OVOCA GOLD Plc

Annual report 2010

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Welcome

WE ARE

Ovoca Gold is an AIM-quoted and ESM-quoted gold exploration and mine development company focused on gold and silver deposits in Russia.

OUR MISSION

Ovoca will deliver shareholder value through targeted exploration, resource expansion and mine development by maximizing the use of our human capital while minimizing the use of our financial resources.

OUR STRATEGIC VISION

We are committed to making Ovoca a self-sufficient company, with its own sources of cash flow from mining projects, a project pipeline to provide for growth, and a corporate platform that has the capacity to expand in Russia and globally.

COMPANY EVENTS FOR 2010

Ovoca has significantly advanced its exploration and development projects in Russia. Additionally, reforms and management changes at the corporate level have strengthened the Company for future growth.

2010 KEY POINTS

- Acquisition of Rassoshinskaya, Stakhanovsky and Nevsko-Pestrinskoye gold properties in the Magadan Region, Russia
- Share roll-up of 5 old shares for 1 new share
- Business office move from London to Dublin
- Appointment of new CFO (Svetlana Radchenko), Corporate Secretary (Kirill Golovanov) and new non-executive director (Don Schissel)
- Approval of share buyback of up to 10% of Ovoca equity
- Divestiture of all non-core assets
- Maiden resource for Olcha (344,000 oz Au inferred category)*

OPERATING STATISTICS

- 10,234 meters of diamond drilling on Olcha
- Total of 8,331 meters of drilling on Stakhanovsky (7,200 meters of RC drilling and 1,131 meters of diamond drilling)
- Trenching, geochemical and geophysical work conducted on Podgorniy, Zet, Vist, Olcha and Stakhanovsky

SUBSEQUENT EVENTS TO END OF 2010

- Maiden resource for Stakhanovsky (350,000 oz Au inferred category)*
- The appointment of Kenneth Kuchling (non-executive director) in March 2011

* Please refer to the RNS announcements on 22 June 2010 for Olcha and 2 February 2011 for Stakhanovsky regarding details of our resource inventory, standards and competent persons infomation

Dear Shareholders

If 2010 was the year in which management transformed the company, 2011 promises to be the year we launch forward in our new form. Let me talk a little bit about where we came from before outlining where we are going. After selling Goltsovoye in January 2009, the Board and management spent the rest of the year examining options for Ovoca. By the end of the year we decided to acquire properties in the Magadan Region, Russia – the same region where we had success with Goltsovoye. Preparations for the 2010 exploration season were very rushed but we were able to get drillers and laboratories signed up in time before the permafrost melting in Magadan in May. At Rassoshinakaya everything went according to plan and we drilled over 10,000 meters on the Olcha target, as well as performed field work such as geochemical sample collection, light trench work on Zet, and geophysical work on Podgorniy. On Stakhanovsky, we had issues with one of our drill contractors, who was not able to operate his RC rig as efficiently as promised. Despite our efforts to fix the situation, including bringing in experienced crew professionals to help the contractor raise efficiency, by the end of the year only half the original work program was completed.

At the beginning of 2010 I laid out to shareholders a case for moving Ovoca forward, and the entire Ovoca team has delivered. We completed on both our core projects maiden resources statistics, we closed down or sold all dormant and non-profile subsidiaries. We changed the Board of Directors and top management to best position the Company for growth, and lastly we managed our financial resources wisely and gave Ovoca shareholders exposure to the gold price rally before we have our own production up and running. After a busy 2010 the Company kept up with the created momentum and planned for 2011 an aggressive program to accelerate Stakhanovsky and Rassoshinskaya development. We plan to begin exploitation of Stakhanovsky by 2013, ramping up production to 30,000 to 50,000 ounces of annual gold output. We are also actively seeking development partners for Rassoshinskaya, aggressively drilling on the highly perspective Podgorniy and Zet targets, as well as submitting all documentation to receive a full exploitation license on Olcha.

In summary, I would like to say to you that the entire Ovoca team is working to create shareholder value, put its assets into production and create a strong and growing company that that will deliver financial results for many years to come.

Sincerely,

Tim McCutcheon

CEO

View of Olcha camp

Dear Shareholders, Employees, Partners!

What a year 2010 has been! After a period of quiet planning, we have moved to implement our transformation and growth plans into reality, and I am pleased to say that the management team has not disappointed. In this report you will find details of our performance in 2010 as well as our plans for 2011.

I would like to take this opportunity to discuss a subject that is important about Ovoca. At the timing of this letter Ovoca shares are trading at a discount to the cash and liquid securities we have on our statement of financial position. In short, someone can buy our shares for 1 Euro, get all our exploration properties and team know-how for free, plus receive 10 cents! Of course I find this puzzling. I have been told on numerous occasions that the market valuation of our company is due to "Russia risk." I would like to address this issue. Russia is by no means utopia, and it is certainly a very bureaucratic place, but I would not categorize it as risky. Indeed, it is difficult to understand the enthusiasm of investors to buy into assets located in Ivory Coast, Congo, and Papua New Guinea and yet have an aversion to country risk when they think about Russia. The country is financially strong, politically stable, has a low tax regime and a licensing procedure that is not perfect but has a long track record of functioning well. What more do investors want? Yes, there have been some high profile issues, the most recent of which is the BP-Rosneft deal which has not gone as smoothly as hoped. However, anyone can plainly see that these problems are of a business/management nature, not a fundamental Russia-country-risk issue. Just look at the success of Kinross, Bema, or High River if you need proof that foreigners can mine gold in Russia profitably. Native peoples' claims that stop projects in Canada have not deterred investors, nor have NGO actions in Central America or civil unrest in Africa. So the conclusion that Russia is somehow more risky than other places where miners are active is simply not true. What is true is that Russia is the world's third largest resource base for gold and fifth largest producer, and at some point the major global gold miners will wake up and enter. You cannot have a country with that type of footprint being ignored for so long by the industry leaders who are desperate to replace their annually mined reserves in an increasingly competitive industry.

So dear stakeholders, I close by assuring you we are determined to advance our assets, build mines and produce gold. Indeed, 2011 is set to be a busy year for us. We are methodical about how we operate, we are set to build value wherever it can be found, and our asset portfolio is very strong and in a jurisdiction that has a bright future ahead of it. That is the Ovoca story and I am proud to be a part of it.

Sincerely,
Mikhail Mogutov
Chairman

View on helicopter from Omsukchan

DEVELOPMENT PLAN

Ovoca has ambitious plans for 2011, which are aimed at positioning the Company to have the shortest possible lead time to production, as well as advancing its pipeline projects.

STAKHANOVSKY

Stakhanovsky is a gold-bearing quartz dyke system that has historically had alluvial mining on it since the 1940s. Ovoca's interest is the hard rock zones that lie above the alluvial deposit. At Stakhanovsky we plan to take multiple bulk samples along the most perspective targets (Berezitoviy, Zabolocheniy, Tainstvenniy). These bulk samples accomplish several tasks at once. One, the large volume of material sampled (over 20,000 tons of ore) will negate the "nugget effect" at Stakhanovsky, allowing the Company to demonstrate the true grade of the deposit. Two, while we present our resources as per Western standards, as a company operating in Russia, we are still obliged to file our resources with the State before we receive the appropriate documentation to begin mining. The bulk sampling program will allow us, under Russian resource standards, to accelerate the process of resource filing. Three, the availability of RC drill rigs with qualified crews in Russia is very low, and the bulk sample program frees the Company from having to contract out more drilling volume than needed in order to bring in a foreign rig and crew to site.

In 2009 a limited bulk sample program of 260 tons was performed on Berezotoviy and Zabolocheniy which returned grades of 2.1 g/ton and 1.8 g/ton respectively. We aim to repeat the success of 2009 with our more substantial 2011 bulk sample program.

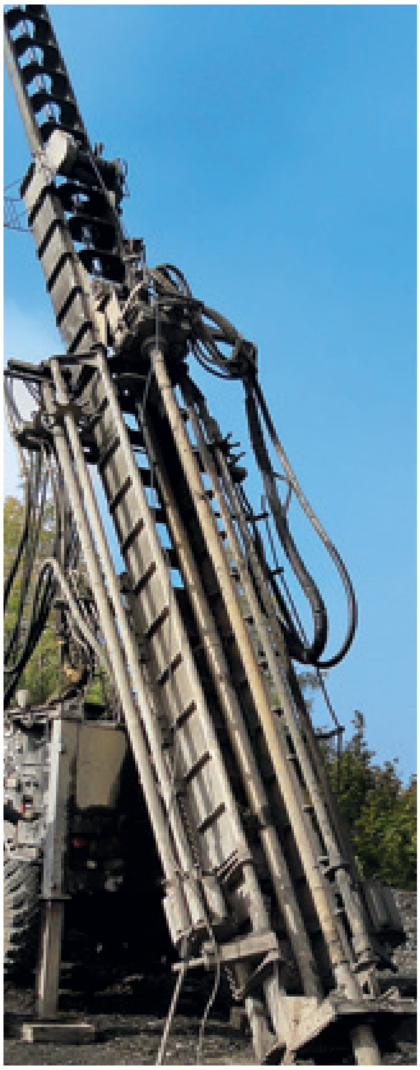
In general the structural geology of Stakhanovsky is fairly simple, in that the gold-bearing quartz dykes extend to depth without serious faulting or fracturing, which has been determined by extensive geophysical work on site. Because of this, Ovoca will conduct 5,000 meters of diamond drilling below the bulk sample areas in order to intersect the gold bearing structures at depths from 40 – 70 meters. While the "nugget effect" will be an issue in the drill holes, the primary concern is to confirm the gold bearing structure below the surface bulk sample mineralization. Due to the simple structure of the ore body, this drilling combined with the surface sampling should be more than enough to have a high confidence level in the resource under JORC, and is considered by the Russian state authorities to be a very definitive methodology.

