OVOCA GOLD Plc

Kolyma Mountain Range

Annual Report 2007

Directors and other information

Directors

(RUS) Mikhail Mogutov Chairman (Non-Executive Director)
(RUS) Yuri Radchenko (Non-Executive Director)
(RUS) Leonid Skoptsov CEO (Executive Director)
Roger Turner Chairman (Executive Director)
John O'Connor (Non-Executive Director)
(UK) Rowan Maule (Executive Director)

Registered Office

36 Dame Street
Dublin 2
Ireland

CFO & Secretary

Danesh Varma (Can)

Auditors

LHM Casey McGrath
Chartered Certified Accountants
and Registered Auditors
6 Northbrook Road, Dublin 6, Ireland

Business Address

Printers Hall Chambers
8 Little Trinity Lane
London, United Kingdom

Bankers

Allied Irish Bank
Terenure Road
Rathgar
Dublin 6, Ireland

Barclays Plc
Canary Wharf
London, United Kingdom

Solicitors

McEvoy Partners
Connaught House
Burlington Road
Dublin 4, Ireland

Stockbrokers

Davy
Davy House
49 Dawson Street
Dublin 2, Ireland

Registered Number

105274

Date of Incorporation

15 January 1985

Ovoca Gold plc

Ovoca Gold Plc is an international exploration company, exploring for and developing precious and base metals properties in Russia. Through its wholly-owned subsidiaries, Ovoca controls some of the most promising metal deposits in Russia, and is set to become one of the world's most profitable silver producers

Investment Highlights

- 100% interest in 78.2 million oz silver equivalent deposit in Russian Far East
- Significant Molybdenum-Copper Porphyry deposit currently under evaluation
- Promising Gold properties in the Kola Peninsula, North-West Russia
- Joint Russian and foreign management team is one of the most experienced among junior Russia/CIS miners
- Low capital needs and strong institutional investor base:
  Ovoca will have relative ease in securing future project financing requirements
- Strong cash position financing an ongoing upgrade of resources in Russia

Chairman's letter

CHAIRMAN: Mikhail Alexandrovich Mogutov

Dear Shareholders,

During 2007 your Company concentrated on gold and molybdenum exploration in the Kola Peninsula and the development of our flagship project, the Goltsovoye silver mine in the Magadan region. Your company also made a giant step in its development, leaving behind its junior status and moving on to become an emerging mid-tier mining company. We have completed the exploration phase and have begun the development of the Goltsovoye deposit in earnest. Let me briefly outline the milestones achieved in 2007 as Ovoca continued to build on the work successfully completed in 2006:

Early in 2007 we appointed consultants to complete a Bankable Feasibility Study on the Goltsovoye silver project in Magadan. For this purpose, a diamond drilling programme was completed, resource and reserve calculations were carried out, mine design studies, hydrogeological studies, metallurgical testwork and process designs, infrastructure and environmental studies were all completed and early in 2008 we announced the results of the study. This showed an annual production rate of 6.4 million ounces of silver in the early years of production combined with robust project economics. This study was completed by Scott Wilson International together with Russian engineering and environmental consultants.

Scott Willson's work enabled Ovoca to convert 83% or 36.7 million ounces of silver in Zone 1 Measured and Indicated resources into mineable reserves. The 21.8 million ounces of Inferred resources as well as 2.7 million ounces of Zone 2 Indicated resources will be upgraded into reserves during the course of mining operations.

A major milestone was reached when the Russian Government Commission for Natural Resources ("GKZ") audited and approved the resource at Goltsovoye at 81.3 million ounces of silver. The Commission's audit and approval formed a strong legal foundation for the Russian engineering consultants to begin work on specific designs of the mining and processing complex to be created in line with Russian legislation.

Based on the results of this study your Company has continued to obtain the necessary approvals from the Russian authorities to proceed into construction and mining. In the meantime, a fleet of mobile

Mikhail Alexandrovich Mogutov
Chairman

equipment (bulldozers, graders, shovels and trucks) has been purchased, road construction is underway and a man camp has been built. Regional infrastructure has been improved, including the construction of a number of bridges, allowing the reduction in travel time to Goltsovoye from four hours to under two hours. Environmental public hearings have been successfully completed and on a best-case basis production is scheduled for Q4 2009 and in the worst-case for Q2 2010.

During 2007 the silver price has experienced a healthy increase, with 2008, having already achieved highs of $21 per ounce, showing great potential for a further dramatic rise. The price increases are driven by strong industrial demand for silver in East Asia, a factor that is likely to experience strong growth in the coming years.

In the Kola Peninsula we continued to rationalize our exploration activities and concentrated on the Kolmozero-Voronye and South-Western Kolmozero-Voronye licences for gold and molybdenum. These licences were extended for a further three years and the Porosozero and Kontozero licences were relinquished. With the price of molybdenum at over $30 a pound the attraction of the large copper-molybdenum deposit at Pellapakh increased in importance to the Company. A total of 8,300 metres of diamond drilling has been completed at the time of writing on the Pellapakh deposit. This, together with some 4,000 metres of drill data completed in Soviet times, allowed us to generate a preliminary non-JORC inferred resource estimate of 132 million tonnes of ore at 0.06% molybdenum equivalent grade. We believe the potential is considerably higher. This resource and grade compares favourably with those of the world's major molybdenum producers. This exploration work has somewhat overshadowed the work being done on the two main gold exploration areas at Oleninskoye and Leshaya which nonetheless remain key properties within the Companies portfolio in Kola.

In February 2008 Roger Turner stepped down as Chairman and remains a non-Executive Director. I assumed the role as the Chairman. At the same time John O'Connor stepped down as Chief Financial Officer and Secretary, and remains on the Board as a non-executive director. Danesh Varma was appointed as Chief Financial Officer and Secretary.

We are currently looking at various options to finance the construction of the 260,000 tonne a year underground mine, the process plant and the infrastructure. We are also investigating ways and means of generating income from the direct shipping of ore, which, due to the high silver grade ore at Goltsovoye, is a potentially attractive, low capital cost, start-up alternative. If this proves viable it should be an attractive non-dilutive option for shareholders and we will keep you apprised of developments.

I would like to take this opportunity to thank shareholders, management, staff, employees, consultants and the Board for their hard work and commitment over the past twelve months which enabled Ovoca to graduate from a junior exploration company to an emerging mid-tier precious metals producer.

Mikhail Mogutov,
Chairman
30 June 2008

Review of operations

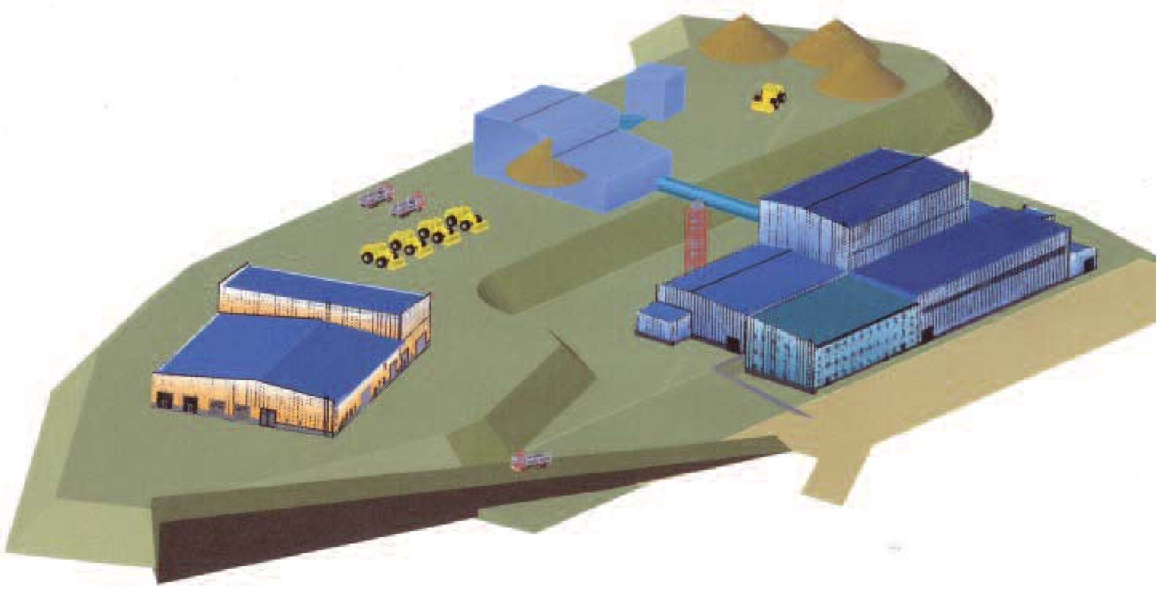
Goltsovoye Silver Mine - Magadan

2007 saw the commencement and the publication of results of the Bankable Feasibility Study (BFS) for the Goltsovoye Silver Deposit, Magadan Province. This covered the first phase of mining on Ore Zone 1 where measured and indicated resources amount to 41.3 million ounces of silver, with an average grade of 884 grams per tonne (Canadian NI 43-101 standard). The total resource in Zones 1 and 2 amount to 81.3 million ounces of silver equivalent following a 2007 drilling programme. The BFS addresses the mining and beneficiation of half of the total resource.

