

# European Goldfields Limited - Results for Q2 2011

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WHITEHORSE, Aug. 12, 2011 /CNW/ --  
WHITEHORSE, Aug. 12, 2011 /CNW/ - European Goldfields Limited (TSX: EGU) (AIM: EGU) ('European Goldfields' or the 'Company') today reports its results for the quarter ended 30 June 2011. The financial statements, as well as the accompanying management's discussion and analysis, are available for review at <http://www.egoldfields.com/egoldfields/en/financials/quarterlies> and should be read in conjunction with this news release.

## Highlights

### Greece

- Greek State delivers Joint Ministerial Decision to formally approve EIS
- Major progress on Olympias plant refurbishment
- On schedule at Olympias for first gold production Q2 2012
- Bid document for Skouries project construction ready for issue

### Romania

- Local public consultation complete, final cross-border consultation well advanced
- Pre-qualification of equipment suppliers complete
- Expansion of project team with technical software training underway

## Exploration

- Aiming to define maiden resource at 3 targets in Greece in 2012

## Financial

- Sales of US\$11.1 million
- Gross profit of US\$2.8 million
- Working capital US\$31 million

## Corporate

- Appointment of David Cather as COO
- London Main Market evaluation initiated

Martyn Konig, Executive Chairman and President, commented:

'The recent formal approval of our Greek EIS in the form of the final Joint Ministerial Decision announced by the Greek Government is a key milestone for European Goldfields. This approval represents the culmination of over five years of tireless effort, particularly on the part of our Greek colleagues at Hellas Gold, and allows us to progress towards our goal of becoming the largest primary gold producer in Europe. With build-out timelines clearly defined, we were able to revisit our business plan, review our reserve base and update the project economics. Accordingly, we have increased our total mineral resource base by approximately 10% to 24 million oz gold equivalent and while the majority of the industry is experiencing rising capital costs, we have successfully contained both our operating and capital costs at highly competitive levels. With the EIS approval in hand and under the stewardship of our newly appointed COO, we have hit the ground running both at Olympias and Skouries and we are firmly on schedule for first gold production from our Olympias tailings project in Q2 2012.

In Romania, we have been building out the technical team and intensive training on project management software is currently underway. Our longer term exploration programmes are focused on increasing our resource base significantly over the coming years. We are looking forward to drill testing near mine targets in Greece and also working toward defining a resource at our three advance-stage exploration targets, with Piavitsa our first priority. We also aim to provide an update on drilling in Turkey in the next couple of months.'

## SELECTED FINANCIAL DATA

(in thousands of US dollars, except per share amounts)	Quarter ended 30 June	
	2011 \$	2010 \$
Statement of profit and loss		
Sales	11,109	11,969
Gross profit	2,847	579
Profit/(loss) before income tax	(15,237)	(20,321)
Income taxes	(141)	(445)
Profit/(loss) after income tax	(15,378)	(20,766)
Non-controlling interest	37	341
Profit/(loss) for the period	(15,341)	(20,425)
Earnings/(loss) per share	(0.08)	(0.11)

(in thousands of US dollars)	30 June 2011 \$	30 June 2010 \$
Balance sheet		
Working capital	31,132	102,320
Total assets	505,617	510,721

The Company's base metal operation at Stratoni had a strong quarter, generating revenues of US\$11.1 million and gross profits of US\$2.8 million driven by positive base metal price performance in the quarter. After overheads and other expenses, the Company recorded a loss before taxes of US\$15.2 million for the three-month period ended 30 June 2011, compared to a loss before taxes of US\$20.3 million for the same period of 2010. Working capital balances totalled US\$31 million at the quarter end.

Financing - The Company continues to progress technical and legal due diligence in respect of the debt facilities for Greece and Romania that have previously been announced. The Company is also well advanced in

structuring prepaid off-take funding from the short term production at its Stratoni Operation and Olympias Tailings Project. In addition, the Company continues to make significant progress across a suite of complementary financing options, such as long term off-taker supported financing, equipment financing, base metal streaming and capital markets structures, so as to determine the optimal complete financing solution.