Assuming the exploration campaign is successfully executed and with favorable results, the above methodology will allow Ovoca to establish a minable reserve (C1 category) under Russian standards by the end of 2011/beginning 2012. By having that reserve, the Company can begin the regulatory process of permitting a mine on Stakhanovsky. It will also mean Ovoca can move forward to start equipment purchases. In short, by the end of this year Ovoca should be well placed to deliver on its promise to put Stakhanovsky into production by 2013.

RASSOSHINSKAYA

On Rassoshinskaya the Company is moving forward on several fronts at once. On Rassoshinskaya is Olcha, a low sulphidation epithermal gold-silver deposit. It is these types of deposits that have been the most successful in the Russian Far East in recent years. Kupol, Kubaka and Julietta are all examples of Russian low sulphidation epithermal gold/silver deposits that became profitable mines. The Olcha ore field occupies approximately 20 square kilometers. We are in the process of receiving a full exploitation license for Olcha, which requires us to file a Russian standard resource statement and various other data (such as environmental and metallurgical studies) with the appropriate state authorities. We hope to have this process completed by the end of 2011. While we do this, Ovoca plans to conduct some geological work on Olcha to extend our knowledge of the target and prepare it for future exploration aimed at expanding the resource base. Our main work load on Olcha will be geophysical data collection to the northeast and the east of known mineralization zones. Russian licenses are of a "use it or lose it" nature, designed to prevent companies from sitting on real estate. Because of this and that there is a defined work program in the license terms (which must be met to keep the license), license holders are compelled to drill with a tighter density than one normally would at an early stage. Instead of a broad based exploration program designed to cover a large area, Russian license holders must identify and establish a resource as quickly as possible to stay current with license conditions, as well as to succeed in converting an exploration license to exploitation status.

Podgorniy, an ore field on the northern edge of the Rassoshinskaya license area, is a large gold-silver anomaly flanked by rich alluvial deposits to the north and south. After the completion of initial geochemical and geophysical analysis on Podgorniy, we have decided to move aggressively and drill on the most perspective zones of the target. Although the logistical aspects of organizing a drill field season are quite challenging, the Ovoca team with its contractors has fully mobilized to site and has scheduled a 5,000 meter drill program for 2011. In addition to Podgorniy, we are set to drill 2,000 meters on Zet, which is located 35 kilometers north of Olcha and it is approximately 30 kilometers southeast of Podgorniy. Zet is an epithermal vein system with gold-silver mineralisation that occupies an area of 40 square kilometers.



Clockwise from left: trench clearing on Olcha-Zone 2, RC rig at Stakhanovsky, bulldozer clearing drill pad at Stakhanovsky

OPERATIONS OVERVIEW

Ovoca has two core projects in the Magadan Region, Russia. The Magadan Region is located in the Far East part of the country, directly north of Japan. The region's total population is 170,000 and cities which are important for Ovoca's operations include Magadan (population 100,000), Susuman (7,800), Omsukchan (4,500) and Seimchan (3,700).

The Magadan Region in geography is marked by rolling mountains with a maximum height of 2,000 meters above sea level. The region is in a permafrost zone, although there is vegetation consisting of various arctic trees and shrubs. The area's climate is continental with long winters up to seven months and a short dry summer. The minimum average air temperature for January is between -40 and -50 degrees Celsius and the maximum average air temperature for July is between +10 and +20 degrees Celsius. Snow cover is established in early October and melts by the end of May.

Because of the harsh climate and general poor infrastructure development of the region, exploration and mine building logistics are very seasonal. Equipment is moved to off-road sites before the winter thaw starts in April, so that frozen riverbeds can be used as a transport system and so that wet bogs do not hinder movement. While drilling and other operations can be conducted in winter, summer is a more effective time to work.

Ovoca's two core properties in the Magadan Region are: Stakhanovsky and Rassoshinskaya.

Magadan Region and location of core properties

PROPERTIES DESCRIPTION

Stakhanovsky is located approximately 40 kilometres north of Susuman, the second largest city in the Magadan Region. It is accessible by year-round road and there is power infrastructure on site. The property's maiden resource is currently 350,000 ounces gold under the inferred category. Management believes that the property has significant upside potential. The Company intends to put Stakhanovsky into production by 2013.

Rassoshinskaya is in the northeastern part of the Magadan Region about 200 kilometres from the town of Seimchan. There is no nearby infrastructure. Rassoshinskaya hosts an epithermal gold deposit named Olcha, as well as gold targets Podgorniy, Zet and Vist. Olcha and nearby satellite deposits have the potential to host a high grade multi-million ounce gold resource. The current resource is currently 344,000 ounces gold under the inferred category

View on Olcha-Zond looking north

DIRECTORS AND CORPORATE INFORMATION

Directors
Mikhail Mogutov
Executive Chairman

Timothy McCutcheon
CEO (Executive Director)

Kenneth Kuchling
Non-Executive Director

Yuri Radchenko
Non-Executive Director

Don Schissel
Non-Executive Director

Leonid Skoptsov
Non-Executive Director

Registered Office
Connaught House
Burlington Road
Dublin 4
Ireland

Business Address
78 Merrion Square
Dublin 2
Ireland

Other Business Information
CFO – Svetlana Radchenko
Corporate Secretary – Kirill Golovanov

Registration number:
105274

Incorporated:
15 January 1985

Web site:
www.ovocagold.com

Principal banker
Allied Irish Bank
Terenure Road
Rathgar
Dublin 6
Ireland

Auditors
Grant Thornton
Chartered Accountants &
Registered Auditors
24-26 City Quay
Dublin 2

Solicitors
McEvoy Partners
Connaught House
Burlington Road
Dublin 4
Ireland

Stockbrokers & Nomad
Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

Registrars
Computershare Investor Services (Ireland) Limited
Heron House
Sandyford Industrial Estate
Dublin 18
Ireland

DIRECTORS' REPORT for the year ended 31 December 2010

The Directors present their annual report and audited financial statements for the year ended 31 December 2010 of Ovoca Gold plc ("the Company"), a company registered in the Republic of Ireland and its subsidiaries (collectively "the Group").

PRINCIPAL ACTIVITY, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group's main activity is the exploration for precious 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 Development plan and Operations overview.

KEY PERFORMANCE INDICATORS

At this stage of the Group's business activities the Directors think it appropriate to limit the Key Performance Indicators (KPIs) used to monitor progress in the delivery of the Group's strategic objectives, to assess actual performance against targets and to aid management of the business, other than the monitoring of licenses and stages of exploration.

The Board monitors relevant KPIs which it considers appropriate for managing the activities inherent in exploration and appraisal operations. The KPIs for the Group are as follows:

- Financial KPIs
  – Shareholder return – the performance of the share price;
  – Exploration expenditure – funding and development costs.
- Non financial KPIs
  – Environment management – strict environmental policies in place;
  – Operational success – the number of successful exploration drilling ventures added.

RESULTS AND DIVIDENDS

The results are disclosed on page 28 of the financial statements. The directors do not recommend the payment of a dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities are carried out principally in Russia. Accordingly, the principal risks and uncertainties detailed below have been identified.

The Group seeks to minimise the effects of these risks through careful monitoring of the risks on an ongoing basis.

- Exploration Risk; Exploration and development activities may be delayed or adversely affected by factors outside the Group's control, in particular: climatic conditions, performance of joint venture partners or suppliers, availability, delays or failures in installing and commissioning plant and equipment; unknown geological conditions; remoteness of location; actions of host governments or other regulatory authorities (relating to, inter alia, the grant, maintenance or renewal of any required authorisations, environmental regulations or changes in law).
- Commodity Price Risk; The demand for, and price of precious metals and other minerals is dependent on global and local supply and demand, actions of governments or cartels and general global economical and political developments.
- Political Risk; As a consequence of activities in different parts of the world, the Group may be subject to political, economic and other uncertainties, including but not limited to terrorism, war or unrest, changes in national laws and energy policies and exposure to different legal systems.
- Foreign Exchange Risk; Exchange rate fluctuations may affect the cost that the Group incurs with its operations. Any fluctuations of the Euro and Russian Ruble against the US Dollar may have a significant impact of the Company's financial position and results in future.
- Market Risk; Factors beyond the control of the Group may affect the marketability of its securities. Prices are subject to fluctuation and are affected by factors beyond the control of the Group. The effect of these factors on the Group's operations cannot be accurately predicted. Fluctuations in stock market prices affect the Group's available for sale financial assets. The Group seek to minimise this risk by closely monitoring stock market movements on an ongoing basis.

- Credit Risk; this refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining significant collateral, where appropriate, as a means of mitigating the risk of financial loss from defaulters. The table below analyses the Group's financial assets which are subject to credit risk.
The Group continuously monitors defaults of customers and other counterparty, identified either individually or by the group, and incorporates this information into its credit risk controls. In relation to the credit risk for cash and cash equivalents, the risk is considered to be negligible, since the counterparties are reputable banks with high quality external credit ratings. The Group's management considers that all of the above financial assets are of good credit quality, as the Group's policy is to deal only with creditworthy customers.

