



# EUROGOLD

L I M I T E D

(ACN 009 070 384)

## Results for the Quarter Ended 31 March 2004

**30 April 2004**

**ASX Symbol "EUG"**

In accordance with Listing Rules 5.2 and 5.3 please find attached the March 2004 Quarterly Activities Report and Appendix 5B, Mining Exploration Entity Quarterly Report for the Company.

### HIGHLIGHTS

#### CORPORATE

- Completion of the placement of 10,000,000 shares @ A\$0.15 to raise \$1.5 million
- Appointment of RFC Corporate Finance as Nomads for the AIM Listing

#### UKRAINE

##### *Saulyak Due Diligence*

- Resampling by Eurogold to date has verified the mineralisation
- Eurogold believes this large mineralised system has the potential to host a significant gold deposit and that additional mineralised lenses will be delineated in the immediate vicinity of the Saulyak deposit

#### ROMANIA

- First hard rock deposit comes onstream
- Successful completion of the biox industrial trial phase

#### TRANSGOLD S.A. (50% EUROGOLD)

##### 1.0 SUMMARY

A total of 68,116 tonnes of material was treated in the plant during the quarter. This decrease was mainly due to a usual delay in startup of operations after the traditional Christmas New Year periods. Phase one for the industrial trial treatment of Suior pyrites using the EMMML bioleaching process was successfully completed. The average gold price realised over the quarter was US\$404/oz.

Exploration work ceased over the winter months with only desktop geological mapping and interpretation work continuing.

## **2.0 PRODUCTION**

A total of 68,116 tonnes of ore from a variety of sources was treated during the quarter, the majority of which was from Remin with 53,169 tonnes. A decline in supply was due to adverse weather and a halt in production over the Christmas and New Year period.

With utilised production capacity of less than 15%, the quantity of gold recoveries for the period has continued to remain low. Sourcing of material continues with ongoing efforts being made to source and economically treat various types of concentrate material. Industrial trials to treat the Suior pyrite material have been successfully completed. Given the conclusion of the trials, a stockpile of 500,000 tonnes is now available for processing containing a estimated head grade of Au @ 11g/t and silver 40 g/t.

Levels of gold recovery have been between 57% and 78%, which has mostly been a function of the volume and type of materials treated. The lower recovery figure was in line with expectations and has been due to the relatively high proportion of pyrites to other material treated.

During the period a total of 616 ounces Au were recovered from toll refining services provided to third parties.

Transgold continued its purchasing program for concentrates, where material is sourced throughout Romania and transported to the plant for treatment. The concentrates acquired include pyrites, concentrate resources with moderate to high gold and silver contents that are treated in batches, together with the treatment of Remin ore toll feed. In addition, a small amount of hard rock ore 7,565 tonnes was transported from the new Hanau open pit. The overburden material was identified as being of a grade suitable for treatment at the Transgold plant, achieving an average recovered grade of 1.75 grams per tonne gold. Transgold maintains only a small reserve stockpile from on-site deliveries of concentrate, which form part of the overall feedstock.

The Suior project is nearing the end of the industrial trial phase, with encouraging results gained to date. Some 15,549 tonnes of material of been treated to date. During the last quarter an average 4.1 g/t of gold and 15 g/t of silver being recovered. A significant part of the recovered gold does not belong to Transgold and must be transferred to the State mining company Remin, pursuant to the terms of output sharing contained within the processing contract. The terms of this contract with Remin, have been satisfactorily met and phase 2 being commercial production will commence in the third quarter of 2004.

## **3.0 EXPLORATION**

### **3.1 Summary**

Due to the harsh winter conditions, there was virtually no field work completed on the Transgold tenements during the March quarter. Annual reports and programs were prepared and spoil dumps from old exploration adits were sampled to identify any dumps of sufficient gold grade to warrant transporting to Baia mare for CIL treatment.

### **3.2 Sasar–Valea Rosie Tenement (Eurogold 50%) - Exploration License No. 22**

Little field exploration was completed over the Sasar tenement during the winter quarter.