## OPERATIONAL AND DEVELOPMENT HIGHLIGHTS

### GREECE

**Greek EIS Approval** - The Greek Government announced after the quarter end that the Joint Ministerial Decision had been delivered thereby formally approving the Environmental Impact Study ('EIS') submitted by the Company's 95%-owned subsidiary, Hellas Gold SA, for the development of the Company's Greek assets. This completes the official approval process for the EIS.

**Olympias Project Development** - Major progress has been made on the plant refurbishment including completing building repairs, a new plant roof, renewal of the motor control centre, installation of process mixing and holding tanks and rehabilitation of all access and internal roads. Orders have been placed for the apron feeder and the filter press, being the two longest lead items in the renovation of the Olympias concentrator plant, and the project is on schedule to produce gold concentrate from existing tailings in Q2 2012.

Refurbishment of the current mine access decline is also progressing with more than 50% completed. Proposals for the engineering studies that will define the detail of the remaining underground mine refurbishment are currently in preparation. This will help to ensure that underground production commences, as planned, directly after the processing of existing tailings is complete in 2015, as defined in the Company's phased development plan for the Olympias project.

**Skouries Project Development** - A comprehensive bidding document for the Skouries project construction is ready for issue to major contractors. This contract would cover the civil engineering aspects of the project and include the plant construction and site infrastructure such as power supply, internal and external access roads and the construction of the tailings starter embankment. With the assistance of our Greek partners, the recruitment process for key owner's team personnel is well advanced. On the ground, planned detailed geotechnical work is due to commence in Q3.

**Production at Stratoni** - The Company's 95%-owned subsidiary, Hellas Gold, mined a total of 59,150 wet tonnes of ore in Q2 2011 (2010 - 64,813). Key operational data from Stratoni were as follows:

	Q2 2011	Q2 2010
Production		
Ore mined (wet tonnes)	59,150	64,813
Zinc concentrate (tonnes)	10,310	10,103
- Containing: Zinc (tonnes)*	5,109	4,942
Lead concentrate (tonnes)	4,277	4,479
- Containing:		
Lead (tonnes)*	3,055	3,092
Silver (oz)*	224,837	233,760
Sales		
Zinc concentrate (tonnes)	5,584	10,279
- Containing payable: Zinc (tonnes)*	2,311	4,159
Lead concentrate (tonnes)	3,751	4,682
- Containing payable:		
Lead (tonnes)*	2,500	3,071
Silver (oz)*	184,299	232,212
Inventory (end of period)		
Ore mined (wet tonnes)	3,006	16,392
Zinc concentrate (tonnes)	6,958	2,663
Lead/silver concentrate (tonnes)	1,913	902

\* Net of smelter payable deductions

In Q2 2011, production from the underground mine was up on Q1 2011 as a result of revised planning, ameliorating the geotechnical issues experienced during the last quarter. There was a significant accrued stockpile ready for shipment at the end of the quarter due to the timing of shipments, the first of which was made in early Q3 2011.

## ROMANIA

Certej Project - During the quarter significant progress was made in the EIS approval process. Local public consultation was satisfactorily completed in accordance with both Romanian and EU requirements. Final cross border consultation with both Serbia and Hungary is now underway and is expected to be completed in accordance with international agreements, by the early part of Q4. The EIS approval process is expected to conclude soon afterwards.

The Company's Certej project team is well established with a project manager already in place. Pre-qualification of equipment suppliers is complete and bid documents have been prepared. Bidding documents for the project construction have also been drawn up and pre-qualification of contractors is well advanced. Project management software has also been installed and training to allow its implementation is underway.

## EXPLORATION

Piavitsa - The Piavitsa massive sulphide gold-polymetallic target occurs within two kilometres of the Stratoni mine underground workings and is hosted by the same structure. An 8km strike length of electromagnetic conductors was identified by a geophysical survey and historic drilling along 2km of this has shown mineralisation very similar in style and tenor to that at Olympias. The remaining 6km of the anomaly has displayed anomalous gold in soils and resource definition drilling is planned, aiming at maiden resource estimation by Q1 2012.

