



EUROGOLD
L I M I T E D
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PROPOSED SALE OF GOLD ASSETS

Eurogold Limited ("Eurogold") is pleased to announce that it has entered into an agreement for the sale of its Saulyak Gold Project in Ukraine to Dragon Mining NL ("Dragon"). The all scrip transaction will involve approximately 80 million Dragon shares being issued to Eurogold as consideration, representing the equivalent of 1 Dragon share for every 4 Eurogold shares. The value of the transaction, based on a Dragon share price of A\$0.16 per share, is approximately A\$13m or A\$0.04 per Eurogold share.

The transaction will be effected by the sale of Eurogold's wholly owned Bermudian subsidiary, which holds the Saulyak Project, and is subject to the approval by shareholders of both companies and Dragon completing financial and legal due diligence. It is expected that the shareholders meetings will be held during February 2007, with notices for these meetings sent to shareholders during January 2007. Completion is due to occur at the end of February 2007.

Dragon will also immediately provide a working capital loan of approximately US\$2 million to Eurogold to cover corporate overheads and to allow the work programme at the Saulyak Project to continue until the sale is completed. The loan is a limited recourse loan and secured by a charge over Eurogold's receivables, which include its loans to S.C. Transgold S.A. (in liquidation) ("Transgold") and S.C. Explorer SA (in liquidation) ("Explorer") of approximately US\$3m and US\$0.7m respectively.

If the sale is completed, Eurogold is only liable to repay up to US\$600,000 of the loan to Dragon and only to the extent that it has received any repayments of the debts owed to it by Transgold and Explorer. Upon completion of the share sale, Eurogold will also either assign, or account, to Dragon for Eurogold's receivables (which include the debts owed to it by Transgold and Explorer), other than any proceeds it may receive under its litigation claim against Oxus Gold plc (and its related entities) ("Oxus"). However, once the US\$600,000 of the loan to Dragon has been repaid, Eurogold will be entitled to retain 8.3% of such receivables up to US\$250,000.

If the sale is not completed, Eurogold will be liable to:

1. repay the entire loan amount to Dragon, but only to the extent that it receives any proceeds in repayment of the debts owed to it by Transgold, from its litigation against Oxus, from the sale of the Saulyak Project to a third party, from the repayment of its loan to ZLLC or from any capital raising or raisings it undertakes to raise in excess of A\$5m; and

2. pay a break fee to Dragon of either \$500,000 if Eurogold accepts, or its directors recommend that its shareholders accept, a competing proposal for the acquisition of the Saulyak Project, or \$130,000 if Eurogold shareholders otherwise do not approve the sale.

Eurogold has been advised that the liquidator for Transgold and Explorer recently accepted an offer of US\$7.3m for Transgold and Explorer. The successful bidder was a joint venture between Oxus Gold plc and KazahkGold Group Ltd.

Following the sale of the Saulyak Project, which is currently Eurogold's main asset, Eurogold will continue as a separate corporate entity and will be Dragon's largest shareholder with approximately 15% of the enlarged capital. The Eurogold board has agreed to hold the Dragon shares that it will receive in consideration of the sale for a minimum of six months and it is the Company's intention to then distribute those shares in-specie. Eurogold also intends to review other new business opportunities and notes that under both the Australian Stock Exchange (ASX) Listing Rules and the AIM Rules this may require certain requirements in relation to "investing companies" to be met. Further details on Eurogold's future strategy will also be set out in the notice for the shareholders meeting to approve the sale.

After the sale transaction has been completed, it is intended that Eurogold's Executive Chairman, Peter Gunzburg, will join the board of Dragon as a non-executive director.

About Dragon Mining

Dragon is headquartered in Perth, Western Australia and listed on the ASX with a market capitalisation of approximately A\$70m at a share price of A\$0.16 per share.

Dragon currently produces approximately 50,000 oz of gold per annum from its 80% owned Svartliden Mine in Sweden and aims to bring the Outokumpu built Vammala processing facility and Orivesi mine (Dragon 100%) in Finland on stream in the middle of 2007, with expected production of around a further 50,000 oz of gold pa. Dragon also holds a suite of near mine and regional exploration prospects for gold and nickel in Sweden and Finland as well as interests in mineral projects in Eritrea and Western Australia and an investment in AIM and ASX listed Vulcan Resources Limited.

Further details on Dragon are available on Dragon's website at www.dragon-mining.com.au.

The Saulyak Project

Eurogold has previously reported (refer to announcement dated 11 July 2006) that the Saulyak Project in southwest Ukraine has an estimated total C1 and C2 category "reserve" under the Soviet classification system of approximately 578,000 oz of Gold (2.1 million tonnes @ 8.4g/t). Eurogold and Dragon are confident that this can be converted to a JORC Code compliant Mineral Resource during the next year and believe that there is substantial potential for delineating further resources.

The Saulyak Project was recently granted a new 5 year activities licence and as reported in our last quarterly, Eurogold "... is preparing a revised work programme in support of an application for the early conversion of the Saulyak "sub-soil" licence into a Mining Licence".

The current sub soil licence, which confers the mining rights for the Saulyak Project, expires in November 2007. The transaction with Dragon, which provides for the immediate ongoing funding of the Saulyak project, will enable the Saulyak Project work programme to be accelerated and should enhance that application. Furthermore, Dragon has significant

project development and operational expertise in similar European environments that will be invaluable for advancing the Saulyak Project.

The combination of the Saulyak deposit with Dragon's existing European production and development portfolio, provide shareholders with an exciting exposure to an attractive and growing suite of European Mining assets.

Peter Gunzburg
Managing Director
Eurogold Limited

The information on resources in this report has been reviewed by Mr Simon Pepper, a full time employee of Eurogold. Mr Pepper holds a MSc Mining Geology from Camborne School of Mines, is a member of the Institute of Materials, Minerals and Mining in the United Kingdom and has at least five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. Mr Pepper has reviewed this report and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Saulyak deposit is located in Ukraine and most of the previous work was conducted by Soviet state organisations and some of the Soviet exploration data has not yet been fully validated in accordance with the JORC Code. As such, this report includes references to a resource estimate that is not yet JORC Code compliant. As discussed in this report, Eurogold is currently working towards the conversion of this into a JORC Code compliant Mineral Resource estimate.