The results for the final drill hole from the in-fill drilling of the Aurum prospect were received. Hole ADD-9 intersected a 0.7m quartz vein grading 2.12g/t Au but unfortunately intersected old workings that had extracted the full width of Vein 8. The workings are very old and there is no documentation of the degree of extraction of the main vein. Previous intersections on Vein 8 included ADD-7, 2m at 13.7g/t Au and AS-11, 7.1m at 3.36g/t Au. Several waste dumps from old exploration galleries were sampled but grades were insufficient to warrant transportation to the Baia Mare CIL plant.

Trenching is to commence during April at Sophia North, 500m north of the old Sophia mine, and Valea Roşie where previous trenching intersected 7m at 13,7g/t Au. Additional trenching will be carried out at the Dealul Crucii prospect.

### **3.3 Baita-Nistru Tenement (Eurogold 50%) - Exploration License No 23**

No significant field work was conducted on the Baiţa-Nistru tenement during the March quarter due to the winter conditions. Annual reports and programs were prepared and waste dumps from old exploration galleries were sampled. Samples from one dump near the III Lapuşna Vein containing approximately 18,000t, indicated an average grade of 1.2g/t Au

Three drill holes are to be drilled to test the thick, northern end of the III Lapuşna vein during the June quarter.

### **3.4 Ilba-Nucut Tenement (Eurogold 50%) - Exploration License No. 24**

There was virtually no exploration work conducted on the Ilba-Nucut tenement during the winter quarter. Assay results were received for one drill hole targeting a geochemical anomaly at Aluniş North. The hole intersected strongly altered andesites with two narrow quartz vein zones but gold grades were below 1.0g/t. An additional two holes are to be drilled during the June quarter to adequately test the target.

Waste stockpiles from old exploration galleries were sampled but grades reported are insufficient to justify transport to the Baia Mare plant for treatment.

During the June quarter, trenching will be carried out on the Valea Baia Nord – Valea Pleşa prospects, where a strong multi-element soil anomaly was delineated during 2003.

## **EXPLORER S.A. (Eurogold 98%)**

### **4.0 Summary**

Virtually no field work was carried out on the Explorer tenements during the quarter due to the harsh winter conditions. Time was spent preparing annual reports and work programs, evaluating data and obtaining the necessary approvals to continue operations during the summer field season.

### **4.1 Bixad Tenement (Eurogold 98%) - Exploration License No. 46**

No field work was conducted on the tenement.

### **4.2 Racsa-Zugau Tenement (Eurogold 98%) - Exploration License No 85**

No field work was conducted on the tenement.

### **4.3 Racsa Sud-Est Tenement (Eurogold 98%) - Exploration License No. 698**

No field work was conducted on the tenement. Field work commencing during the June quarter is to focus on the northern extension of the Valea Baia Nord, Vein 200, where a soil geochemistry survey will take place. In addition, the southern extension of the III Lapuşna vein will be tested with trenches. Trenching will also be conducted in the Mare Lapuşna area, to follow up soil anomalies delineated during 2003 and the southern extension of the Purcareţ vein and breccia system will be examined.

#### **4.4 Oaş Prospecting Permit. (Eurogold 98%) - Exploration License No. 4898**

Results were received for a stream sediment orientation survey conducted within the Bixad tenement during November 2003. The results indicated that stream sediment samples could detect the Corneasca ore body at a distance of at least 3.5km. On the basis of the success of the orientation survey, a 120 sample, regional stream sediment survey is to be conducted over exposed parts of the tenement during the summer field season.

### **UKRAINE TRANSACTION**

As previously announced, Eurogold has entered into an agreement to conditionally acquire interests in both the Saulyak and Beregove gold deposits in South West Ukraine and is currently in the process of concluding its due diligence programme.