	Group 31/12/2010 €'000	Group 31/12/2009 €'000	Group 31/12/2010 US$'000	Group 31/12/2009 US$'000
Cash and cash equivalents (Note 22)	8,394	19,754	11,123	28,313
Trade and other receivables (Note 20)	4,918	3,997	6,517	5,728
Total	13,312	23,751	17,640	34,041

- Liquidity Risk; the Group holds its cash in currencies in which it expects to incur expenditure. The Group's reporting currency is the Euro. The most meaningful information relates to the Group's current liquidity – since it is not generating any income from its mineral projects.
The table below analyses the group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances as the impact of the discounting is not significant.
The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and available for sale financial assets. The Group's current cash resources (Note 22), trade and other receivables (Note 20) and available for sale financial assets (Note 18) significantly exceed the current cash outflow requirements.

Balances due within 1 year	Group 31/12/2010 €'000	Group 31/12/2009 €'000	Group 31/12/2010 US$'000	Group 31/12/2009 US$'000
Trade and other payables (Note 23)	1,153	1,839	1,528	2,636
Total	1,153	1,839	1,528	2,636

SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, the names of the persons other than the Directors who, directly or indirectly, are interested in 3 percent or more of the issued share capital of the Company as at 17/05/11 are as follows:

	Ordinary shares of €1.25c each	% of issued share capital
Salyco Trading Co. Limited (Mikhail Mogutov)	12,022,761	13.59
BBHISL Nominess Limited (120165)	10,045,925	11.36
Pickco Trading Co. Limited (Yuri Radchenko)	9,142,106	10.33
Euroclear Nominees Limited	6,961,541	7.87
Citibank Nominees (Ireland)	5,300,023	5.99
JP Morgan Clearing Corporation	4,807,100	5.43
Subishico Trading Co. Limited (Leonid Skoptsov)	3,836,816	4.34
Chase Nominees Limited	3,247,200	3.67

DIRECTORS AND SECRETARY AND THEIR INTERESTS

Mr. Rowan Maule retired from the Board on 29 March 2010. Mr. Don Schissel was appointed as Non Executive Director on 29 March 2010. Mr. Kenneth Kuchling was appointed as Non Executive Director on 1 March 2011

The interests (as defined in section 53 of the Companies Act of 1990) of the Directors and Secretary who held office at the date of approval of the annual report and at 31 December 2010 and their families in the share capital of the Company were:

	Ordinary shares of €1.25c each			Options over ordinary shares		
	17/05/11	**31/12/10**	**01/01/10**	**17/05/11**	**31/12/10**	**01/01/10**
Mikhail Mogutov	14,457,544	14,457,545	14,457,546	200,000	200,000	200,000
Leonid Skoptsov	14,341,834	14,341,834	14,341,834	200,000	200,000	200,000
Yuri Radchenko	10,796,231	10,796,231	10,796,231	200,000	200,000	200,000
Timothy McCutcheon	400,000	0	0	2,200,000	2,200,000	0
Don Schissel	0	0	0	200,000	200,000	0
Kirill Golovanov (Secretary)	0	0	0	1,800,000	1,800,000	0

Further details of the above share options of the directors as at 31 December 2010 are as follows:

	Number of options	Exercise Price	End of exercise period
Mikhail Mogutov	200,000	€0.80	28 July 2016
Leonid Skoptsov	200,000	€0.80	28 July 2016
Yuri Radchenko	200,000	€0.80	28 July 2016
Timothy McCutcheon	2,200,000	25p	20 January 2017
Donald Schissel	200,000	30p	20 January 2017
Kirill Golovanov (Secretary)	1,800,000	25p	20 January 2017

Further details of the above share options of the directors granted subsequent to 31 December 2010 are as follows:

	Number of options	Exercise Price	End of exercise period
Kenneth Kuchling	200,000	36p	20 January 2017

Further details of directors' total option position and remuneration for 2010 are as follows:

	Number of options		Remuneration	
	2010	**2009**	**2010**	**2010**
			€'000	**US$'000**
Mikhail Mogutov	200,000	200,000	90	120
Timothy McCutcheon	2,200,000	-	237	315
Yuri Radchenko	200,000	200,000	14	18
Don Schissel	200,000	-	10	13
Leonid Skoptsov	200,000	200,000	20	27
Rowan Maule	-	-	-	-
Directors remuneration	**3,000,000**	**600,000**	**371**	**493**

The share based benefits relate to the number of exercisable share options held by directors at the year end. Please refer to Note 29 for details on share options granted in the year and the expense recognised. There were no options exercised during the year.

SHARE PRICE

The Company's shares are traded on the Enterprise Securities Market (ESM) of the Irish Stock Exchange, the Alternative Investment Market (AIM) of the London Stock Exchange and on the Frankfurt exchange (DAX).

The market price of the Company's shares on ESM at 31 December 2010 was 45 cents. During the year ended 31 December 2010 the market price of the Company's shares ranged from 16.5 cents to 48 cents.

The market price of the Company's share on AIM at 30 December 2010 was 36.5 pence. During the year ended 31 December 2010 the market price of the Company's shares ranged from 14.75 pence to 38.50 pence.

GROUP UNDERTAKINGS

Details of the company's subsidiary undertakings are set out in Note 17 to the financial statements.

DIRECTORS' INTEREST IN CONTRACTS

None of the Directors had a beneficial interest in any contract to which the Group was a party during the period except as detailed in Note 27.

POLITICAL DONATIONS

The Group made no political donations during the period.

GOING CONCERN

The Group uses the full cost method of accounting for exploration costs. Under this method, all costs associated with exploration are capitalized. The recovery of exploration costs is dependent on the successful production of economic quantities of precious metals and other minerals. 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 the carrying value of the project. The Directors have reviewed the current state of the Group's finances, taking into account the resources currently available to the Group. The Group has significant liquid resources in the form of cash reserves of €8.4million and available for sale financial assets of €32.5million and the Directors are satisfied that there are there are sufficient levels of funding within the Group to enable them to operate at the 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

Mikhail Alexandrovich Mogutov, Executive Chairman

Mr. Mogutov joined the board of Ovoca in June 2006 and became Chairman in 2008. In 1988 Mr. Mogutov was a founder of the Bioprocess Group, which was an asset management and business-development company with interests in various industries. One notable success of the Bioprocess Group is OAO «United Machinery Plants» (OMZ), which is Russia's largest machine building company producing the majority of Russian-made oil rigs and mining/drilling equipment. In 1996 OMZ was the first Russian company to list on the London Stock Exchange.

Between 1997 and 1999 Mr. Mogutov was the Chairman of Vostsibugol, one of Russia's largest coal mining enterprises, with an annual output of over 13 million tons of coal. He became increasingly active in natural resource development after 1999 and in 2006 he was part of the group that vended into Ovoca Gold Plc 100% of OAO Ajax – the owner of the high grade Goltsovoye silver project in the Magadan Region, Russia.

Doctorate, Moscow Physics-Technical Institute, Moscow, Russia. Fluent in Russian and English.

Tim McCutcheon, Chief Executive Officer

Mr. McCutcheon joined the Board of Ovoca as a Non-Executive Director in January 2009 and moved into the CEO position in December 2009. Prior to Ovoca Mr. McCutcheon was a partner at DBM Capital Partners, an investment manager and corporate finance boutique specializing in the mining sector of Russia and the former Soviet Union. He also worked at several investment banks such as Bear Stearns, Aton Capital and Pioneer Investments as an award-winning metals and mining sector analyst and as an investment banker. He was one of the first analysts in Russia to write about its gold mining sector and he has advised numerous international gold mining companies on M&A, business development, and Russian business practices.

BA, cum laude, Columbia College, New York, NY. MBA, Finance, Columbia Business School. Fluent in English and Russian.

DETAILS OF NON-EXECUTIVE DIRECTORS

Leonid Pavlovich Skoptsov, Non-Executive Director

Mr. Skoptsov joined the board of Ovoca in June 2006 and was the Company's CEO from 2006 to 2009. Mr. Skoptsov was part of the Bioprocess Group team that owned and ran OAO «United Machinery Plants» (OMZ). He also played an active part in natural resource development prior to Ovoca. He was the Chairman of OAO Pervaya Gornorudnaya Companiya from 2001 – 2005, a zinc-lead asset developer. He was also the Chairman of OAO Volganeft from 2000 to 2004, a mid-tier oil producer in Russia which was successfully sold to Russneft. He was part of the group that vended into Ovoca Gold Plc 100% of OAO Ajax – Goltsovoye.

BA, cum laude, Moscow State University, Moscow, Russia. Fluent in Russian and English.

Yuri Ivanovich Radchenko, Non-Executive Director
Mr. Radchenko became a board member of Ovoca in June 2006. Mr. Radchenko is a Magadan resident and has a long history of natural resource development in the region. He was deeply involved in the development of the Julietta gold-silver mine by Bema Gold Corporation and he is currently the Chairman of Julietta's operating company. Additionally, he was the discoverer of the Lunnoye silver deposit, which is now one of OAO Polymetal's core assets. He was part of the group that vended into Ovoca Gold Plc 100% of OAO Ajax – Goltsovoye.

MS Geology, Kazakhstan Polytechnical Institute, Almaty, Kazakhstan.

Don Schissel, Non-Executive Director
Mr. Schissel joined the board of Ovoca in March 2010. Before Ovoca, he retired from BHP Billiton after a career there that extends back for almost 30 years. Mr. Schissel was Regional Exploration Manager – Eurasia between 1992 – 1999, as well as Exploration Manager – Russia and Kazakhstan between 2005 – 2009. During Mr. Schissel's tenure at BHP he was involved in the team discovery of the Oyu Tolgoi porphyry copper deposit in Mongolia (currently a core asset of Ivanhoe Mines Ltd (Nasdaq: IVN)), the Jinlong gold deposit in China, and the Fedorova Tundra PGM deposit in Russia.

