 165,656 | 115,250 |
| Interest on loan deposits | 1,035 | - |
| | 166,691 | 115,250 |

## 8. Taxation Note

Tax charged/(credited) in the income statement.

| | 2011 £ | 2010 £ |
|---|---|---|
| *Current tax:* | | |
| UK corporation tax on profits of the period | | |
| Amounts overprovided in previous years | - | - |
| Foreign tax | - | - |
| Total current income tax | - | - |
| *Deferred tax* | | |
| Origination and reversal of timing differences | - | - |
| Total deferred tax (credit)/charge | - | - |
| Tax (credit)/charge in the income statement | - | - |

# European Goldfields (Services) Limited

**Notes forming part of the Financial Statements**
**for the year ended 31 December 2011**

**Factors affecting tax charge for the period**

The tax in the income statement for the year differs from the amount that would be expected by applying the standard UK corporation tax rate for the following reasons.

| | 2011 | 2010 |
|---|---|---|
| | £ | £ |
| Loss on ordinary activities before tax | (18,752,213) | (6,079,699) |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 26 5%/28% | (4,969,336) | (1,702,316) |
| Effects of. | | |
| Share-based payments not deductible for tax purposes | 4,734,898 | (79,482) |
| Other expenses not deductible for tax purposes | 606 | 2,710 |
| Depreciation for the year in excess of capital allowances | 26,517 | 14,830 |
| Transfer pricing adjustment | 207,315 | 1,764,258 |
| Current tax charge for year | - | - |

**Factors that may affect future charges**

In the prior year, no deferred tax assets were recognised to the extent of the deferred tax liability balance on capital allowances resulting in a net deferred tax balance of nil. As at 31 December 2011, the net deferred tax balance is also nil As at 31 December 2011 no deferred tax asset has been recognised in respect of gross carried forward tax losses of approximately £- million (2010 - £16 million) on the basis that the recognition criteria in FRS 19 has not been met

The main rate of corporation tax reduced to 26% from 1 April 2011 The 2012 budget on 21 March 2012 proposed that the main rate of corporation tax will reduce by 2% to 24% from 1 April 2012 (an additional 1% to the 1% reduction proposed in the March 2011 budget). The Government has announced its intention to reduce the main rate of corporation tax by 1% per year until 2014, which would take the rate to 22% from 1 April 2014 As at the balance sheet date, only the reduction in the corporation tax rate to 25% from 1 April 2012 was substantively enacted. It is not anticipated that these changes will have a material effect on the company's results

## 9. Tangible assets

| | Computer hardware and software £ | Leasehold improvements £ | Fixture, fittings and equipment £ | Total £ |
|---|---|---|---|---|
| *Cost or valuation* | | | | |
| At 1 January 2011 | 361,533 | 388,002 | 190,788 | 940,323 |
| Additions | 31,687 | 71,014 | 22,662 | 125,363 |
| At 31 December 2011 | 393,220 | 459,016 | 213,450 | 1,065,686 |
| *Depreciation* | | | | |
| At 1 January 2011 | 181,560 | 139,656 | 94,985 | 416,201 |
| Provided for in the year | 81,484 | 66,104 | 24,873 | 172,461 |
| At 31 December 2011 | 263,044 | 205,760 | 119,858 | 588,662 |
| *Net book value* | | | | |
| At 31 December 2011 | 130,176 | 253,256 | 93,592 | 477,024 |
| At 31 December 2010 | 179,973 | 248,346 | 95,803 | 524,122 |

## 10. Debtors

| | 2011 £ | 2010 £ |
|---|---|---|
| Amounts due from group companies | 6,244,342 | 3,623,412 |
| Prepayments and accrued income | 171,541 | 221,815 |
| Other Debtors | 429,308 | 180,268 |
| | 6,845,191 | 4,025,495 |

All amounts shown under debtors fall due for payment within one year.

## 11. Liabilities: amounts falling due within one year

| | 2011 £ | 2010 £ |
|---|---|---|
| Trade creditors | 2,068,072 | 213,631 |
| Taxation and social security | 3,451,801 | 903,287 |
| Amounts due to parent undertaking | 750,988 | 3,451,805 |
| Accruals | 1,243,548 | 180,836 |
| | 7,514,409 | 4,749,559 |

Amounts due to the parent undertaking are repayable on first written demand and carry interest at a rate equal to one month LIBOR plus 1½ per cent.