Eurogold has conditionally agreed to:-

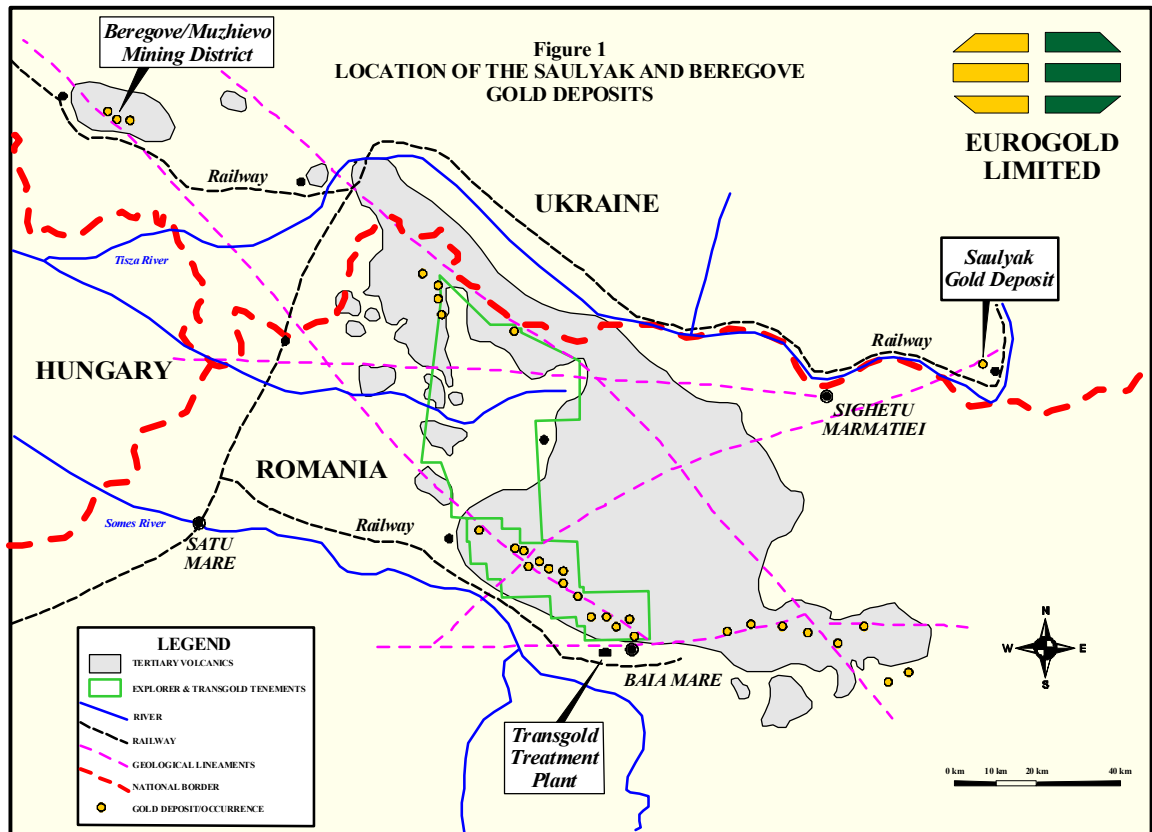
- acquire 75% of the Saulyak Gold Deposit in the Ukraine
- acquire 270km<sup>2</sup> Exploration Licence surrounding the Saulyak Deposit that hosts several untested gold occurrences
- acquire 6.33% (with the right to acquire a majority stake) of the Beregove, Muzhievo and Kvasove gold deposits in the Ukraine

The Saulyak and Beregove Gold Projects are both situated in the same Carpathian region as the companies 50% owned Romanian operations (via Transgold SA).

#### **5.0 Saulyak Gold Project**

The Saulyak Gold Project is located in the southwest of the Ukraine in the Carpathian Mountains, approximately 60km NE of the Transgold treatment plant in Baia Mare. A granted 3.3km<sup>2</sup> exploration licence covers the project.

The Saulyak Gold Project is an underground gold prospect, explored in detail during the 1970's and 1980's when over 9km of underground development and 30km of drilling was completed by the State. No production took place but extensive sampling and metallurgical testwork, conforming to rigid Soviet protocol, was completed. The two 30m spaced adits remain accessible.