MSc Geology, University of Montana, Missoula, Montana, USA.

Kenneth Kuchling, Non-Executive Director
Kenneth Kuchling joined the board of Ovoca in March 2011. Mr. Kuchling provides mining consulting services with multiple clients globally. He has worked on such projects as Northgate Mining's Kemess North copper-gold mine in Canada, NovaGold's Rock Creek project in Canada, Oromin Exploration's Sabodala gold project in Senegal, as well as having assisted with BHP Billiton's study of potash projects globally. Additionally, from 1997 to 2000 Mr. Kuchling was the Senior Mining Engineer for Rio Tinto's Diavik diamond mine in Canada, playing a key role in completing the feasibility study and permitting of the project.

M. Eng. in Mining Engineering from the University of British Columbia, Vancouver, Canada, and a B. Eng. in Mining Engineering from McGill University, Montreal Canada.

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 5 occasions during 2010. An agenda and supporting documentation was circulated in advance of each meeting. All the Directors bring independent judgment 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 two Non-Executive Directors. 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 Director 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 on 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.

DIRECTORS'RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (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 2009.

The Group and Company financial statements are required by law to present fairly the financial position and performance of the Group; the Companies Acts 1963 to 2009 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;
- comply with applicable IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; 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 confirm that they have complied with the above requirements in preparing the financial statements.

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 2009. 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 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 78 Merrion Square, Dublin 2, Ireland.

EVENTS AFTER REPORTING PERIOD

Events subsequent to the period end are dealt with in Note 30 to the financial statements.

AUDITORS

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

Approved on behalf of the Board on 17 May 2011

Leonid Skoptsov
Director

Timothy McCutcheon
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OVOCA GOLD PLC

We have audited the group and parent company financial statements of Ovoca Gold plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow, Accounting Policies, Company Statement of Financial Position, Company Statement of changes in Equity, Company Statement of Cash Flow and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the consolidated and parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibility.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We report to you our opinion as to whether the parent company financial statements give a true and fair view, in accordance with IFRSs, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements;
- whether at the statement of financial position date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company statement of financial position, are not more than half of its called-up share capital; and
- whether any information specified by law regarding directors' remuneration and directors' transactions is not disclosed 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. The other information comprises only the CEO's statement, Chairman's statement, Development plan, Operations overview and the Directors report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT 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 judgments made by the directors in the preparation of the financial statements, and of 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 consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2010 and of its income and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2010; and
- the parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company statement of financial position is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company statement of financial position 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 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

EMPHASIS OF MATTER

In forming our opinion, we have considered the adequacy of disclosures made in Note 14 to the financial statements, in relation to the Directors' assessment of the carrying value of the Group's exploration licenses and deferred exploration costs amounting to €23.413million (US$33.252million). The realisation of the intangible assets is dependent on the successful development or disposal of precious 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 precious metal and other minerals, availability of finance and the market price of precious metal and other minerals.

The financial statements do not include the adjustments that would result if the exploration and evaluation assets 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.

Grant Thornton
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2
17 May 2011

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2010

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

STATEMENT OF COMPLIANCE

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS.

The Company has availed of the exemption in Section 148(8) of the Companies Act 1963 not to present its individual Income Statement and related notes that form part of the approved Company financial statements. The Company has also availed of the exemption from filing its individual Income statement with the Registrar of Companies as permitted by Section 7(1A) of the Companies (Amendment) Act 1986.

The IFRSs adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective at 31 December 2010.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

ANNUAL IMPROVEMENTS 2010 (EFFECTIVE FROM 1 JULY 2010 AND LATER)

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The company's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the company's financial statements.

STANDARDS ADOPTED DURING THE FINANCIAL YEAR

The Group has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are effective for the Group's financial statements for the annual period commencing 1 January 2010:

IFRS 3 BUSINESS COMBINATIONS (REVISED 2008)

The revised standard on business combinations (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R that had an impact on the Group's acquisition in 2010 are as follows:

- acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition;
- any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously,

contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill;
- the measurement of assets acquired and liabilities assumed at their acquisition-date fair values is retained. However, IFRS 3R includes certain exceptions and provides specific measurement rules.

IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

IFRS 9 FINANCIAL INSTRUMENTS (EFFECTIVE FROM 1 JANUARY 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the company. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

BASIS OF PREPARATION

The Group and Company financial statements are prepared on the historical cost basis as modified by the measurement at fair value of certain financial assets and liabilities at fair value through profit and loss and available-for-sale financial assets. The accounting policies have been applied consistently by Group entities.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Euro Thousand (€'000), which is the Company's functional currency. The US$ Thousand ($'000) equivalent is shown for information purposes.

REVENUE RECOGNITION – INTEREST REVENUE

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of Ovoca Gold Plc and its subsidiaries for the year ended 31 December 2010.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intra-group balances and any unrealised gains or losses or income or expenses arising from intra-group transactions are eliminated in preparing the Group financial statements.

INTANGIBLE 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 licenses not in production is deferred and is carried forward in the statement of financial position under intangible assets in respect of each area of interest where:

- 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

- 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.

TAXATION

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on the basis of the liability method on temporary differences at the statement of financial position date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or where, in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, the timing and reversal of the temporary differences is subject to control by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are anticipated to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. The carrying amounts of deferred tax assets are subject to review at each year end date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in a foreign currency are translated into Euro at the exchange rate ruling at the statement of financial position date. 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 statement of financial position date. Exchange differences arising from the restatement of the opening statements of financial position 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.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to the income statement when the gain or loss on disposal is recognised.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant & equipment are stated at cost, 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, which are reviewed each financial year, as follows:

Mining equipment	- 20% Straight line
Office furniture and equipment	- 10% Straight line
Fixtures and Fittings	- 20% Straight line

SHARE BASED PAYMENTS

Employees (including Directors) of the Group may be entitled to remuneration in the form of share – based payment transactions, whereby employees render service in exchange for shares or rights over shares. Details of the Group's share option scheme are set out in Note 29 of the consolidated financial statements.

In line with the transitional provisions applicable to a first-time adopter of IFRS, the recognition and measurement principles of this standard have been applied only in respect of share options granted after 7 November 2002 that had not vested at the date of transition to IFRS. In accordance with the standard, the disclosure requirements of IFRS 2 – Share-based Payment – are applied to all outstanding share-based payments regardless of their grant date.

For any share options granted after 7 November 2002, the fair value of the option is recognised as an expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date excluding the impact of non-market conditions and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest where vesting conditions are non-market conditions. When the options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

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 income 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 income 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.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's investments in equity securities that are not accounted for as a subsidiary, associate or joint venture are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, including translation differences, are recognised directly in equity. The fair value of investments classified as available-for-sale is their quoted market price at the statement of financial position date. When such an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

OPERATING LEASES

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

OTHER LOANS AND RECEIVABLES

Other loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are included at fair value in non-current assets unless the investment is due to mature within 12 months of the statement of financial position date. Loans and receivables are recognized at fair value on recognition and amortised cost thereafter.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value. Given the short-dated nature of these assets the original invoice value equates to initial fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less an impairment provision when there is objective evidence that it will not be possible to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original rate of interest. The amount of the provision is recognised in the income statement in selling and distribution costs.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

INVENTORIES

Inventories are carried at the lower of cost or net realisable value.

TRADE PAYABLES

Trade payables are initially stated at cost which, given the short-dated nature of these liabilities equates to initial fair value and are subsequently measured at amortised cost, using the effective interest rate method, when the age or payment terms of the liability indicates that initial cost no longer equates to fair value.

USE OF ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future in preparing the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates cannot be expected to predict future results with certainty. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

MEASUREMENT OF THE RECOVERABLE AMOUNTS OF INTANGIBLE ASSETS

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. The directors base the recoverability of the carrying value of these intangible assets on industry specific data in addition to using their judgment to assess the assets recoverability.

UTILISATION OF TAX LOSSES

The directors have not deemed it appropriate to recognise deferred tax assets resulting from significant losses being carried forward from previous years on the basis that it is not certain these losses will be utilized in future periods.