The main conclusion of the BFS is that 'The Goltsovoye project presents an opportunity to develop an economically viable project for Ovoca that has the potential to provide economic returns on investment. Based on Zone 1 resources, the cash flow analysis indicated robust project economics across a range of silver price assumptions.'

The BFS does not include Ore Zone 2, which has JORC categorised resources of 25 million ounces of silver at 754 grams per tonne, the

Process plant, mainatenance workshop and crushing compound



highest of any of the 4 other identified Ore Zones.

The BFS envisions Goltsovoye as being a compact underground operation, with an annual production rate of 260,000 tonnes of ore during the six-year mine life of Ore Zone 1. Ore processing is a combination of gravitation and floatation with the end product being a silver-lead concentrate.

Silver recoveries have been calculated to be 95% based on testwork while lead recoveries are predicted at between 76% and 86% depending on the location within the orebody. The process plant will consist of three stages of crushing and grinding, followed by the gravitation and floatation circuits to produce two separate products: a gravity concentrate and a floatation concentrate.

Special attention has been paid to the environmental aspects of the project. Scott Wilson comments in the BFS: "Based on the information gathered to date, it is considered likely that environmental impacts arising from the project can be avoided or mitigated against in the project design and as such will not compromise the success of the project."

The tailings storage facility is contained behind a rock fill dam and Power will be supplied from six 1750 kV diesel generators. Process water and potable water will be supplied from wells, and the process water will be recycled from the tailings pond. A permanent man camp will house 260 employees. The mine will directly employ 371 people (331 in mining and processing) and will work a two-week-on-two-week-off rotating schedule.

In addition to the Bankable Feasibility Study the total silver resources for Goltsovoye were updated by Datamine following a diamond drilling programme. In May 2008 the Federal Subsoil Use Agency (Rosnedra) approved amendments to the Goltsovoye licence so as to make it consistent with legislative changes that have occurred since the Licence was grantead in 1993.

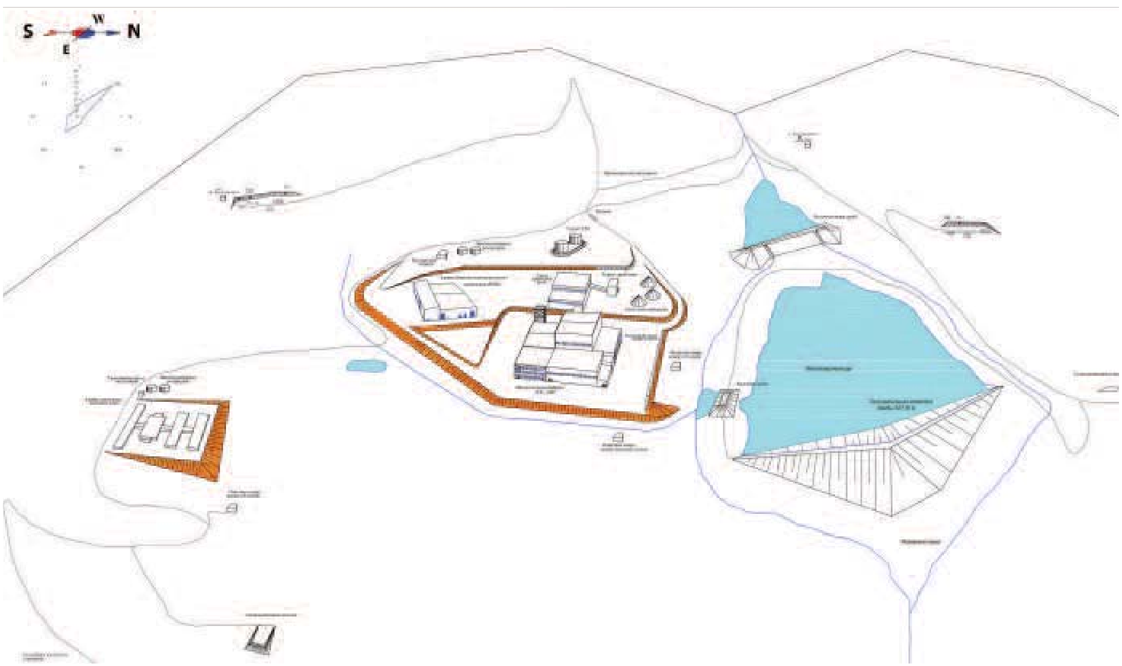
The amended terms confirm the Company's entitlement to an extension of the Licence for the duration of the economic life of the Goltsovoye deposit. In addition, the Addendum records the Company's total reserves for Goltsovoye, as audited and approved by GKZ, of 81.33 million ounces of silver and 46,438 tonnes of lead, and the preliminary mining allotment area for the Licence. This is a major milestone in the development of the

Goltsovoye deposit as it allows, and forms the basis of the detailed design work that complies with Russian Mining Law.

Since January 2008 work has continued on detailed engineering designs and on obtaining environmental approvals for the project. The following consultants have been involved in this process: VNII-1, OOO Dalrudproyect, CJSC Mining and Processing Enterprises, Scientific Research Expertise and Design Centre, Wardell Armstrong.

Results of this engineering work have led to some changes becoming necessary, thereby modifying the original BFS designs to extend mine life and production. Capital and operating costs are being updated to take these changes into account along with inflation over the past 6 to 9 months. Submissions are now being finalized for the regulatory approval required for the crucial 'TEO of Construction' plan which is required to legally approve the design of the mine and infrastructure and forms the basis for the Detailed Design.

On site, the pioneer camp has been expanded to accommodate 60 construction workers. The main road to the mine site has been upgraded and new culverts and bridge crossings have been built. Internal roads and construction areas have been levelled and cleared. Temporary power generation is operational. The underground workings are fully accessible and safe. They will now allow the main mine to be developed from points within the mine as well as from the surface. This will dramatically shorten the time required to bring areas of the mine into production. The site and technical design has now been prepared and we are ready



Goltsovoye mining and processing complex site layout diagram to commence full-scale mine and infrastructure construction.

In June 2008 successful public hearings, which reviewed the environmental aspects of the mine, were completed in Omsukchan, the district administrative centre in the Magadan Oblast. No substantive objections from the public were raised during the hearings and this was recorded in a memorandum of understanding between, amongst others, the company, a number of local interest groups and local government authorities.

Interests of the public were represented by local and regional environmental organizations and local interest groups.

The public hearing, a requirement under Russian legislation, concludes the preparation of the Goltsovoye development plan, which can now be submitted to Federal authorities for final approval.

We now hope to progress rapidly towards full-scale construction and production which is scheduled for late 2009.

Pellapakh Copper Molybdenum Property - Kola Peninsula

A winter drilling programme has now been completed at Pellapakh in the Kola peninsula which, including the 2007 summer drilling programme amounts to some 8,300 meters of drill core. These holes were drilled to confirm, and add to, around 4,000 meters of drilling data generated in the Soviet era on this significant molybdenum - copper property.

There are a total of 90 drill intersections spaced at 50 to 100 meters apart along 10 profiles where molybdenum mineralisation occurs in a series of sub-parallel ore bodies.

A tighter grid of 50 by 100 meters is planned for a high grade core zone. This will give a better defined resource to a depth of over 300 meters from the surface, 500 meters across the mineralised zone and a total strike length of over 2,000 meters.