## 5.2 Geological Description

Gold mineralisation is hosted by a laterally extensive, 40m thick, 30° SW dipping thrust zone, located within Palaeozoic metasediments that has been exposed at surface and in underground workings. Mineralisation is hosted within multiple, intensely deformed quartz-carbonate and biotite-sericite-chlorite schist bodies averaging 5-6 metres thick with individual zones up to 250m in strike length. Underground development and surface drilling has traced gold mineralisation along the principle mineralised zone for a strike distance of approximately 1km and down dip for up to 1.3km from the surface outcrops. (Figures 2 and 3). The Company believes that additional structurally controlled mineralised lenses will be defined within the plane of the thrust, such as has been intersected in drill hole C-304.

Gold mineralisation appears to be strongly correlated with abundance of silica, either in the form of strongly deformed quartz veins, or as silica alteration. The gold mineralised zones occur as multiple lenses within the thrust zone. It should be noted that surface trenching, drilling and down-hole geophysical exploration techniques indicate that there are up to four sub parallel horizons that have returned anomalous or potentially economic gold intercepts.

Gold distribution is highly irregular at a local scale but averages 6-9 g/t over ore body widths. Gold occurs as discrete particles up to 0.2mm that are typically located along the margins of veins and on the boundaries of sulphide grains, resulting in free milling metallurgical characteristics. Metallurgical test work conducted to date indicates up to 95% gold recovery via direct cyanidation. Total sulphide content is typically less than 6% of ore volume and potentially deleterious elements are reported to be close to, or below analytical detection limits.