Fisoka - Fisoka comprises three porphyry centres, the most northerly of which was drill tested in the past, a chalcocite blanket of copper mineralisation was defined but with no gold present. However, geophysical and geochemical surveys combined with detailed mapping indicate the un-tested central and southern porphyries carry gold as well as copper mineralisation. Drill testing of these previously unrecognised central and southern Fisoka porphyry targets is planned to define maiden resources in 2012.

Tsikara - The intrusives at Tsikara represent newly identified targets and the Company has defined several potential porphyry centres within the overall volcanic complex that underlies the area. Follow up mapping and geological sampling has confirmed the presence of porphyry style veining and alteration with anomalous copper and gold values. Drilling will be aimed at defining maiden resources in 2012.

Romania - Work in 2009 and 2010 identified numerous porphyry and epithermal targets along the Certej volcanic belt and further work is planned pending acceptance of licence applications. In addition, drilling of satellites to the Certej deposit within existing licences continues with additional open-pit resources expected to be defined during 2012.

## CORPORATE ACTIVITY

Appointment of Chief Operating Officer - The Company was pleased to announce the appointment of David Cather C.Eng, MIMMM as Senior Vice President and Chief Operating Officer.

Mr. Cather graduated from the Royal School of Mines, Imperial College London in 1981 with a first class degree in mining engineering. Over a career spanning more than 25 years, Mr. Cather has gained extensive

senior level project development experience and management skills in both open pit and underground operations.

His early career with De Beers gave him extensive underground mining and mine development experience. His expertise and experience developed further during 10 years in a senior management role at Redland Aggregates Ltd, after which, as Development Director of Miller Mining, Mr. Cather spearheaded the development of a portfolio of open-cast coal mines. Mr. Cather spent the next 9 years with Anglo American where, as Technical Director of Anglo American's Industrial Minerals Division, he was responsible for Tarmac Group (construction materials in 13 countries), Cleveland Potash (fertiliser operations in the UK) and Copebras Brazil. Since 2006, Mr. Cather has acted as a retained mining consultant to Grafton Resources, a London based natural resources fund with major investments in gold projects in Russia, India and the Philippines, Brazilian iron ore and a Bulgarian water project.

London Main Market Evaluation Initiated - The Company has initiated an evaluation of a potential upgrade of the current AIM listing to the Main Market of the London Stock Exchange. In that regard, the Company announced the appointment of Goldman Sachs International to assist with this evaluation which includes a review of the Company's corporate structure with a view to facilitating better access to, and servicing of, the UK and international capital markets and a potential re-domiciliation of the Company. Lazard & Co., Limited are also providing financial advice in connection with this evaluation.

#### About European Goldfields

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

Patrick Forward supervised and prepared the scientific and technical information included in this press release. Mr. Forward is a 'qualified person' for purposes of National Instrument 43-101. Mr. Forward is the Company's Vice President of Projects and Exploration.

#### Forward-looking statements

Certain statements and information contained in this document, including any information as to the Company's future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute forward-looking information under provisions of Canadian provincial securities laws. When used in this document, the words 'anticipate', 'expect', 'will', 'intend', 'estimate', 'forecast', 'planned' and similar expressions are intended to identify forward-looking statements or information.

Forward-looking statements include, but are not limited to, the estimation of mineral reserves and resources, the conversion of mineral resources to mineral reserves, the timing and amount of estimated future production, costs and timing of development of the Skouries, Olympias and Certej projects, completion of various financing options and permitting time lines. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: changes in the price of gold, base metals or certain other commodities (such as fuel and electricity) and currencies; uncertainty of mineral reserves, resources, grades and recovery estimates; uncertainty of future production, capital expenditures and other costs; currency fluctuations; financing and additional capital requirements; the receipt in a timely fashion of any further permitting for the Company's projects; legislative, political, social or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connection with mining or development activities; the speculative nature of gold and base metals exploration and development, including the risks of diminishing quantities or grades of reserves; the risks normally involved in the exploration, development and mining business; and risks associated with internal control over financial reporting. For a more detailed discussion of such risks and material factors or assumptions underlying these forward-looking statements, see the Company's Annual Information Form for the year ended 31 December 2010, filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

For further information please see the Company's website at [www.egoldfields.com](http://www.egoldfields.com)

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