A preliminary non-JORC inferred resource was completed, using Datamine®, in February 2008 while the winter drilling programme was still in progress. A 0.03% molybdenum cut off grade was applied and an inferred resource of 132 million tonnes of ore at 0.06% molybdenum equivalent grade (using current metal prices to calculate the molybdenum equivalent grade of the copper content) totalling 79,200 tonnes of molybdenum equivalent metal was estimated

Metallurgical test work carried out by Gintsvetmet, a leading Russian non ferrous metallurgical laboratory, indicates that recoveries of molybdenum and copper of 82% into concentrates using a simple flotation process can be achieved on these sulphide ores during operations.

Further metallurgical test work will be carried out. Topographic surveys have been completed and hydrology, geotechnical and environmental base line studies have been initiated.

Additional metallurgical testwork is planned for 2008 and once all of the assays for the 2008 drilling programme have been received the resource calculation will be updated and a report on "The Pellapakh Resource Estimate" will be prepared and submitted to the GKZ for approval and for international audit.

Pellapakh is a potential large scale open pit copper molybdenum deposit, still open along strike and in depth with significant untested geochemical and geophysical anomalies to the north, which have not yet been drilled.

Gold Exploration - Kola Peninsula

During 2007/8 exploration activities have concentrated on the Kolmozero-Voronye and South-Western Kolmozero-Voronye licences. These licences were extended for an additional three year period while the Porosozero and Kontozero licences were relinquished.

At Oleninskoye a total of 7 holes, totalling 1,550 metres, were drilled of which 1,250 metres were in the central part of the deposit and 300 metres on south-eastern extension of the deposit. 5 out of 7 boreholes have intersected zones of quartz-biotite and diopside metasomatite which host the mineralisation.

At Nyalm drilling and trenching programmes focused on testing geochemical and geophysical anomalies. 24 drill holes in 2,300 metres and 500 linear metres in 11 trenches were completed which intersected 5-7 metre thick orebodies with grades of between 1.0 and 2.0 grams of gold per tonne of ore. A total of 675 metres of drilling in 7 holes were completed at Leshaya.

The results from these programmes were inconsistent with previous data. However, the geological controls of the systems are better understood and the implications of the "nugget effect" shown in the distribution of gold within the vein systems are being studied in more detail. The gold exploration will, for the time being, be of secondary importance since a focused exploration programme on Pellapakh will yield far better potential returns due to the size of the deposit and the supply and demand situation driving molybdenum prices as they are at the moment.

Directors' Report

The Directors present their annual report and audited financial statements for the year ended 31 December 2007 of Ovoca Gold plc ("the Company") and its subsidiaries (collectively "the Group"). These are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU ('EU IFRS'). The key impacts on the financial statements arising from the transition to EU IFRS are set out in detail in Note 23 of the financial statements.

Principal activity, business review and future developments
The company's main activity is the exploration for base metals and other minerals in Russia. The directors have reviewed the financial position of the group and are satisfied that the group will continue to operate at its projected level of activity for the foreseeable future. A detailed business review is included in the Review of Operations.

Results and dividends
The results are disclosed on page 23 of the financial statements. The directors do not recommend the payment of a dividend.

Principal Risks and Uncertainties
There are a number of risks and uncertainties which could have an impact on the Group's long term performance.

Risks and uncertainties facing the Group include but are not limited to:

- availability of drilling equipment and qualified personnel, the absence of which could lead to delays in work programmes;
- delays in turnaround of assay results from international laboratories due to substantially increased workload's in recent times on such laboratories could affect timing of results from drilling programmes;
- an adverse movement in the value of metals for which the Group is presently exploring, could risk the viability of those particular exploration projects.
- increase in costs of construction materials, labour and power which could affect the economic feasibility of projects under consideration.

Directors and secretary and their interests
Mr. Barris Oakes, Mr. Richard O'Shea and Mr. Guy Pas retired from the Board on 20 September 2007.

In accordance with the Articles of Association Mr. Yuri Radchenko and Mr. Roger Turner retire from the Board at the forthcoming AGM, but, being eligible offer themselves for re-election.

Mr. Danesh Varma was appointed Company Secretary in 14 February 2008.

The Interests (all of which are beneficial) of the directors who held office at 1 January 2007, 31 December 2007 and at 30 June 2008 and their families in the share capital of the Company were:

	Ordinary Shares of 2.5c each			Options over Ordinary Shares		
	30/06/2008	31/12/07	01/01/07	30/06/08	31/12/07	01/01/07
Roger Turner	3,850,001	3,850,001	3,850,001	3,425,000	3,425,000	3,425,000
Leonid Skoptsov	37,962,918	37,962,918	23,628,543	1,000,000	1,000,000	1,000,000
John O'Connor	60,000	60,000	60,000	2,740,000	2,740,000	2,740,000
Rowan Maule	-	-	-	1,000,000	1,000,000	1,000,000
Mikhail Mogutov	72,287,718	72,287,718	47,353,343	1,000,000	1,000,000	1,000,000
Yuri Radchenko	53,981,168	53,981,168	39,642,658	1,000,000	1,000,000	1,000,000

Further details of the above share options of the directors as at 31 December 2007 are as follows:

	Options	Exercise Price	Expiry Date
Roger Turner	425,000	11.0c	10 May 2015
	1,000,000	12.4c	8 August 2015
	2,000,000	15.0c	28 July 2016
Leonid Skoptsov	1,000,000	16.0c	28 July 2016
John O'Connor	115,000	23.2c	28 July 2016
	100,000	25.0c	6 January 2010
	125,000	7.0c	17 September 2013
	150,000	9.0c	20 October 2013
	150,000	12.0c	22 December 2013
	100,000	11.0c	1 March 2014
	250,000	12.4c	10 May 2015
	750,000	11.0c	8 August 2015
	1,000,000	15.0c	28 July 2016
Rowan Maule	1,000,000	14.71c	7 June 2016
Mikhail Mogutov	1,000,000	16.0c	28 July 2016
Yuri Radchenko	1,000,000	16.0c	28 July 2016

No other change in the above share options has occurred between 31 December 2007 and the date of approval of these financial statements.

There are service contracts between the company and the executive directors and there are no service contracts between the company and the non-executive directors.

The company's shares are traded on the Irish Emerging Exchange (IEX) of the Irish Stock Exchange and on the Alternative Investment Market (AIM) of the London Stock Exchange.

The market price of the company's shares on IEX at 31 December 2007 was 20 cents. During the year ended 31 December 2007 the market price of the company's shares ranged from 11 cents to 21 cents.

The market price of the company's share on AIM at 31 December 2007 was 14.5 pence. During the year ended 31 December 2007 the market price of the company's shares ranged from 7.5 pence to 15.5 pence.

Significant shareholders
So far as the directors are aware, the following are the only shareholders holding more than 3% of the issued share capital of the company at 27 June 2008.

	Ordinary Shares of 2.5c each	Percentage of issued Share capital
Salyco Trading Co Limited (Mikhail Mogutov)	72,287,718	16.60%
Euroclear Nominees Limited	37,906,313	11.93%
Pickco Trading Co Limited (Yuri Radchenko)	53,981,168	12.39%
Subishico Trading Co Limited (Leonid Skoptsov)	37,962,918	8.72%
Citibank Nominees (Ireland) Limited	39,871,944	9.15%
BBHISL Nominees Limited	44,999,826	10.33%
HSBC Global Custody Nominee (UK) Limited	13,273,532	3.05%

Group Undertakings
Details of the company's subsidiary and joint venture undertakings are set out in Note 11 to the financial statements.

Directors' Interest in contracts
None of the directors had a beneficial interest in any contract to which the company was a party during the period except as detailed in Note 19.

Political donations
The Group made no political donations during the period.

Going Concern
As further disclosed in Note 1, the future of the Group is dependent on the successful future outcome of its exploration and development interests.

The directors have reviewed the current state of the Group's finances, taking into account the resources currently available to the Group, and are satisfied that sufficient funding will be available to the group to enable the Group to trade at its projected level of operations for the foreseeable future.

The Directors consider that in preparing the financial statements that they have taken into account all information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

Details of Executive Directors

Leonid Pavlovich Skoptsov, Chief Executive Officer.
Mr Skoptsov was born in Krasnodar in southern Russia and graduated from the Moscow State University in 1979. Mr Skoptsov is a shareholder and Chairman of OAO Pervaya Gornorudnaya Companiya, which in 2002 discovered the large Pavlovskoe lead-zinc, silver deposit, in the Yuzhny Isle of the New Land archipelago, Russia. Mr Skoptsov was Chairman of OAO Volganeft in Samara Oblast until December 2004, which was acquired by the Russian oil company Rosneft. He is a shareholder and director of the Magadan Geological Expedition and a number of other companies with exploration licences for precious metals in eastern Siberia and Transbaikalia.