**Figure 2 : Schematic Cross Section A-A' through the Saulyak Gold Deposit**

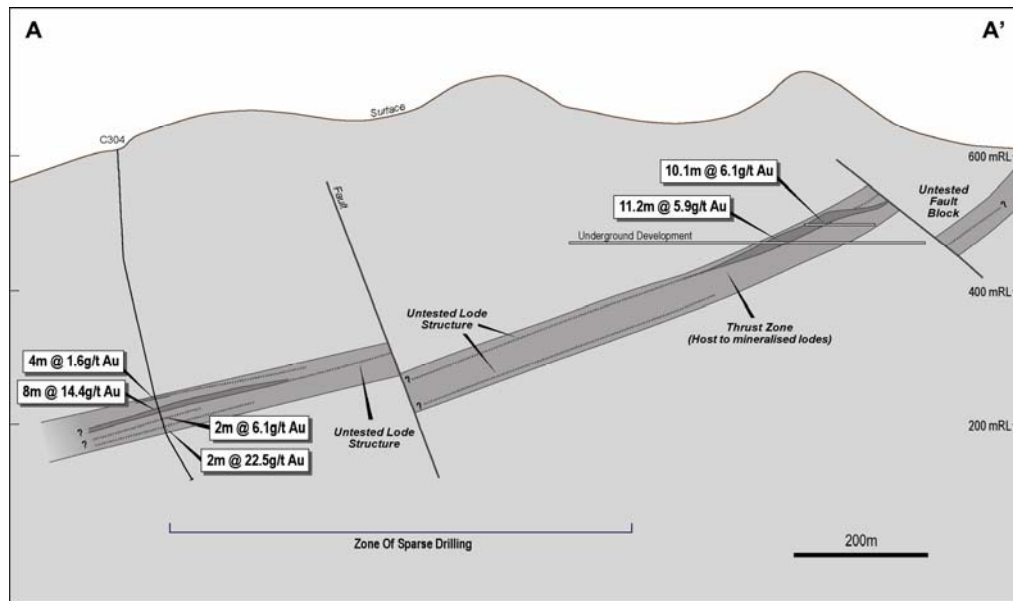
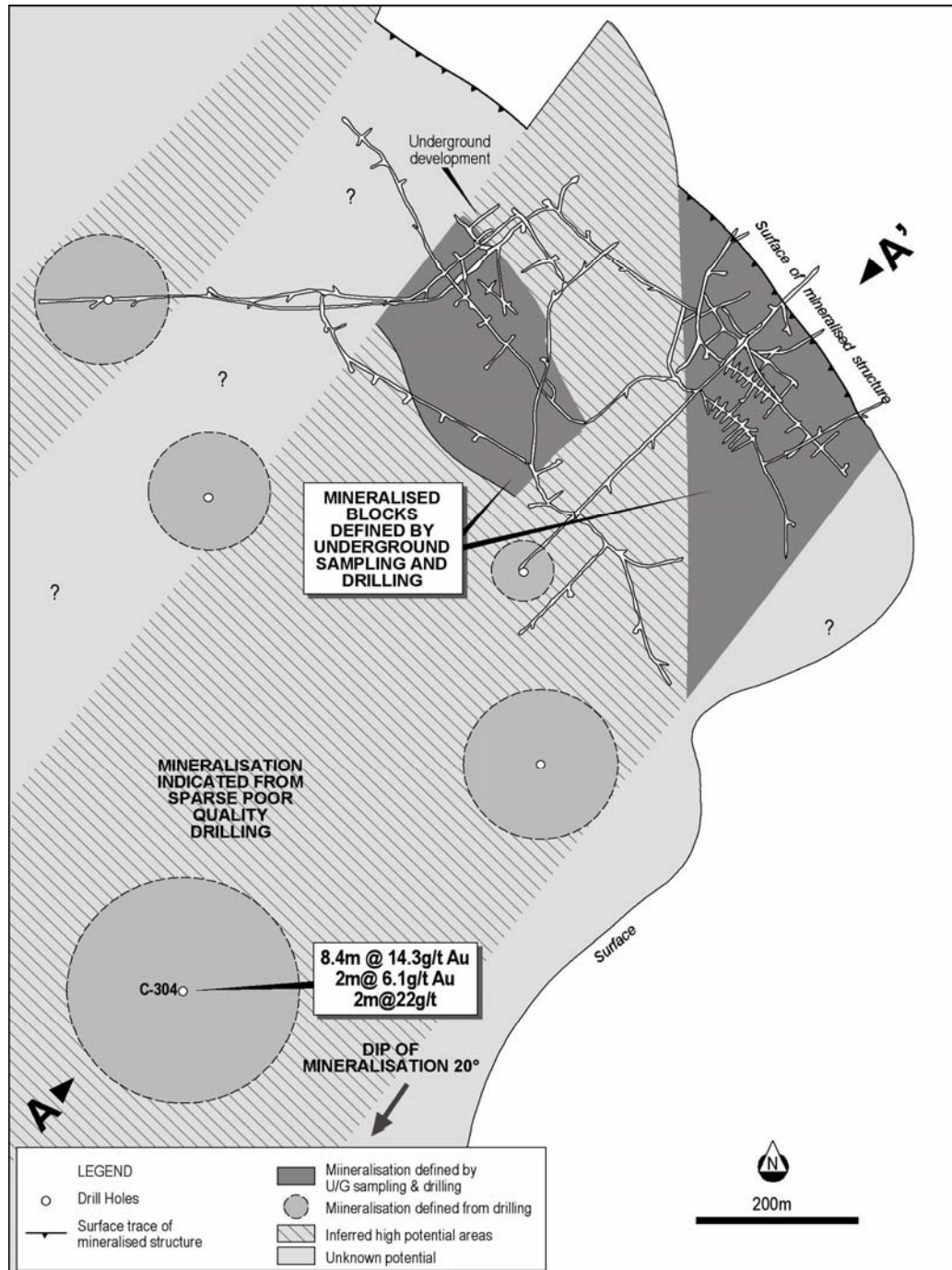


Figure 3:



### **5.3 Exploration and Development**

The Company is currently creating a digital database of all previous exploration results to enable a resource estimate to be completed. Although re-sampling conducted by the company to date has verified the mineralisation, it is likely that a more extensive program of re-sampling and some underground drilling will be required in order for any resource estimate to be JORC compliant. It is anticipated that this work will be completed by late 2004.