## 12. Share capital

| | Authorised | | | |
|---|---|---|---|---|
| | 2011 Numbers | 2010 Numbers | 2011 £ | 2010 £ |
| Ordinary shares of £1 each | 1,000 | 1,000 | 1,000 | 1,000 |

| | Allotted, called up and fully paid | | | |
|---|---|---|---|---|
| | 2011 Numbers | 2010 Numbers | 2011 £ | 2010 £ |
| Ordinary shares of £1 each | 100 | 100 | 100 | 100 |

## 13. Share options and Restricted share units

The following options over ordinary shares in the parent company European Goldfields Limited have been granted to the Company's employees and remained outstanding at 31 December 2011.

| Exercise price Canadian Dollars | Outstanding at 1 January 2011 | Granted during year | Exercised during year | Cancelled during year | Outstanding at 31 December 2011 |
|---|---|---|---|---|---|
| Restricted Share units | | | | | |
| 0.01 | 1,323,161 | 371,037 | (108,333) | (38,808) | 1,547,057 |
| | 1,323,161 | 371,037 | (108,333) | (38,808) | 1,547,057 |
| Share Options | | | | | |
| 3 25 | 17,000 | - | (17,000) | - | - |
| 3.54 | 360,000 | - | - | - | 360,000 |
| 3 85 | 600,000 | - | - | - | 600,000 |
| 5 07 | 75,000 | - | - | - | 75,000 |
| 6.80 | 16,666 | - | - | - | 16,666 |
| 6 00 | 1,300,000 | - | - | - | 1,300,000 |
| 6.06 | 62,500 | - | - | - | 62,500 |
| 6 03 | 750,000 | - | - | - | 750,000 |
| 7.24 | 75,000 | - | - | - | 75,000 |
| 11 66 | 62,500 | - | - | | 62,500 |
| 13 95 | 2,350,000 | - | - | (783,333) | 1,566,667 |
| 12 65 | - | 200,000 | - | (66,667) | 133,333 |
| | 5,668,666 | 200,000 | (17,000) | (850,000) | 5,001,666 |

***Share Option Plan***
European Goldfields Limited 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 27,589,951 (27,552,768 shares as at 31 December 2010)

***Restricted Share Unit Plan***
European Goldfields Limited 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 4,598,309 (4,592,128 shares as at 31 December 2010)

The fair value of the share options granted has been estimated at the date of the grant using a Black-Scholes and Parisian option pricing model with the following assumptions:

| | 2011 | 2010 |
|---|---|---|
| Dividend yield | Nil | Nil |
| Weighted average risk free interest rate | 2.73% | 2.64% |
| Weighted average share price on the date of grant | C$12 50 | C$8 50 |
| Weighted average option exercise price | C$4.16 | C$5.52 |
| Weighted average expected life of the share options | 5 years | 5 years |
| Maximum term of share options | 5 years | 5 years |
| **Weighted fair value price** | **C$4.65** | **C$10.76** |

In 2011 market conditions of share options issued in 2010 were modified to reflect the continued uncertainty in global financial markets This resulted in a weighted average incremental fair value of C$1.07 which has been expensed over the life of the remaining vesting period. The assumptions used to value the incremental fair value were in line with the assumptions listed above

The fair value of the RSUs granted has been estimated at the date of the grant using a Black-Scholes and Parisian option pricing model. Given the nature of the awards, the fair value of the share is equal to the share price on the grant date of the award. The weighted average share price on the grant date was C$12.41 (2010 C$9.48).

Share-based payment expense in the financial year was £18,933,087 (2010 - £7,248,178) The total expense relating to Share Options amounted £11,583,923(2010- £3,999,449) and the total expense relating to Restricted Share Units amounted to £7,349,164 (2010 - £3,248,729).

## 14. Reserves

| | 2011 Capital contribution reserve £ | 2011 Profit and Loss reserve £ |
|---|---|---|
| At 1 January 2011 | 15,712,618 | (15,103,044) |
| Share based payment charge | 18,933,087 | - |
| Loss for the year | - | (18,752,213) |
| At 31 December 2011 | 34,645,705 | (33,855,257) |

The capital contribution reserve relates to share based payment costs incurred by the parent company Eldorado Gold (BC) Corp. on behalf of employees of European Goldfields (Services) Limited.

## 15. Commitments under operating leases

As at 31 December 2011, the company had annual commitments under non-cancellable operating leases as set out below

| | 2011 Land and buildings | 2010 Land and buildings |
|---|---|---|
| Operating leases which expire· | | |
| Over five years | 295,219 | 279,895 |

**16. Related party transactions**

The company has taken advantage of the exemption conferred by Financial Reporting Standard No 8 "Related Party Transactions", not to disclose transactions with members of the group headed by Eldorado Gold (BC) Corporation on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

**17. Ultimate parent undertaking**

At 31 December 2011 the company's ultimate parent undertaking and controlling party was European Goldfields Limited (a company incorporated in Canada) which is the parent of both the smallest and largest groups of which the Company is a member.

Copies of the consolidated financial statements European Goldfields Limited are available from Suite 200, Financial Plaza, 204 Lambert Street, Whitehorse, Yukon

**18. Post balance sheet events**

On the 24 February 2012, European Goldfields Limited was acquired by Eldorado Gold Corporation, a company incorporated in Canada. This take-over had no impact on the Company that would have made the present financial position substantially different from that shown in the balance sheet as at balance sheet date

Subsequent to year end the decision was made to close the EGSL London office, for which all the Property, plant & equipment relates. As a result of this closure the Property, plant & equipment will be disposed, transferred or written off during 2012. Management intend to assign office leases to a new tenant, however an onerous lease will result if the office is closed without assigning the lease.