Rowan Maule, Chief Operating Officer.
Rowan Maule is a graduate of Cardiff University, having obtained an honours degree in Mine Engineering in 1983. He has worked extensively in mining operations in Africa, Europe, the Far East

and Russia during the past twenty years in various positions from Operations Manager to Project Director.

Details of Non Executive Directors

Mikhail Alexandrovich Mogutov, Chairman.
Mikhail Mogutov was born in Shakhtersk town, Sakhalin Isle, Russia. In 1979 he graduated from the Moscow Physics-Technical Institute and has a Ph.D. degree. In 1988 Mr Mogutov together with his colleagues founded the Bioprocess group and is a major shareholder and a executive manager. For many years, the Bioprocess group have founded, acquired and successfully operated larger machinery, ship-building and chemical industry companies. The largest company of the group - JSC "United Machinery Plants" (OMZ), which used to produce 70% of Russian drilling and 90% of mining equipment. Between 1997 and 1999 Mr Mogutov was also the Chairman of the Board of Vostsibugol that mined over 13 million tons of steam coal annually. By 1999 part of the assets of the group were sold and the remaining assets were divided into two independent businesses, which was named the Bioprocess-holding. The key business of Bioprocess-holding is exploration and mining of minerals in various regions of the Russian Federation. Also Mr Mogutov is Chairman of JSC Biomed and a member of the board of a number of Russian companies in resources and fine chemical sectors etc.

Yuri Ivanovich Radchenko.
Yuri Radchenko was born in Almaty, Kazakhstan and graduated as a geologist from the Kazakhstan Polytechnical Institute. From 1975 Mr Radchenko worked with the Dukat Exploration Expedition, and began work on the Dukat gold-silver deposit. In 1991 Mr Radchenko was appointed head of the Dukat Exploration Expedition where he was involved in the prospecting, exploration and assessment of the Julietta deposit and many other exploration programmes. In 1994 Mr Radchenko assisted with the foundation and management of JSC Dukatskaya Mining Geological Company which completed the exploration of the Julietta deposit and undertook other exploration activities in the Magadan Oblast including a programme to study and develop the copper porphyry deposits in north east Russia. In 1995 Mr Radchenko founded the joint venture Omsukchanskaya Mining Geological Company with Arian Resources Limited, a company, subsequently acquired by Bema Gold Corporation, which was involved in the development of the Julietta mine. In July 1998 Mr Radchenko was awarded the "Order of Honour" by the President of the Russian Federation for his contribution in the development of the mineral law of the Magadan Oblast and also was awarded the Diploma of 'Mineral Deposit Discoverer' as discoverer of the Lunnoe gold and silver deposit.

Roger Turner.
Roger Turner has more than 40 years worldwide experience in mine engineering, management and project development in both open pit and underground mining. A graduate in Mining Engineering from the Camborne School of Mines, with an MSc in Economic Geology from Leicester University, he is a Member of the Institution of Mining and Metallurgy UK, the Canadian Institute of Mining and Metallurgy, the American Institute of Mining Engineers and a Chartered Engineer in the UK. Early in his career he worked as a mine manager for Noranda and Hudson Bay in Canada and for Falconbridge in Africa. Subsequently he was the manager of the Westfield Open Pit coal mine in Scotland and manager at the Wheal Jane tin mine in Cornwall for RTZ. As a mining consultant he worked for, amongst others, Warrior International (now Standard Bank) and Samuel Montagu & Company. In 1994 he was appointed President of the Nelson Gold Corporation and was responsible for the financing, construction and start up of the Jilau gold mine in Tajikistan. From 1996 to 2002 he was co-founder, President and CEO of Oxus Gold plc, and was responsible for the acquisition and development of the Amantaytau gold mine in Uzbekistan. Mr. Turner is currently chairman of Minco plc.

John O'Connor
John O'Connor joined the Board in 1997. He is a Fellow of the Institute of Chartered Accountants in Ireland. He is principal of F.R. O'Connor & Co, Chartered Accountants, having previously worked with Ernst & Young, Dublin Gas Company and Thorn EMI Computer Software. He is also director of a number of private companies.

Corporate Governance Statement

The Directors are committed to maintaining the highest standards of corporate governance commensurate with the size, stage of development and financial status of the Group.

Board

The board currently has six directors, comprising two executive directors and four non-executive Directors. The Board met formally on five occasions during 2007. An agenda and supporting documentation was circulated in advance of each meeting. All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experiences in the industry, Non-executive Directors are not appointed for specific terms. Each non-executive director comes up for re-election every three years and each new Director is subject to election at the next Annual General Meeting following the date of appointment.

The following committees deal with the specific aspects of the Group Affairs

Audit Committee: This Committee comprises one non-executive directors and one executive director. The external auditors have the opportunity to meet with members of the Audit Committee without executive management present at least once a year. The duties of the Committee include the review of the accounting principles, policies and practices adopted in preparing the financial statements, external compliance matters and the review of the Group's financial results.

Nominations Committee: Given the current size of the group a Nominations Committee is not considered necessary. The Board reserves to itself the process by which a new Director is appointed.

Remuneration Committee: This Committee comprises one non-executive directors and one executive director. This Committee determines the contract terms, remuneration and other benefits of the executive Directors, Chairman and non-executive Directors. Further details of the Group's policies on remuneration, service contracts and compensation payments are given in the Remuneration Committee Report below.

Communications: The Group maintains regular contact with shareholders through publications such as the annual and half - year report and via press releases and the Group's website, www.ovocagold.com. The Directors are responsive to shareholder enquiries throughout the year. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views.

Internal Control

The Directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls that enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Group's system of internal financial control provides reasonable, though not absolute assurance that assets are safeguarded, transactions authorised and recorded properly and that material errors or irregularities are either prevented or detected within a timely period. Having made appropriate enquiries, the Directors consider that the system of internal financial, operational and compliance controls and risk management operated effectively during the period covered by the financial statements and up to the date on which the financial statements were signed.The internal control system includes the following key features, which have been designed to provide internal financial control appropriate to the Group's businesses:

- budgets are prepared for approval by the Board;
- expenditure and income are compared to previously approved budgets;
- a detailed investment approval process which requires Board approval of all major capital projects and regular review of the physical performance and expenditure on these projects.

Remuneration Committee Report

The Group's policy on senior executive remuneration is designed to attract and retain people of the highest calibre who can bring their experienced and independent views to the policy, strategic decisions and governance of the Group.

In setting remuneration levels, the Remuneration Committee takes into consideration the remuneration practices of other companies of similar size and scope. A key philosophy is that staff must be properly rewarded and motivated to perform in the best interests of the shareholders.

Total remuneration to Directors during the year ended 31 December 2007 was €505,761. The highest paid Director received remuneration of €116,417.

Directors' Responsibility Statement
The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by AIM and IEX rules and as permitted by company law, the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the company financial statements in accordance with EU IFRS, as applied in accordance with the provisions of the Companies Acts, 1963 to 2006.

The Group and Company financial statements are required by law and EU IFRS to present fairly the financial position and performance of the Group; the Companies Acts 1963 to 2006 provide, in relation to such financial statements, that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.
The Directors are also responsible for preparing a Report of the Directors that complies with the requirements of the Companies Acts 1963 to 2006.
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Books and Accounting Records
The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements. These books and accounting records are maintained at 36 Dame Street, Dublin 2, Ireland.

Auditors
The auditors, LHM Casey McGrath, have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board

Leonid Skoptsov	**John O'Connor**
Director	**Director**

Date: 30 June 2008

Auditors' Report

Independent Auditors' Report to the Shareholders of Ovoca Gold plc

We have audited the financial statements of Ovoca Gold plc for the year ended 31 December 2007
We have audited the financial statements of Ovoca Gold plc for the year ended 31 December 2007
which comprise of the Group Income Statement, Group Balance Sheet, Company Balance Sheet, Group Cash Flow and Group Statement of Changes in Equity and Notes thereon. These financial statements have been prepared under the accounting policies set out on page 19 - 22.