The Company believes this large mineralised system has the potential to host a significant gold deposit and that additional mineralised lenses will be delineated in the immediate vicinity of the Saulyak deposit. The Company has applied for a 276km<sup>2</sup> exploration licence covering the region surrounding the Saulyak deposit. Several under-explored gold occurrences occur within the licence area and it is likely that regional low-level geochemical exploration will identify additional targets. Total expenditure commitment for the EL over the 5 year licence period is US\$270,000.

The Company's initial aim is to develop a 20-25,000 ounce per annum low cost gold mine at Saulyak, that may subsequently be ramped up to 50,000 ounces per annum, with a mine life in excess of 10 years based on present resources. The Company believes that the Saulyak Gold Project is an excellent acquisition with strong prospects of success due to the following reasons:

- Operations should be straightforward with easy adit access due to steep terrain and treatment via standard gravity and cyanidation concentration techniques resulting in low technical and regulatory risk.
- Existing underground development has demonstrated simple geometry and mineralisation continuity.
- Access and infrastructure are excellent with paved highway, railway and power all immediately adjacent.
- Locally available skilled workforce.
- The remaining rail links between the Saulyak site and Transgold's 2.5 mtpa CIL facility in Baia Mare, Romania mean that ore can be economically transported for processing.
- Considerable additional exploration potential on the present lease areas and additional lease applications submitted for approval.

### **5.4 Beregove Gold Project**

It is Eurogold's intention to keep a watching brief on the potential of the Beregove Gold Project and in particular examine the possibility of taking advantage of Transgold's 2,500,000 tonne per annum carbon in leach plant in neighbouring Romania. Eurogold believes that with an appropriate methodical exploration and development plan, coupled with the group's experience in operating in Eastern Europe, the Beregove Gold Project has the potential to produce an economic gold discovery.

## 6.0 CAPITAL PROJECTS

Progress on the Central tailings project continued with the acquisition and delivery of 2 km of pipe for installation during the June quarter. The Central project has a revised estimate of over 8m tonnes at a recoverable grade of 0.49 grams gold per tonne.

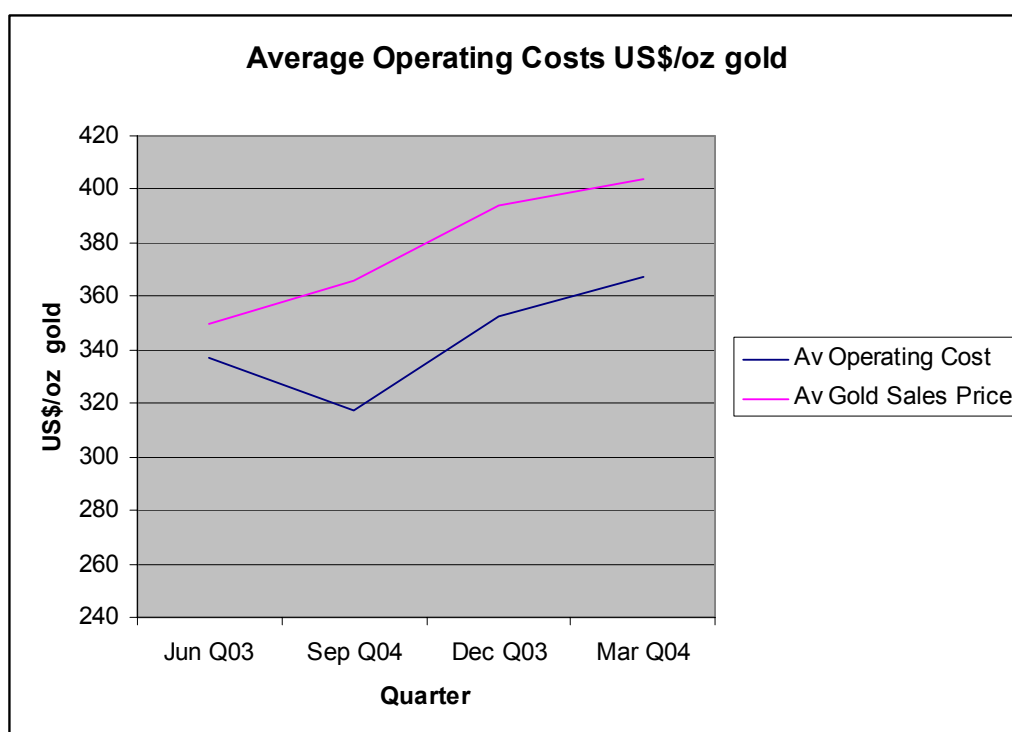
The hard rock Hanau project is forecast to contribute an amount of up to 8,000 tonnes per month. Overburden removal is expected to be completed by May 2004. Some overburden material was identified as being suitable for treatment and transported to the Transgold plant for processing. A total of 7,565 dry metric tonnes yielding an average gold 1.75 grams per tonne was achieved.