ACCOUNTING FOR ACQUISITIONS DURING THE PERIOD

In accordance with International Financial reporting Standard 3 – Business combinations an entity should determine if a transaction is a business combination by assessing if the assets and liabilities acquired constitute a business. A business consists of inputs and process applied to those inputs that have the ability to create outputs. Management have reviewed the acquisitions during the period and have assessed that they constitute a business on the basis that they have the necessary inputs in the form of economic resource relating to the exploration licences, and the necessary processes being applied to those inputs.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

CONSOLIDATED INCOME STATEMENT

	Note	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Exploration costs written off	14	(297)	-	(394)	-
Gross loss		**(297)**	**-**	**(394)**	**-**
Administration expenses		(3,361)	(891)	(4,463)	(1,242)
Other gains and losses	6	4,853	7,611	6,455	10,610
Operating gain		**1,195**	**6,720**	**1,598**	**9,368**
Unwinding of discount on contingent provision	7	(967)	-	(1,284)	-
Finance costs	7	(136)	(24)	(181)	(32)
Finance income	7	844	252	1,121	351
Gain for the year before tax		**936**	**6,948**	**1,254**	**9,687**
Income tax	12	-	-	-	-
Gain for the year from continuing operations		**936**	**6,948**	**1,254**	**9,687**
Discontinued operations					
Loss for the year from discontinued operations	3	(4,376)	(4,906)	(5,811)	(6,839)
(Loss)/gain for the year		**(3,440)**	**2,042**	**(4,557)**	**2,848**
Attributable to:					
Owners of the parent		(3,440)	2,042	(4,557)	2,848
		(3,440)	**2,042**	**(4,557)**	**2,848**
Earnings/(loss) per share					
Basic earnings per share from continuing operations	13	1.06c	7.85c	1.41c	10.95c
Basic loss per share from discontinued operations	13	(4.95)c	(5.55)c	(6.57)c	(7.73)c
Basic (loss)/earnings per share	13	(3.89)c	2.30c	(5.16)c	3.22c
Fully diluted earnings per share from continuing operations	13	0.98c	7.66c	1.31c	10.68c
Fully diluted loss per share from discontinued operations	13	(4.60)c	(5.41)c	(6.11)c	(7.54)c
Fully diluted (loss)/earnings per share	13	(3.62)c	2.25c	(4.80)c	3.14c

The accompanying notes on pages 34 to 48 form an integral part of these financial statements.
Approved on behalf of the Board on 17 May 2011

Leonid Skoptsov
Director

Timothy McCutcheon
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
(Loss)/gain for the year	(3,440)	2,042	(4,557)	2,848
Other comprehensive income/(expense):				
Fair value gain on available for sale financial assets	10,176	6,542	13,074	9,576
Exchange movement	2,858	(364)	1,909	(960)
Total comprehensive income for the year	**9,594**	**8,220**	**10,426**	**11,464**

There is no income tax impact in respect of components recognised within the consolidated and company statements of comprehensive income.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total (attributable to owners of the parent)
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2010	**11,057**	**48,108**	**6,553**	**(364)**	**520**	**(19,453)**	**46,421**
Comprehensive income:							
Loss for the year	-	-	-	-	-	(3,440)	(3,440)
Other comprehensive income							
Fair value gain on available for sale financial assets	-	-	10,176	-	-	-	10,176
Realised exchange movement on available for sale assets disposed of during the year	-	-	-	138	-	-	138
Exchange movement	-	-	-	2,720	-	-	2,720
Total comprehensive income	**11,057**	**48,108**	**16,729**	**2,494**	**520**	**(22,893)**	**56,015**
Transactions with owners							
Share based payments	-	-	-	-	733	-	733
Balance at 31 December	**11,057**	**48,108**	**16,729**	**2,494**	**1,253**	**(22,893)**	**56,748**
At 1 January 2009	**11,057**	**48,108**	**11**	**-**	**520**	**(21,495)**	**38,201**
Comprehensive income:							
Gain for the year	-	-	-	-	-	2,042	2,042
Other comprehensive income							
Fair value gain on available for sale financial assets	-	-	6,542	-	-	-	6,542
Exchange movement	-	-	-	(364)	-	-	(364)
At 31 December 2009	**11,057**	**48,108**	**6,553**	**(364)**	**520**	**(19,453)**	**46,421**

COMPANY STATEMENTS OF CHANGES IN EQUITY

	€'000	€'000	€'000	€'000	€'000	€'000	€'000
	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total (attributable to owners of the parent)
At 1 January 2010	**11,057**	**48,108**	**11**	**-**	**520**	**(1,525)**	**58,171**
Comprehensive income:							
Loss for the year	-	-	-	-	-	(10,005)	(10,005)
Other comprehensive income							
Exchange movement		-	-	(83)	-	-	(83)
Total comprehensive income	**11,057**	**48,108**	**11**	**(83)**	**520**	**(11,530)**	**48,083**
Transactions with owners							
Share based payments	-	-	-	-	733	-	733
At 31 December 2010	**110,57**	**48,108**	**11**	**(83)**	**1,253**	**(11,530)**	**48,816**
At 1 January 2009	**11,057**	**48,108**	**11**	**-**	**520**	**1,938**	**61,634**
Comprehensive income:							
Loss for the year	-	-	-	-	-	(3,463)	(3,463)
At 31 December 2009	**11,057**	**48,108**	**11**	**-**	**520**	**(1,525)**	**58,171**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Assets					
Current assets					
Inventories	19	35	7	46	10
Trade and other receivables	20	4,918	3,997	6,517	5,728
Cash and cash equivalents	22	8,394	19,754	11,123	28,313
		13,347	**23,758**	**17,686**	**34,051**
Noncurrent assets					
Property, plant and equipment	16	750	799	1,024	1,121
Intangible assets	14	23,413	3,022	33,252	4,331
Available for sale financial assets	18	32,473	20,681	43,029	29,187
		56,636	**24,502**	**77,305**	**34,639**
Total assets		**69,983**	**48,260**	**94,991**	**68,690**
Liabilities					
Current liabilities					
Trade and other payables	23	1,153	1,839	1,528	2,636
Contingent provisions	15	2,092	-	2,771	-
		3,245	**1,839**	**4,299**	**2,636**
Non-current liabilities					
Contingent provisions	15	9,990	-	13,239	-
Total liabilities		**13,235**	**1,839**	**17,538**	**2,636**
Net assets		**56,748**	**46,421**	**77,453**	**66,054**
Equity					
Ordinary shares	24	11,057	11,057	15,586	15,586
Share premium	24	48,108	48,108	67,809	67,809
Other reserves	26	16,729	6,553	22,214	9,140
Foreign currency translation reserve	26	2,494	(364)	3,402	1,493
Share based payment reserve	26	1,253	520	1,706	733
Retained earnings	25	(22,893)	(19,453)	(33,264)	(28,707)
		56,748	**46,421**	**77,453**	**66,054**

The accompanying notes on pages 34 to 48 form an integral part of these financial statements.
Approved on behalf of the Board on 17 May 2011

Leonid Skoptsov
Director

Timothy McCutcheon
Director

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Assets					
Current assets					
Trade and other receivables	20	8,552	12,637	11,332	18,121
Cash and cash equivalents	22	280	1,266	371	1,814
		8,832	**13,903**	**11,703**	**19,935**
Noncurrent assets					
Property, plant and equipment	16	34	-	45	-
Financial assets	17	40,327	47,071	56,840	66,655
		40,361	47,071	56,885	66,655
Total assets		**49,193**	**60,974**	**68,588**	**86,590**
Liabilities					
Current liabilities					
Trade and other payables	23	377	2,803	500	4,016
		377	2,803	500	4,016
Total liabilities		**377**	**2,803**	**500**	**4,016**
Net assets		**48,816**	**58,171**	**68,088**	**82,574**
Equity					
Ordinary shares	24	11,057	11,057	15,586	15,586
Share premium	24	48,108	48,108	67,809	67,809
Other reserves	26	11	11	16	16
Foreign currency translation reserve	26	(83)	-	(1,719)	529
Share based payment reserve	26	1,253	520	1,707	734
Retained earnings	25	(11,530)	(1,525)	(15,311)	(2,100)
		48,816	**58,171**	**68,088**	**82,574**

The accompanying notes on pages 34 to 48 form an integral part of these financial statements.
Approved on behalf of the Board on 17 May 2011

Leonid Skoptsov
Director

Timothy McCutcheon
Director

CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Cash flows from operating activities					
Continuing operations					
Net gain for the year before tax		936	6,948	1,254	9,687
Foreign currency reserve movement		2,858	-	1,909	721
Exploration costs written off	14	297	-	394	-
Depreciation	16	116	122	154	174
Net finance costs	7	(170)	(224)	(232)	(312)
Share option expense	29	733	-	973	-
Increase in inventories	19	(28)	(7)	(36)	(10)
Increase in trade and other receivables	20	(921)	(3,728)	(789)	(5,349)
Increase/(decrease) in trade and other payables	23	(686)	473	(1,108)	710
Net cash flow from continuing operations		**3,135**	**3,584**	**2,519**	**5,621**
Discontinued operations					
Net loss for the year before tax		(4,376)	(4,906)	(5,811)	(6,839)
Exploration costs written off	14	3,779	4,733	5,377	6,597
Net finance costs	7	(89)	(2)	(112)	(3)
Net cash flow from discontinuing operations		**(686)**	**(175)**	**(546)**	**(245)**
Net cash flow from operating activities		**2,449**	**3,409**	**1,973**	**5,376**
Cash flows from financing activities					
Net interest received	7	259	226	344	315
Net cash flow from financing activities		**259**	**226**	**344**	**315**
Cash flows from investing activities					
Expenditure on exploration activities	14	(5,121)	(282)	(6,800)	(393)
Net intangible assets acquired	14	(7,264)	-	(11,882)	-
Net (purchases)/proceeds of property, plant and equipment	16	(67)	171	(57)	243
Purchase of available for sale asset		-	17,670	-	24,710
Net proceeds from disposal of available for sale asset		(1,616)	(8,229)	(768)	(11,507)
Net cash flow from financing activities		**(14,068)**	**9,330**	**(19,507)**	**13,053**
Net (decrease)/increase in cash and cash equivalents		(11,360)	12,965	(17,190)	18,744
Cash and cash equivalents at the beginning of year		19,754	6,789	28,313	9,569
Cash and cash equivalents at the end of year		**8,394**	**19,754**	**11,123**	**28,313**

The accompanying notes on pages 34 to 48 form an integral part of these financial statements.