This report is made solely to the Company's members as a body in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in the audit 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 or 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 Auditors
The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS") are set out in the Statement of Directors' Responsibilities on page 16.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view in accordance with IFRS as adopted by the European Union and are properly prepared in accordance with the Companies Acts 1963 to 2006. We also report to you to whether, in our opinion; proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet is in agreement with the books of account.

We report to the shareholders if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not given and, where practicable, include such information in our report.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, Chairman's Review and the Review of Activities. We consider the implications for our audit report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence

relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the results and cash flows of the Group for the period then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2006 and the European Communities (Companies: Group Accounts) Regulations 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report on pages 11 - 16 is consistent with the financial statements.

The net assets of the Company, as stated in the Balance Sheet on page 26, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which under Section 40(1) of the Companies (Amendment) Act 1983 may require the convening of an extraordinary meeting of the Company.

Emphasis of matter
In forming our opinion, we have considered the adequacy of disclosures made in Note 1 and Note 9 to the financial statements, in relation to the Group's ability to continue as a going concern and the Directors' assessment of the carrying value of the Group's deferred exploration costs amounting to €39,312,022. The realisation of the intangible assets is dependent on the successful development or disposal of base metal and other minerals in the Group's licence areas. Such successful development is dependent on several variables including the existence of commercial deposits of base metal and other minerals, availability of finance and the market price of base metal and other minerals.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern or the exploration and evaluations asset were not recoverable. In view of the significance of these uncertainties we consider that they should be drawn to your attention. Our opinion is not qualified in these respects.

LHM Casey McGrath
Chartered Certified Accountants
Registered Auditors
6 Northbrook Road
Dublin 6
Ireland

Date: 30 June 2008

Statement of Accounting Policies

for the year ended 31 December 2007

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of Preparation

European Union (EU) law requires that the annual consolidated financial statements of the Group for the year ended 31 December 2007 be prepared in accordance with accounting standards adopted for use in the EU.

These financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards and International Accounting Standards (collectively 'IFRS') in issue that are adopted for use in the EU and effective (or available for early adoption) at 31 December 2007 the Group's first annual reporting date at which it is required to use accounting standards adopted for use by the EU.

An explanation of how the transition to IFRS has affected the financial information is outlined below:

First Time Adoption of IFRS

Up to and including the year ended 31 December 2006, the Group's financial statements were prepared in accordance with generally accepted accounting principles as promulgated by the Institute of Chartered Accountants in Ireland (Irish GAAP).

IFRS 1 'First-time adoption of International Financial Reporting Standards' is the accounting standard governing the implementation of IFRS for the first time. This standard allows or requires a number of exceptions to its general principles that the standards in force at the reporting date should be applied retrospectively. At the transition date, 1 January 2006, the exemption to retrospective implementation availed of is that the Group has assumed that the Currency Translation Reserve at 1 January 2006 is nil.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

These consolidated financial statements are presented in Euro (€), which is the Company's functional currency.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in the following areas:

- Measurement of the recoverable amounts of intangible assets
- Utilisation of tax losses
- Measurement of share-based payments

Basis of Group Consolidation
The Group financial statements include the financial statements of the Company and each of its subsidiary undertakings, having eliminated all inter company transactions and balances.

The results of subsidiaries and joint ventures acquired or disposed of in the year are included in the consolidated Income statement from the date of acquisition or up to the date of disposal.

Acquisitions are dealt with on the basis of acquisition accounting whereby the identifiable assets and liabilities acquired are recorded at their fair value and compared with the fair value of the total cost of the acquisition, including associated costs. In the Company balance sheet, investments in subsidiaries are stated at cost less provision for impairment.

Joint venture undertakings ("joint venture") are those undertakings over which the group exercises control jointly with another party and are accounted for using the gross equity method. The group includes its share of joint ventures' profits and losses and separately discloses its share of its joint ventures' turnover (if any) in the consolidated income statement. The group includes its share of gross assets and gross liabilities of joint ventures in the consolidated balance sheet.

Intangible Fixed Assets (Deferred Exploration Costs)
In accordance with International Financial Reporting Standard 6 - Exploration for and Evaluation of Mineral Resources, the Group uses the cost method of recognition. Exploration costs include licence costs, survey, geophysical and geological analysis and evaluation costs, costs of drilling and project-related overheads.

Exploration expenditure in respect of properties and licences not in production is deferred and is carried forward in the balance sheet under intangible assets in respect of each area of interest where:-

(i) the operations are ongoing in the area of interest and exploration or evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; or

(ii) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its realisation.

When the Directors decide that no further expenditure on an area of interest is worthwhile, the related expenditure is written off or down to an amount which it is considered represents the residual value of the Group's interest therein.

Impairment
The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that is expected to generate cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the Income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation, less accumulated depreciation. No depreciation is provided on land. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Mining equipment	–	20% Straight line
Office furniture and equipment	–	10% straight line
Fixtures and fittings	–	20% Straight line

Taxation
Full provision is made for deferred tax liabilities arising from the timing differences between the gains and losses in the financial statements and their recognition in a tax computation, using the liability method. Timing differences are temporary differences between profits as computed for taxation purposes and profits as stated in the financial statements. Deferred tax assets are recognised to the extent that it is considered probable that future taxable profits will be generated to enable the Group to utilise either the timing difference or tax losses.

Foreign Currencies
Monetary assets and liabilities denominated in a foreign currency are translated into Euro at the exchange rate ruling at the balance sheet date, unless specifically covered by foreign exchange contracts whereupon the contract rate is used. Revenues, costs and non monetary assets are translated at the exchange rates ruling at the dates of the transactions. All exchange differences are dealt with through the income statement.

On consolidation, the assets and liabilities of overseas subsidiary companies are translated into Euro at the rates of exchange prevailing at the balance sheet date. Exchange differences arising from the restatement of the opening balance sheets of these subsidiary companies are dealt with through reserves. The operating results of overseas subsidiary companies are translated into Euro at the average rates applicable during the year.

Share Based Payments
The Group has applied the requirements of IFRS 2 'share based payments'. The Group issues share options as an incentive to certain key management and staff (including directors). The fair value of share options granted to Directors and employees under the Company's share option scheme is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the awards vest. The fair value is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. A discount for market conditions has been applied to the fair values determined by the binomial model based on a Monte Carlo simulator analysis.

The options issued by the Group are subject to both market-based and non-market based vesting conditions. Market conditions are included in the calculation of fair value at the date of the grant. Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the equity instruments that are expected to vest.

The proceeds received net of any directly attributable transaction costs will be credited to share capital (nominal value) and share premium when options are converted into ordinary shares.

Issue Expenses and Share Premium Account
Issue expenses are written off against the premium arising on the issue of share capital.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Financial assets
Investment in subsidiaries and joint ventures are shown in the company balance sheet as financial assets and are valued at cost, less provisions for impairment.

Operating leases
Operating lease rentals are charged to the Income statement on a straight line basis over the lease term.

Liquid resources
Bank deposits with a maturity period of greater than one day are treated as liquid resources in the cashflow statement.

Group Income Statement
for the year ended 31 December 2007

	Notes	31/12/07 €	31/12/06 €
Administrative expenses	3	**(913,601)**	(656,911)
Exploration costs written off		-	(4,685,820)
Operating profit	3	**(913,601)**	(5,342,731)
Interest Receivable and similar income	4	**59,064**	114,849
Loss for the year before tax		**(854,537)**	(5,227,882)
Taxation	7	**-**	(19,345)
Loss for the year		**(854,537)**	(5,247,227)
Earnings per share:			
Basic loss per ordinary share	8	**(0.25 Cent)**	(2.25 Cent)
Diluted loss per ordinary share	8	**(0.22 Cent)**	(1.41 Cent)

The results for the period all arise on continuing operations.

The results and movements in equity for the year ended 31 December 2006 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards adopted for use in the European Union at 31 December 2007.

The accompanying notes on pages 28 to 42 form an integral part of these financial statements.