The industrial treatment phase one for the Suior pyrites has been successfully concluded. Management forecasts the commencement of treatment of over 500,000 tonnes of remaining pyrites to occur in July 2004. Approximately, 100,000 tonnes of material is likely to be treated with an average gold grade of 5.5 grams per tonne and 12 grams per tonne of silver.

### PRODUCTION STATISTICS

		Mar Quarter 2004	Dec Quarter 2003
Hanau hard rock ore	Tonnes	7,565	-
Concentrate material moved	Tonnes	7,382	5,355
Toll ore treated	Tonnes	53,169	66,278
<b>Processing – CIL</b>			
Dry tonnes treated	Tonnes	68,116	71,633
<b>Total Gold Produced</b>	Ounces	6,376	6,816
<b>Total Silver Produced</b>	Ounces	26,955	30,332
<b>Cash Operating Costs</b>	US\$/t	367	315

Graph: Transgold Average Cost Per Ounce Produced



## GOLD SALES

The average realised bullion gold price for the quarter was US\$404 (03Q2 US\$393) an ounce. The cash operating margin declined mainly due to the upwards movement of concentrate costs, which are a function of the higher gold prices, as well as the reduced volumes being treated over the period. Toll Revenue from Remin was reduced due to the lower supply of material arising from the traditional halt of production during the festive season and winter conditions.

## GOLD SALES

Sales		3 months to 31 Mar 2004	3 months to 31 Dec 2003
Total Bullion Sales			
Gold	Oz	5,645	7,275
Silver	Oz	26,951	30,340
Average Realized Prices			
Gold	US\$	404	393
Silver	US\$	6.62	5.43
Toll Treatment Revenue	\$US000	637	698

## Hedging

As in previous quarter, no hedging contracts were in place.

## REGULATORY ISSUES

### Transgold SA

SC Aurul SA (now SC Transgold SA) was previously the subject of litigation from a number of small litigants and the Hungarian government, following the incident at the Tailings Dam in January 2000. The fifth court hearing with the Hungarian government was to have occurred on the 26th May 2003, however the Hungarian Court has delayed proceedings pending a review by a newly appointed judge to the case and the re-consideration of evidence submitted to date. The next Court hearing will be set at a date to be announced.

Pending the recommencement in Hungary of Court proceedings, in the interim the Hungarian Government has commenced a related legal action through a local Romanian Court in Baia Mare for a number of legal requests to be implemented. These concerned the appointment of an expert to review certain aspects of works required to be carried out to date by Transgold. In Transgold's opinion, this action has been satisfactorily dealt with by Transgold solicitors. As a result, a report from a Romanian expert is due back to the local Romanian Court towards the end of this year.

\* \* \* \* \*

*Mr Doug Cook, Geologist for SC Explorer SA, has been responsible for the preparation of the geological sections of this report. Mr Cook has more than fifteen years' experience in the estimation and evaluation of mineral resources, which is relevant to the style of mineralisation under consideration.*

**PETER GUNZBURG**  
**Executive Chairman**  
**Eurogold Limited**