COMPANY STATEMENT OF CASHFLOWS

	Note	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Cash flows from operating activities					
Net loss for the year before tax		(10,005)	(3,463)	(13,211)	(4,830)
Foreign currency reserve movement		(83)	-	(2,248)	529
Exploration costs written off		-	27	-	38
Depreciation	16	8	-	11	-
Share option expense	29	733	-	973	-
Decrease in trade and other receivables		4,465	45,548	7,293	63,892
(Decrease)/increase in trade and other payables		(2,806)	1	(4,020)	66
Loss on disposal of financial assets	17	6,750	-	9,815	-
Net cash flow from operating activities		**(938)**	**42,113**	**(1,387)**	**59,695**
Cash flows from investing activities					
Net purchases of property, plant and equipment	16	(42)	-	(56)	-
Advances to/investment in subsidiaries	17	(6)	(40,867)	-	(57,909)
Net cash flow from financing activities		**(48)**	**(40,867)**	**(56)**	**(57,909)**
Net (decrease)/increase in cash and cash equivalents		(986)	1,246	(1,443)	1,786
Cash and cash equivalents at the beginning of year	22	1,266	20	1,814	28
Cash and cash equivalents at the end of year	22	**280**	**1,266**	**371**	**1,814**

The accompanying notes on pages 34 to 48 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GOING CONCERN

The group financial statements consolidate the financial statements of Ovoca Gold Plc and its subsidiary undertakings for the year ended 31 December 2010. The company uses the full cost method of accounting for exploration costs. Under this method all costs associated with exploration are capitalised. The recovery of exploration costs is dependent on the successful production of economic quantities of precious 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 the 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 the carrying value of the project on the statement of financial position. The directors have reviewed the current state of the group's finances, taking into account resources currently available to the group. 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 Director's plans were not successful.

2. SEGMENTAL REPORTING

(a) Primary reporting format – business segments

Segment information is presented in accordance with IFRS 8 – Operating Segments with effect from 1 January 2010. Comparative information for 2009 is presented on a consistent basis.

At 31 December 2010, the Group had two business segments, Exploration activities and Investment. Exploration activities are primarily carried out by subsidiary companies, Comtrans, Bulun, Magsel and Olymp which are carried out in the Russian Federation. Investing activities are carried out by another subsidiary company, Silver Star Limited, a company located in Bermuda. Unallocated costs represent group administration costs, primarily incurred in Ireland and the Russian Federation.

CONTINUING OPERATIONS – 31 DECEMBER 2010

	Exploration activities	Investment	Unallocated	Total	Exploration activities	Investment	Unallocated	Total
	€'000	€'000	€'000	€'000	US$'000	US$'000	US$'000	US$'000
Exploration costs written off	(297)	-	-	(297)	(394)	-	-	(394)
Administration expenses	(11)	(1,870)	(1,480)	(3,361)	(14)	(2,483)	(1,966)	(4,463)
Other gains and losses	(60)	4,682	231	4,853	(80)	6,228	307	6,455
Operating (loss)/gain	(368)	2,812	(1,249)	1,195	(488)	3,745	(1,659)	1,598
Finance costs	(118)	(974)	(11)	(1,103)	(157)	(1,293)	(15)	(1,465)
Finance income	22	700	122	844	29	929	163	1,121
(Loss)/gain before tax	(464)	2,538	(1,138)	936	(616)	3,381	(1,511)	1,254
Income tax	-	-	-	-	-	-	-	-
(Loss)/gain after tax	(464)	2,538	(1,138)	936	(616)	3,381	(1,511)	1,254
Segment assets	11,212	58,361	410	69,983	15,219	79,216	556	94,99 1
Segment liabilities	(795)	(12,094)	(346)	(13,235)	(1,053)	(16,026)	(459)	(17,538)
Net assets	10,417	46,267	64	56,748	14,166	63,190	97	77,453

DISONTINUED OPERATONS – 31 DECEMBER 2010

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities US$'000	Investment US$'000	Unallocated US$'000	Total US$'000
Administration expenses	(40)	-	-	(40)	(53)	-	-	(53)
Other gains and losses	(434)	-	-	(434)	(576)	-	-	(576)
Operating loss	(474)	-	-	(474)	(629)	-	-	(629)
Loss on disposal of operations	(3,813)	-	-	(3,813)	(5,064)	-	-	(5,064)
Finance costs	(89)	-	-	(89)	(118)	-	-	(118)
Loss before tax	(4,376)	-	-	(4,376)	(5,811)	-	-	(5,811)
Income tax	-	-	-	-	-	-	-	-
Loss after tax	(4,376)	-	-	(4,376)	(5,811)	-	-	(5,811)
Segment assets	-	-	-	-	-	-	-	-
Segment liabilities	-	-	-	-	-	-	-	-
Net assets	-	-	-	-	-	-	-	-

CONTINUING OPERATIONS – 31 DECEMBER 2009

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities US$'000	Investment US$'000	Unallocated US$'000	Total US$'000
Administration expenses	-	-	(891)	(891)	-	-	(1,242)	(1,242)
Other gains and losses	-	7,611	-	7,611	-	10,610	-	10,610
Operating gain	-	7,611	(891)	6,720	-	10,610	(1,242)	9,368
Finance costs	-	(13)	(11)	(24)	-	(18)	(14)	(32)
Finance income	-	252	-	252	-	351	-	351
Gain/(loss) before tax	-	7,850	(902)	6,948	-	10,943	(1,256)	9,687
Income tax	-	-	-	-	-	-	-	-
Gain/(loss) before tax	-	7,850	(902)	6,948	-	10,943	(1,256)	9,687
Segment assets	-	38,867	5,006	43,873	-	55,708	6,695	62,403
Segment liabilities	-	(1,268)	(548)	(1,816)	-	(1,817)	(786)	(2,603)
Net assets	-	37,599	4,458	42,057	-	53,891	5,909	59,800

DISCONTINUED OPERATIONS – 31 DECEMBER 2009

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities US$'000	Investment US$'000	Unallocated US$'000	Total US$'000
Exploration costs written off	(4,733)	-	-	(4,733)	(6,598)	-	-	(6,598)
Administration expenses	(171)	-	-	(171)	(238)	-	-	(238)
Operating profit	(4,904)	-	-	(4,904)	(6,836)	-	-	(6,836)
Finance costs	(2)	-	-	(2)	(3)	-	-	(3)
Loss before tax	(4,906)	-	-	(4,906)	(6,839)	-	-	(6,839)
Income tax	-	-	-	-	-	-	-	-
Loss after tax	(4,906)	-	-	(4,906)	(6,839)	-	-	(6,839)
Segment assets	4,387	-	-	4,387	6,287	-	-	6,287
Segment liabilities	(23)	-	-	(23)	(33)	-	-	(33)
Net assets	4,364	-	-	4,364	6,254	-	-	6,254

3. DISCONTINUED OPERATIONS

On 30 August 2010 Ovoca Gold Plc sold its wholly owned subsidiary Norplat Limited together with its indirect holdings in CJSC Black Fox Resources and Lovozero Limited to a third party for US$1.25m cash. Norplat Limited had a 95% interest in the Oleninskoye gold project and the Pellapakh copper-molybdenum project in the Murmansk Region of Russia. The sale of Norplat means an exit from the Murmansk Region as part of the Company's strategy to focus our financial and management resources on Ovoca's Magadan properties. Ovoca Gold Plc also proceeded with the strike off of three Irish subsidiaries which held exploration licenses long expired. Ovoca Gold Plc also proceeded with the strike off of its UK registered subsidiary Boreal Minerals Plc as part of the drive to concentrate the management of the business and bring it closer to its service providers. These companies were not classified as discontinued operations as at 31 December 2009. The comparative income statement has been represented to show the discontinued operation separately from continuing operations.

The results of the discontinued operations are as follows:

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Exploration costs written off	-	(4,733)	-	(6,598)
Gross loss	-	(4,733)	-	(6,598)
Administration expenses	(40)	(171)	(53)	(238)
Other gains and losses	(434)	-	(576)	-
Operating loss	**(474)**	**(4,904)**	**(629)**	**(6,836)**
Finance costs	(89)	(2)	(118)	(3)
Loss before tax from discontinued operations	**(563)**	**(4,906)**	**(747)**	**(6,839)**
Loss on disposal of discontinued operations	(3,813)	-	(5,064)	-
Loss for the period from discontinued operations	**(4,376)**	**(4,906)**	**(5,811)**	**(6,839)**
Basic loss per share (cent)	(4.95)c	(5.54)c	(6.57)c	(7.73)c
Diluted loss per share (cent)	(4.60)c	(5.16)c	(6.11)c	(7.19)c

The effect of disposal on the financial position of the group is as follows:	2010	2010
Inventories	€'000	US$'000
Trade and other receivables	1,044	1,383
Cash and cash equivalents	19	25
Intangible assets	3,780	5,009
Deferred tax assets	200	265
Trade and other payables	(25)	(33)
Deferred tax liabilities	(70)	(93)
Net assets disposed of	4,948	6,556
Proceeds receivable – not impaired	(75)	(100)
Amounts provided for against further receivables	(980)	(1,150)
Accumulated currency translation differences included in loss	(80)	(242)
Total loss on disposal	3,813	5,064

4. GAIN ON ORDINARY ACTIVITIES BEFORE TAXATION ON CONTINUING OPERATIONS

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Employee expense (net of amounts capitalised)	(689)	(506)	(916)	(705)
Directors remuneration	(371)	(226)	(493)	(315)
Depreciation				
– Included in administration expenses	(116)	(91)	(155)	(127)
Services provided by the Group's auditors (Note 5)	(119)	(46)	(158)	(64)
Gain on disposal of available for sale asset	5,649	7,611	7,512	10,611
Operating lease rentals				
– Property (Note 31)	(110)	(59)	(145)	(78)
– Equipment (Note 31)	(179)	-	(236)	-
Exchange movement on contingent consideration	(967)	-	(1,285)	
Realised foreign exchange gains	171	-	228	-
Net finance income	(348)	226	(463)	315
Other administration expenses	(1,985)	39	(2,635)	50
Gain on ordinary activities before taxation on continuing operation	**936**	**6,948**	**1,254**	**9,687**

5. SERVICES PROVIDED BY THE AUDITOR

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Audit services – group audit	50	46	66	64
Audit services- statutory entities	40	-	53	
Other assurance services	21	-	28	-
Tax advisory services	8	-	11	-
Other non audit services	-	-	-	-
Total auditors remuneration	119	46	158	64

6. OTHER GAINS AND LOSSES

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Gain on disposal of available for sale financial assets	5,649	7,611	7,512	10,610
Exchange movement on contingent consideration	(967)	-	(1,285)	
Realised foreign exchange gains	171	-	228	-
	4,853	7,611	6,455	10,610

The above gain on the sale of available for sale financial assets represents the sale of shares held in quoted securities.