On behalf of the board

Leonid Skoptsov
Director

John O'Connor
Director

Group Statement of Changes in Equity
for the period ended 31 December 2007

	Share Capital €	Share Premium €	Share based Payment Reserve €	Other Reserves €	Retained Losses €	Total €
Balance at 1 January 2006	3,052,183	13,496,065	-	11,482	(6,785,000)	9,774,730
Loss for the year	-	-	-	-	(5,247,227)	(5,247,227)
Recognition of share based payments	-	-	520,436	-	-	520,436
Gain on revaluation	-	-	-	-	-	-
Proceeds of share issue	4,889,842	20,853,476	-	-	-	25,743,318
Balance at 31 December 2006	7,942,025	34,349,541	520,436	11,482	(12,032,227)	30,791,257
Balance at 1 January 2007	7,942,025	34,349,541	520,436	11,482	(12,032,227)	30,791,257
Loss for the year	-	-	-	-	(854,536)	(854,536)
Proceeds of share issue	2,882,301	13,236,209	-	-	-	16,118,510
Balance at 31 December 2007	10,824,326	47,585,750	520,436	11,482	(12,886,763)	46,055,231

The results and movements in equity for the year ended 31 December 2006 have been restated to reflect the recognition and measurement principles of International Financial Reporting Standards adopted for use in the European Union at 31 December 2007.

The accompanying notes on pages 28 to 42 form an integral part of these financial statements.

On behalf of the board

Leonid Skoptsov
Director

John O'Connor
Director

Group Balance Sheet
as at 31 December 2007

	Notes	31/12/07 €	31/12/06 €
Assets			
Non-Current Assets			
Intangible assets	9	**39,312,022**	27,787,384
Property, plant and equipment	10	**1,578,024**	183,615
		40,890,046	27,970,999
Current Assets			
Trade and other receivables	12	**1,325,199**	365,638
Cash and cash equivalents	13	**5,032,701**	3,413,909
		6,357,900	3,779,547
Total Assets		**47,247,946**	31,750,546
Equity and Liabilities			
Equity			
Called up share capital	15	**10,824,326**	7,942,025
Share premium account	15	**47,585,750**	34,349,541
Other reserves		**11,482**	11,482
Share based payment reserve		**520,436**	520,436
Foreign currency translation reserve		**-**	-
Profit and loss account	16	**(12,886,763)**	(12,032,227)
Attributable to equity shareholders		**46,055,231**	30,791,257
Minority Interest		**1**	37,432
		46,055,232	30,828,689
Current Liabilities			
Trade and other payables	14	**1,192,714**	921,857
Total Liabilities		**1,192,714**	921,857
Total Equity and Liabilities		**47,247,946**	31,750,546

The financial position as at 31 December 2006 has been restated to reflect the recognition and measurement principles of International Financial Reporting Standards adopted for use in the European Union at 31 December 2007.

The accompanying notes on pages 28 to 42 form an integral part of these financial statements.

On behalf of the board

Leonid Skoptsov
Director

John O'Connor
Director

Company Balance Sheet
as at 31 December 2007

Assets	***Notes***	**2007** €	**2006** €
Non-Current Assets			
Intangible assets	9	**2,819,743**	1,523,329
Financial assets	11	**29,161,234**	22,710,146
		31,980,977	24,233,475
Current Assets			
Trade and other receivables	12	**12,109,685**	5,160,622
Cash and cash equivalents	13	**4,085,303**	3,190,972
Total Assets		**48,175,965**	32,585,069
Equity and Liabilities			
Equity			
Called up share capital	15	**10,824,325**	7,942,025
Share premium account	15	**47,585,749**	34,349,541
Capital conversion reserve fund		**11,482**	11,482
Share based payment reserve		**520,436**	520,436
Profit and loss account	16	**(13,409,275)**	(12,558,197)
Attributable to equity shareholders		**45,532,717**	30,265,287
Current Liabilities			
Trade and other payables	14	**2,643,248**	2,319,782
Total Liabilities		**2,643,248**	2,319,782
Total Equity and Liabilities		**48,175,965**	32,585,069

The financial position as at 31 December 2006 has been restated to reflect the recognition and measurement principles of International Financial Reporting Standards adopted for use in the European Union at 31 December 2007.

The accompanying notes on pages 28 to 42 form an integral part of these financial statements.

On behalf of the board

Leonid Skoptsov
Director

John O'Connor
Director

Group Cash Flow Statement
for the year ended 31st December 2007

	Notes	31/12/07 €	31/12/06 €
Cash flows from operating activities			
Net Loss for the year before taxation		**(913,601)**	(5,342,731)
Adjustments for:			
Depreciation		**62,077**	17,894
Exploration costs written off		-	4,685,820
Income tax expense		**-**	(19,345)
(Increase)/Decrease in debtors		**(959,561)**	(275,014)
Increase/(Decrease) in creditors		**270,857**	365,482
Net cash from operating activities		**(1,540,228)**	(567,894)
Cash flows from financing activities			
Proceeds of issue of share capital		**9,667,422**	7,079,793
Cashflows from investing activities			
Expenditure on exploration activities		**(5,110,982)**	(5,130,917)
Purchases of property, plant & equipment		**(1,456,484)**	(151,830)
Interest received		**59,064**	114,849
Net cash flow from financing activities		**3,159,020**	1,911,895
Net (Decrease)/ Increase in cash and cash equivalents		**1,618,792**	1,344,001
Cash and Cash Equivalents at beginning of year	13	**3,413,909**	2,069,908
Cash and cash equivalents at end of year	13	**5,032,701**	3,413,909

There are no changes to the reported cash flows arising from the transition to IFRS.

The accompanying notes on pages 28 to 42 form an integral part of these financial statements.

On behalf of the board

Leonid Skoptsov
Director

John O'Connor
Director

1. Going concern

The group financial statements consolidate the financial statements of Ovoca Gold Plc and its subsidiary undertakings for the period ended 31 December 2007.

The company uses the full cost method of accounting for exploration costs. Under this method all costs associated with exploration, whether productive, are capitalised until the results of the projects, which are based on geographical areas, mainly countries are unknown. The recovery of exploration costs is dependent on the successful production of economic quantities of base metals and other minerals. If commercial production is achieved, the unit of production basis will be used to amortise all remaining balances in the proportion that current production in a period bears to total estimated recoverable reserves. Provision for impairment is made where a project is abandoned or considered to be of no further interest to the group or its anticipated income potential is less than carrying value of the project on the balance sheet.

The directors have reviewed the current state of the group's finances, taking into account resources currently available to the group. The Company has had talks with banks with a view to financing the development of the Goltsovoye project. Scott Wilson International has completed a Bankable Feasibility Study on the project. The company is also investigating a bridging finance option to carry out ground works. The directors are satisfied that sufficient funding will be available to the group to enable it to trade at its projected level of operations for the foreseeable future. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

The directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. The financial statements do not include any adjustments that would result if the directors' plans were not successful.

2. Segmental Reporting

For the purpose of segmental information the operations of the Group comprise one class of business, the exploration for base metals and other minerals.

By geographical area by origin:-

	Carrying value of Segment Assets		Additions to non current assets and intangible assets		Total Liabilities	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
	€	€	€	€	€	€
Russia	47,247,946	31,750,546	11,524,638	23,682,172	1,192,714	921,857
Europe	-	-	-	-	-	-
	47,247,946	31,750,546	11,524,638	23,682,172	1,192,714	921,857

3. Loss on ordinary activities before taxation

	31/12/07	31/12/06
	€	€
This is arrived at after charging:		
Depreciation of tangible assets	**62,075**	17,894
Directors' remuneration	**309,311**	339,878
Directors' consultancy fees	**197,450**	139,935
Auditors' remuneration	**42,500**	37,025
Auditors' remuneration from non-audit work	**3,025**	3,932

Details of directors' consultancy services are set out in Note 19.

4. Interest receivable and similar income

	31/12/07	31/12/06
	€	€
Deposit interest receivable	**59,064**	114,849
	59,064	**114,849**

5. Employees

Number of employees

The average monthly number of employees (including the Directors) during the year was:

	31/12/07 Number	31/12/06 Number
Administration	**25**	25
	25	25

Employment costs	2007	2006
	€	€
Wages & Salaries	815,361	715,549
Staff costs capitalised	(494,233)	(439,339)
Net staff costs charged to the Income Statement	321,128	276,210

6. Pension costs

The Company does not operate a pension scheme.

7. Taxation

	2007	2006
	€	€
(a) Analysis of the tax charge for the year:		
Corporation Tax - current period	-	19,345

	2007	2006
(b) Reconciliation of factors affecting the tax charge for the year:		
(Loss) on ordinary activities before tax	(854,537)	(5,227,882)
Corporation tax at standard rate 2007: 12.5% (2006: 12.5%)	(106,817)	(653,485)
Effects of:		
Russian Corporation Tax	-	19,345
Tax losses forward	106,817	653,485
	-	19,345

Deferred tax assets have not been recognised as the Directors consider that they would not be recoverable in the foreseeable future.

8. Loss per share

	2007	2006
Basic	€	€
Loss after taxation	(854,537)	(5,247,227)
Weighted average number of ordinary shares outstanding	340,050,979	233,696,419
Basic loss per share	(0.25)c	(2.25)c

Basic loss per spare is calculated by dividing the weighted average number of ordinary shares in issue into the loss after taxation for the period.

	2007	2006
Fully diluted number of ordinary shares outstanding	391,215,704	372,615,236
Fully diluted loss per share	(0.22)c	(1.41)c

Diluted loss per spare is calculated by dividing the weighted average number of ordinary shares in issue into the loss after taxation for the period.

9. Intangible assets - Group

	Deferred Exploration costs	Total
	€	€
Cost		
At 1 January 2007	27,787,384	27,787,384
Acquired on acquisition during the year	6,413,656	6,413,656
Expenditure incurred during the year	5,110,982	5,110,982
At 31 December 2007	39,312,022	39,312,022
Net book values		
At 31 December 2007	39,312,022	39,312,022
At 31 December 2006	27,787,384	27,787,384

Intangible assets - Company

	Deferred Exploration costs	Total
	€	€
Cost		
At 1 January 2007	1,523,329	1,523,329
Expenditure incurred during the year	1,296,414	1,296,414
At 31 December 2007	2,819,743	2,819,743
Net book values		
At 31 December 2007	2,819,743	2,819,743
At 31 December 2006	1,523,329	1,523,329

Expenditure on exploration activities is deferred on areas of interest until a reasonable assessment can be determined of the existence or otherwise of economically recoverable reserves. No amortisation has been charged in the period. The Directors have reviewed the carrying value of the deferred exploration expenditure and consider it to be fairly stated and not impaired at 31 December 2007. The recoverability of the intangible assets is dependent on the successful development or disposal of base metals and other minerals in the Group's licence areas.

10. Property, plant & equipment - Group

	Mining equipment	Office furniture & equipment	Total
	€	€	€
Cost			
At 1 January 2007	244,092	51,980	296,072
Additions	1,456,484	-	1,456,484
At 31 December 2007	1,700,576	51,980	1,752,556
Depreciation			
At 1 January 2007	86,557	25,900	112,457
Charge for the year	59,281	2,794	62,075
At 31 December 2007	145,838	28,694	174,532
Net book values			
At 31 December 2007	**1,554,738**	**23,286**	**1,578,024**
At 31 December 2006	157,535	26,080	183,615

11. Financial assets - Company

	01/01/07	Movement during year	31/12/07
	€	€	€
Investment in Norplat Limited	6,173,380	-	6,173,380
Investment in CJSC Ayax	16,515,228	6,451,088	22,966,316
Investment in Ovoca Gold (Cyprus) Ltd	3,000	-	3,000
Investment in Boreal Minerals plc	18,538	-	18,538
Investment in subsidiaries at cost	**22,710,146**	**6,451,088**	**29,161,234**

Movement in investments

Acquisition of remaining 26% interest in CJSC Ayax	€
Minority shareholders interest acquired	37,432
Fair value adjustment in respect of exploration costs	6,413,656
Total consideration, satisfied by issue of shares	**6,451,088**

In the opinion of the directors, the fair value of financial assets in the company balance sheet at 31 December 2007 was in excess of the carrying value of that date.

In the opinion of the Directors' the carrying value of the investment is appropriate.

At 31 December 2007 the Company had the following subsidiary undertakings:

Name	**Incorporated in**	**Main Activity**	**Proportion of holding**
Albannach Limited	Ireland	Dormant	100%
Barnagapal Limited	Ireland	Dormant	100%
X-Ore Limited	Ireland	Dormant	100%
CJSC Ajax	Russia	Mineral Exploration in Russia	100%
Norplat Limited	British Virgin Islands	Mineral Exploration in Russia	100%
CJSC Black Fox	Russia	Mineral Exploration in Russia	95%
CJSC Lovozero	Russia	Mineral Exploration in Russia	100%
Boreal Minerals Plc	United Kingdom	Support Company	100%
Ovoca Gold Cyprus Limited	Cyprus	Investment	100%

All the shares held in subsidiaries, with the exception of Black Fox and Lovozero which are held through Norplat Limited, comprise ordinary shares and are held directly by the parent company.

12. Trade and other receivables

	Group 31/12/07 €	Group 31/12/06 €	Company 31/12/07 €	Company 31/12/06 €
Amounts falling due within one year:				
Trade debtors	**359,343**	-	-	-
Amounts owed by Group undertakings	**-**	-	**11,147,143**	4,966,336
Other debtors	**878,110**	147,425	**874,796**	147,425
Prepayments and accrued income	**87,746**	218,213	**87,746**	46,861
	1,325,199	365,638	**12,109,685**	5,160,622

13. Cash and Cash Equivalents

	Group 31/12/07 €	Group 31/12/06 €	Company 31/12/07 €	Company 31/12/06 €
Cash at bank	**5,032,701**	3,413,909	**4,085,303**	3,190,972
	5,032,701	3,413,909	**4,085,303**	3,190,972

14. Trade and other payables

	Group 31/12/07 €	Group 31/12/06 €	Company 31/12/07 €	Company 31/12/06 €
Trade creditors	**913,114**	735,080	**598,606**	298,729
Amounts owed to group undertaking	**-**	-	**1,930,364**	1,934,684
Other creditors	**142,684**	107,503	**1,149**	-
Accruals and deferred income	**136,916**	79,274	**113,129**	86,369
	1,192,714	921,857	**2,643,248**	2,319,782

Some trade creditors had reserved title to goods supplied to the Company. Since the extent to which such creditors are effectively secured depends on a number of factors and conditions, some of which are not readily determinable, it is not possible to indicate how much of the above amount is secured under reservation of title.

15. Share capital - Group and Company

	31/12/07	31/12/06
	€	€
Authorised equity		
600,000,000 Ordinary shares of 2.5 cent each	**15,000,000**	12,500,000
	15,000,000	12,500,000

Issued, called up and fully paid:

	Number of Ordinary shares	Share Capital €	Share Premium €
At 1 January 2007	317,681,010	7,942,025	34,349,542
Issued in year	115,292,013	2,882,301	13,236,209
Share issue costs	-	-	-
As at 31 December 2007	432,973,023	10,824,326	47,585,751

In May 2007, 225,000 share options were exercised. The Company issued 225,000 €0.025 Ordinary shares at €0.1147 per share for cash.

In September 2007, 43,007,250 2.5c Ordinary shares were issued at 15 cent per share to acquire a further 26% shareholding in Ajax.

In October 2007, the Company issued 15,729,450 €0.025 Ordinary Shares for cash at STG £0.08 per share for cash.

In November 2007, 5,030,313 warrants were exercised. The Company issued 5,030,313 €0.025 Ordinary shares for €0.168 per share for cash.

In November 2007, the Company issued 48,800,000 €0.025 Ordinary shares at STG£0.12 per share for cash.

In December 2007, 2,500,000 share options were exercised. The Company issued 2,500,000 €0.025 Ordinary shares at €0.1082 per share for cash.

16. Retained Losses

	Group 31/12/07 €	Group 31/12/06 €	Company 31/12/07 €	Company 31/12/06 €
Deficit at beginning of year	(10,513,050)	(5,265,823)	(12,558,198)	(6,733,479)
Foreign currency differences	-	-	-	-
(Loss) for the year	(854,537)	(5,247,227)	(851,077)	(5,824,719)
Deficit at end of year	(11,367,587)	(10,513,050)	(13,409,275)	(12,558,198)

In accordance with the provisions of the Companies (Amendment) Act 1986, the company has not presented an income statement. A loss for the period of €851,077 (2006 - loss of €5,824,719) has been dealt with in the income statement of the company.

17. Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2007 €	2006 €
Expiry date:		
Between one and five years	**20,950**	74,389

18. Other Reserves - Group and Company

	Share based Payment Reserve	Capital conversion Reserve	Total
	€	€	€
Balance at 1 January 2006	-	11,482	11,482
Recognition of share based payments	520,436	-	520,436
Balance at 31 December 2006	520,436	11,482	531,918
Balance at 1 January 2007	520,436	11,482	531,918
Balance at 31 December 2007	520,436	11,482	531,918

19. Related party transactions

Details of subsidiary undertakings are shown in note 11. In accordance with International Accounting Standard 4 - Related Party Disclosures, transactions between group entities that have been eliminated on consolidation are not disclosed.

Mr. Yuri Radchenko, a director, is a director of Dukat Mining Company, a Russian company which was paid €15,965 for drilling and laboratory works during the year. Mr. Radchenko was paid a salary of €17,545 during the year.

Mr. Mikhail Mogutov, a director, is a director of Bioprocess Holdings, a Russian Company which was paid €68, 713 in interest for a short term working capital loan during the year. Mr. Mogutov was paid a salary of €17,545 during the year.

Mr. Roger Turner, a director is a principal of Turner Associates to whom €120,475 (2006: €104,533) net of VAT was payable by the Group during the period, €6,434 for reimbursed costs and €114,041 as salary.

Mr. John O'Connor, a director and secretary is a principal of F.R. O'Connor & Co., Chartered Accountants to whom €123,401 (2006: €91,359) net of VAT was payable by the Group during the year, analysed between fees for accounting and company secretarial services of €116,417 (2006: €87,000) and reimbursed costs of €6,985 (2006: €4,350). He was also a director of TravelEdge Limited to whom the Company owed €7,708 at 31 December 2006, during the year this amount was repaid in full.

Dr. Barrie Oakes, a director to whom €67,295 (2006: €104,533) net of VAT was payable by the Group during the period, €26,831 for reimbursed costs and €40,464 as salary. At 31 December 2007 he was owed €12,853.

20 Share based payments

Under the share option scheme employees of the Group can receive conditional awards of share options depending on their performance, seniority and length in service. All options issued to date vested once granted.

This standard requires that a recognised valuation methodology be employed to determine the fair value of share options granted. The expense reported in the group income statement of € 0 (2006 : €520,436) has been arrived at through applying the Black-Scholes-Merton formula. The factors used in the option pricing model were as follows:

	2007	2006
Weighted average fair value of options granted	n/a	€0.15
Weighted average share price at date of grant	n/a	€0.15
Average exercise price	n/a	€0.15
Expected volatility	n/a	64%
Average expected term to exercise (years)	n/a	10 yrs
Risk free rate (%)	n/a	4.0%
Expected dividend yield	n/a	0%

The average expected term to exercise used in the model has been adjusted on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience.

The risk free rate has been determined from market yields for government bonds with outstanding terms equal to the average expected term to exercise for each relevant grant.

The movement on outstanding share options during the year was as follows:

	2007 Number of Options	2007 Weighted average Exercise price (cent per share)	2006 Number of Options	2006 Weighted average Exercise price (cent per share)
Outstanding at start of year	24,730,000	14	10,730,000	12
Granted during the year	-	-	14,000,000	15
Exercised during the year	(2,725,000)	11	-	-
Lapsed during the year	(530,000)	23	-	-
Outstanding at the end of the year	21,475,000	14	24,730,000	14
Of which:				
Exercisable at year end	21,475,000	14	24,730,000	14

21. Financial Instruments

The group finances the business from the proceeds of issuing share capital. It has no external borrowings and no undrawn borrowing facilities. Therefore its financial instruments are comprised of only cash on short term deposit and short term non interest bearing debtors and creditors.

The group does not enter into derivative transactions and it does not undertake trading activity in any financial instruments.

The Group manages its liquidity risk by regularly monitoring its cashflow requirements, and the amount and maturity profile of its cash deposits.

The Group has no significant financial assets or liabilities which are denominated in foreign currencies.

22. Post Balance Sheet events

On 15 January 2008, the Company issued the successful results of the Bankable Feasibility Study, Phase II, on the Goltsovoye deposit. The report was prepared for the Company by Scott Wilson International.

23 Transition to International Financial Reporting Standards

As stated in the accounting policies, these are the group's and the company's first financial statements prepared in accordance with IFRS, as adopted by the EU.

The accounting policies set out on pages 11 to 13 have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in the financial statements for the year ended 31 December 2006 and in the preparation of an opening IFRS balance sheet at 1 January 2006 (the group and company's date of transition).

In preparing its opening IFRS balance sheet, the company has adjusted amounts reported previously in its financial statements prepared in accordance with Irish GAAP. An explanation of how the transition from Irish GAAP to IFRS has affected the group's and company's financial positions, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

In restating the group and company financial statements, the group has availed of the following relevant exemptions in accordance with IFRS 1, First-time adoption of International Financial Reporting Standards:

(i) The Group has deemed the foreign currency translation reserve at 1 January 2007 to be nil.

Impact on Group financial statements

Reconciliation of loss for the year ended 31 December 2006

	Irish GAAP	Effect of transition to adopted IFRS's	Adopted IFRS's
	€	€	€
Revenue	-	-	-
Operating expenses	(5,342,731)	-	(5,342,731)
Exploration costs written off	-	-	-
Operating loss	(5,342,731)	-	(5,342,731)
Finance income	114,849	-	114,849
Loss before tax	(5,227,882)	-	(5,227,882)
Taxation	(19,345)	-	(19,345)
Loss for the year	(5,247,227)	-	(5,247,227)
Minority Interest	-	-	-
	(5,247,227)	-	(5,247,227)

Reconciliation of recognised income and expense for the year ended 31 December 2006

	Irish GAAP	Effect of transition to adopted IFRS's	Adopted IFRS's
	€	€	€
Recognised in equity			
- gain in fair value of investments	-	-	-
- currency translation adjustments	-	-	-
- related deferred tax	-	-	-
Loss for the year	(5,247,227)	-	(5,247,227)
Total recognised income and expense	(5,247,227)	-	(5,247,227)

	1 January 2006 Irish GAAP	Transition to adopted IFRS	IFRS	31 December 2006 Irish GAAP	Transition to adopted IFRS	IFRS
	€	€	€	€	€	€
Assets						
Non-current assets						
Property, plant & Equipment	5,944	-	5,944	183,615	-	183,615
Intangible assets	8,986,597	-	8,986,597	27,787,384	-	27,787,384
Goodwill	-	-	-	-	-	-
	8,992,541	-	8,992,541	27,970,999	-	27,970,999
Current assets						
Trade and other receivables	90,624	-	90,624	365,638	-	365,638
Cash and cash equivalents	2,069,908	-	2,069,908	3,413,909	-	3,413,909
	2,160,532	-	2,160,532	3,779,547	-	3,779,547
Total assets	11,153,073	-	11,153,073	31,750,546	-	31,750,546
Equity						
Share capital	3,052,183	-	3,052,183	7,942,025	-	7,942,025
Share premium	13,496,065	-	13,496,065	34,349,541	-	34,349,541
Capital conversion fund	11,482	-	11,482	11,482	-	11,482
Foreign currency translation reserves	-	-	-	-	-	-
Share based payment reserve	-	-	-	520,436	-	520,436
Retained earnings	(6,785,000)	-	(6,785,000)	(12,032,227)	-	(12,032,227)
Equity attributable to equity holders of the parent	9,774,730	-	9,774,730	30,791,257	-	30,791,257
Minority Interest	821,968	-	821,968	37,432	-	37,432
Total Equity	10,596,698	-	10,596,698	30,828,689	-	30,828,689
Current liabilities						
Trade and other payables	556,375	-	556,375	921,857	-	921,857
Total equity and liabilities	**11,153,073**	**-**	**11,153,073**	**31,750,546**	**-**	**31,750,546**

The adjustments involved in the transition to IFRS were as follows:

- Under Irish GAAP, the value of exploration licences was subsumed within Goodwill. Goodwill arising on the acquisition of subsidiaries was reviewed at the date of transition. At 1 January 2006 and 31 December 2006, the exploration licences acquired have been recognised as intangible assets.
- At the date of transition to IFRS share based payments were reviewed. Under Irish GAAP, the equity reserve arising in respect of share based payment charges were included directly within retained earnings. Under IFRS, this reserve is shown separately.

There are no changes to the reported cash flows arising from the transition to IFRS.