7. FINANCE COSTS AND FINANCE INCOME

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Unwinding of discount relating to contingent provision (Note 15)	(967)	-	(1,284)	-
Finance costs				
Bank charges	(136)	(24)	(181)	(32)
Finance income				
Bank interest received	844	252	1,121	351
	(259)	228	(344)	319

The unwinding of the discount related to a non-cash charge as a result of fair value adjustments to the contingent provision recognized on the acquisitions made during the period.

8. EMPLOYEES

	2010 Number	2009 Number
Administration	22	30

9. EMPLOYMENT COSTS

	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Wages and salaries	1,118	804	1,485	1,121
Social welfare costs	36	67	48	93
Staff costs capitalised	(94)	(139)	(125)	(193)
Total employment costs	**1,060**	**732**	**1,408**	**1,021**

10. DIRECTORS REMUNERATION

	Share-based benefits		Short-term benefits			
	2010	2009	2010	2009	2010	2009
	Number of options		€'000	€'000	US$'000	US$'000
Total directors remuneration	**3,000,000**	**600,000**	**371**	**226**	**493**	**315**

The share based benefits relate to the number of exercisable share options held by directors at the year end. Please refer to Note 29 for details on share options granted in the year and the expense recognised. There were no options exercised during the year.

11. PENSION COSTS

The group does not operate a pension scheme.

12. INCOME TAX

Analysis of tax charge for the year	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Income Tax	-	-	-	-
Reconciliation of factors affecting the income tax charge for the year				
Gain on ordinary activities before tax	936	6,948	1254	6,987
Corporation tax at standard rate 2010: 12.5% (2009: 12.5%)	117	869	157	874
Effects of				
Income not subject to taxation	(302)	(951)	(401)	(1,327)
Ineligible costs and losses carried forward to future periods	185	82	244	453
	-	**-**	**-**	**-**

13. EARNINGS/(LOSS) PER SHARE

As a result of the 1 for 5 share consolidation which took place during the year and in accordance with IAS 33 Earnings Per Share the basic and diluted earnings per share amounts have been adjusted retrospectively. Basic loss per share is calculated by dividing the weighted average number of ordinary shares in issue into the loss after taxation for the period. Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of share in issue to assume conversion of all potential ordinary shares.

Basic	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Gain after taxation from continuing operations	936	6,948	1,254	9,687
Loss after taxation from discontinued operations	(4,376)	(4,906)	(5,811)	(6,839)
Weighted average number of ordinary shares (thousands)	88,459	88,459	88,459	88,459
Basic earnings per share from continuing operations	1.06c	7.85c	1.41c	10.95c
Basic loss per share from discontinued operations	(4.95)c	(5.55)c	(6.57)c	(7.73)c
Basic (loss)/earnings per share	(3.89)c	2.30c	(5.16)c	3.22c

Diluted	2010 €'000	2009 €'000	2010 US$'000	2009 US$'000
Weighted average number of ordinary shares (all measures thousands)	95,099	90,709	95,099	90,709
Fully diluted earnings/(loss) per share from continuing operations	0.98c	7.66c	1.31c	10.68c
Fully diluted earnings/(loss) per share from discontinued operations	(4.60)c	(5.41)c	(6.11)c	(7.54)c
Fully diluted earnings/(loss) per share	(3.62)c	2.25c	(4.80)c	3.14c

14. INTANGIBLE ASSETS

Group	Exploration licenses €'000	Deferred exploration costs €'000	Total €'000	Exploration licenses US$'000	Deferred exploration costs US$'000	Total US$'000
At 1 January 2010	-	3,022	3,022	-	4,331	4,331
Recognised on acquisitions during the year (Note 15)	12,825	6,521	19,346	18,611	9,281	27,892
Expenditure incurred during the year	-	5,121	5,121	-	6,800	6,800
Derecognised on disposals during the year	-	(3,779)	(3,779)	-	(5,377)	(5,377)
Amounts written off during the year	-	(297)	(297)	-	(394)	(394)
At 31 December 2010	12,825	10,588	23,413	18,611	14,641	33,252
Net book values						
At 31 December 2010	12,825	10,588	23,413	18,611	14,641	33,252
At 31 December 2009	-	3,022	3,022	-	4,331	4,331

Group	Exploration licenses €'000	Deferred exploration costs €'000	Total €'000	Exploration licenses US$'000	Deferred exploration costs US$'000	Total US$'000
At 1 January 2009	-	7,473	7,473	-	10,535	10,535
Expenditure incurred during the year	-	282	282	-	393	393
Amounts written off during the year	-	(4,733)	(4,733)	-	(6,601)	(6,601)
Foreign exchange translation reserves	-	-	-	-	4	4
At 31 December 2009	-	3,022	3,022	-	4,331	4,331
Net book values						
At 31 December 2009	-	3,022	3,022	-	4,331	4,331
At 31 December 2008	-	7,473	7,473	-	10,535	10,535

In accordance with IFRS 6 – Exploration for an Evaluation of Mineral Resources, the carrying value of the Group and Company intangible assets was reviewed for indicators of impairment. On review the recoverable amount of the assets was found to exceed the carrying amount. The intangible assets were reviewed on the basis of cash generating units, which is in line with the geographical and operational segments as disclosed in note 2. Substantially all of the deferred exploration costs written off relate to exploration activities carried out in Russia. While development in these areas is ongoing, an amount of €297 (2009 €4,733) was written off during the period.

15. BUSINESS COMBINATIONS (EXPLORATION LICENSES)

On 15 January 2010, the company acquired 100 percent of the share capital of Magsel, Bulun and Olymp. The companies are the owners of the Stakhanovsky Licence, the Rassoshinskaya Licence and the Nevsko-Pestrinskoye Licences respectively. Total consideration consisted of an initial cash consideration of €4.796m (US$6.960m) and deferred consideration of up to a maximum of US$18 million, payment of which is contingent upon the achievement of certain exploration and licence targets. The acquisition is deemed to be a related party transaction as detailed further in note 27.

The acquisitions have been accounted for under IFRS 3 – Business Combinations. The excess paid over the net assets acquired is wholly attributable to the exploration licences held by the acquired companies. During the acquisition process, management used independent experts to value these licences. These valuations fully support the value attributed to the exploration licences below. Details of the net assets acquired, contingent consideration and amounts allocated to intangible assets (exploration licences) are as follows:

	2010	2010
	€'000	US$'000
Cash paid	4,796	6,960
Contingent consideration	10,148	14,726
Total purchase consideration	14,944	21,686
Fair value of net identifiable assets acquired	2,119	3,075
Intangible assets (exploration licenses)	12,825	18,611

The assets and liabilities at the date of acquisition are as follows:	Fair value	Fair value
	€'000	US$'000
Property plant and equipment	48	70
Intangible assets	6,521	9,463
Trade and other receivables	1,803	2,616
Cash and cash equivalents	264	383
Loans and borrowings	(2,685)	(3,896)
Trade and other payables	(3,752)	(5,445)
Other current liabilities	(80)	(116)
Fair value of net identifiable assets acquired	2,119	3,075

Fair values have been assessed and it has been determined that there is no significant difference between fair values and book value of the assets and liabilities acquired. No revenue has been recognised in the financial statements to 31 December 2010 as a result of the acquisitions made. The acquired assets have not yet been amortised as they have not yet been in full operation. A useful life will be allocated to each licence based on the results of future geological testing in the area.

The director's have reviewed the probability of the contingent consideration being paid in whole or in part. Given all available information they consider that it will be paid in full over a period of approximately three years from the statement of financial position date. Contingent consideration is carried at amortised cost with the effective interest rate being determined as the equivalent of a government bond with similar time frame and jurisdiction to that of the contingent consideration.

The contingent consideration is calculated as follows:

	€'000	US$'000
Amount of contingent consideration deemed payable	12,403	18,000
Discounted to date of acquisition (effective interest rate of 7.59%)	10,148	14,726
Effective interest for the period from acquisition to 31 December 2010	967	1,284
Exchange rate movement from the period from acquisition to 31 December 2010	967	-
Deferred consideration at 31 December 2010	12,082	16,010

Deferred consideration expected to fall due as follows:		
	€'000	US$'000
Deferred consideration due within 1 year	2,092	2,771
Deferred consideration due after 1 year but less than 5 years	9,990	13,239
Deferred consideration at 31 December 2010	12,082	16,010

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Mining equipment	Office furniture and equipment	Land and buildings	Total	Mining equipment	Office furniture and equipment	Land and buildings	Total
	€'000	€'000	€'000	€'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January 2010	264	11	614	889	415	15	814	1,244
Additions	156	42	-	198	207	56	-	263
Disposal	(202)	-	-	(202)	(318)	-	-	(318)
At 31 December 2010	**218**	**53**	**614**	**885**	**304**	**71**	**814**	**1,189**
Depreciation								
At 1 January 2010	73	11	6	90	86	15	22	123
Charge for year	83	12	21	116	110	16	28	154
Disposal	(71)	-	-	(71)	(112)	-	-	(112)
At 31 December 2010	**85**	**23**	**27**	**135**	**84**	**31**	**50**	**165**
Net book values								
At 31 December 2010	**133**	**30**	**587**	**750**	**220**	**40**	**764**	**1,024**
At 31 December 2009	**191**	**-**	**608**	**799**	**329**	**-**	**792**	**1,121**

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end. The useful lives have been deemed to be appropriate.

GROUP

	Mining equipment	Office furniture and equipment	Land and buildings	Total	Mining equipment	Office furniture and equipment	Land and buildings	Total
	€'000	€'000	€'000	€'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January 2009	1,005	128	-	1,133	1,416	180	-	1,596
Additions	-	10	614	624	-	14	842	856
Disposal	(741)	(127)	-	(868)	(1,001)	(179)	-	(1,208)
At 31 December 2009	**264**	**11**	**614**	**889**	**415**	**15**	**814**	**1,244**
Depreciation								
At 1 January 2009	22	19	-	41	31	27	-	58
Charge for year	114	2	6	122	144	4	22	170
Disposal	(63)	(10)	-	(73)	(89)	(16)	-	(105)
At 31 December 2009	73	11	6	90	86	15	22	123
Net book values								
At 31 December 2009	**191**	**-**	**608**	**799**	**329**	**-**	**792**	**1,121**
At 31 December 2008	**983**	**109**	**-**	**1,092**	**1,385**	**153**	**-**	**1,538**

COMPANY

	Office furniture and equipment €'000	Total €'000	Office furniture and equipment US$'000	Total US$'000
Cost				
At 1 January 2010	-	-	-	-
Additions	42	42	56	56
At 31 December 2010	**42**	**42**	**56**	**56**
Depreciation				
At 1 January 2010	-	-	-	-
Charge for year	8	8	11	11
At 31 December 2010	**8**	**8**	**11**	**11**
Net book values				
At 31 December 2010	**34**	**34**	**45**	**45**
At 31 December 2009	**-**	**-**	**-**	**-**

17. FINANCIAL ASSETS – COMPANY

	01/01/2010 €'000	Movement during year €'000	31/12/2010 €'000	01/01/2010 US$'000	Movement during year US$'000	31/12/2010 US$'000
Norplat Limited	6,173	(6,173)	-	9,008	(9,008)	-
Ovoca Mining Limited	3	6	9	4	8	12
Boreal Minerals PLC	18	(18)	-	27	(27)	-
Silver Star Limited	39,909	-	39,909	56,252	-	56,252
Ovoca Gold (Russia) Limited	-	-	-	-	-	-
Comtrans Limited	968	(559)	409	1,364	(788)	576
Investment in subsidiaries at cost	**47,071**	**(6,744)**	**40,327**	**66,655**	**(9,815)**	**56,840**

	01/01/2009 €'000	Movement during year €'000	31/12/2009 €'000	01/01/2009 US$'000	Movement during year US$'000	31/12/2009 US$'000
Norplat Limited	6,173	-	6,173	9,008	-	9,008
Ovoca Mining Limited	3	-	3	4	-	4
Boreal Minerals PLC	18	-	18	27	-	27
Silver Star Limited	9	39,900	39,909	12	56,240	56,252
Comtrans Limited	1	967	968	1	1,363	1,364
Foreign currency translation reserve	-	-	-	(306)	306	-
Investment in subsidiaries at cost	6,204	40,867	47,071	8,746	57,909	66,655

In the opinion of the directors, the fair value of financial assets in the company statement of financial position at 31 December 2010 was in excess of the carrying value at that date. During the year the company disposed of its shareholding in Norplat Limited and its wholly owned subsidiary, CSJC Black Fox. The company also provided against the carrying value of the investment held in Boreal Minerals plc and Comtrans Limited. In the opinion of the Directors' the carrying value of the remaining investments is appropriate. There were three subsidiaries acquired during the year by Silver Star Limited, a wholly owned subsidiary of Ovoca Gold PLC. The business combination is discussed in Note 15 to the financial statements.

At 31 December 2010 the company had the following direct and indirect subsidiary undertakings:

Name	Incorporated	Activity	Proportion holding
CJSC Bulun	Russia	Mineral Exploration	100%
Magsel Limited	Russia	Mineral Exploration	100%
Olymp Limited	Russia	Mineral Exploration	100%
Comtrans Limited	Russia	Support Company	100%
Boreal Minerals PLC	United Kingdom	Support Company	100%
Ovoca Mining Limited	Cyprus	Dormant	100%
Silver Star Limited	Bermuda	Investment	100%
Ovoca Gold (Russia) Limited	Ireland	Support Company	100%

All the shares are directly held in subsidiaries, with the exception of CJSC Bulun, Magsel Limited and Olymp Limited which are held through Silver Star Limited, and comprise of ordinary shares held in each company.

18. AVAILABLE FOR SALE FINANCIAL ASSETS

	Group 2010 €'000	Group 2009 €'000	Group 2010 US$'000	Group 2009 US$'000
At 1 January 2010	20,681	23,944	29,187	33,750
Additions	2,522	8,229	3,343	11,816
Disposals	(1,943)	(17,670)	(2,575)	(25,325)
Fair value adjustment	10,176	6,542	13,074	8,946
Exchange movement	1,037	(364)	-	-
	32,473	20,681	43,029	29,187
Available for sale financial assets include the following				
Quoted securities	32,473	20,681	43,029	29,187
Investment in Polymetal	18,313	12,120	24,268	17,371
Asset managed fund	14,160	8,561	18,761	11,816
	32,473	20,681	43,029	29,187

Investment in Polymetal represents the holding of 1,300,000 shares. Polymetal is listed on the Russian stock exchange. The asset managed fund represents investments in quoted investments in US, UK and Canadian listed entities.

The above securities are denominated in the following currencies:

	Group 2010 €'000	Group 2009 €'000	Group 2010 US$'000	Group 2009 US$'000
Russian Rubles	18,313	12,120	24,268	17,371
US Dollar	9,548	6,641	12,650	9,166
Canadian Dollar	2,364	1,208	3,132	1,668
Sterling	1,616	712	2,141	982
Australian Dollar	632	-	838	-
	32,473	20,681	43,029	29,187

At 31 December 2010, if the underlying equity securities price in respect of investments held by the Group and classified on the statement of financial position as available-for-sale had strengthened/weakened by 5% with all other variables held constant, other components of equity would have been €1,624/US$2,151 lower/higher (2009:€1,034/US$1,459 lower/higher), mainly as a result of changes in fair values of available-for-sale financial assets.

19. INVENTORIES

	Group 2010 €'000	Group 2009 €'000	Group 2010 US$'000	Group 2009 US$'000
Inventories	35	7	46	10

The group has not recognised an inventory write down during the year.

20. TRADE AND OTHER RECEIVABLES

	Group 2010 €'000	Group 2009 €'000	Company 2010 €'000	Company 2009 €'000	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Trade receivables	573	63	-	10	759	102	-	14
Tax and social welfare	-	323	-	-	-	451	-	-
Amounts owed by group undertakings	-	-	8,477	9,016	-	-	11,233	12,932
Loans and receivables (Note 21)	4,120	3,611	-	3,611	5,459	5,175	-	5,175
Prepayments and accrued income	150	-	-	-	200	-	-	-
Receivable on sale of Norplat	75	-	75	-	99	-	99	-
	4,918	3,997	8,552	12,637	6,517	5,728	11,332	18,121

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All balances are current and deemed to be recoverable.

21. LOANS AND RECEIVABLES

	Group 2010 €'000	Group 2009 €'000	Company 2010 €'000	Company 2009 €'000	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
At 1 January	3,611	-	3,611	-	5,175	-	5,175	-
Amounts received	(3,611)	-	(3,611)	-	(5,175)	-	(5,175)	-
Promissory notes issued	4,120	3,611	-	3,611	5,459	5,175	-	5,175
At 31 December	4,120	3,611	-	3,611	5,459	5,175	-	5,175

Loans and receivables represent primissory notes issued to third parties which are at arm's length and interest bearing, at an annual interest rate of 5.5%. The fair value of loans and receivables noted above approximate their book value. Loans and receivables noted above are deemed recoverable in full. Loans and receivables are all denominated in US Dollars:

22. CASH AND CASH EQUIVALENTS

	Group 2010 €'000	Group 2009 €'000	Company 2010 €'000	Company 2009 €'000	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Cash at bank and in hand	3,281	7,423	280	220	4,348	10,638	371	314
Short term deposits	5,113	12,331	-	1,046	6,775	17,675	-	1,500
	8,394	19,754	280	1,266	11,123	28,313	371	1,814

23. TRADE AND OTHER PAYABLES

	Group 2010 €'000	Group 2009 €'000	Company 2010 €'000	Company 2009 €'000	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Bank loans	-	1,267	-	-	-	1,816	-	-
Trade payables	985	373	207	236	1,305	535	274	338
Amounts owed to group undertakings	-	-	4	2,368	-	-	5	3,393
Accruals and deferred income	168	199	166	199	223	285	220	285
	1,153	1,839	377	2,803	1,528	2,636	500	4,016

All amounts are short term. The net carrying value of trade payables is considered a reasonable approximation of fair value.

24. SHARE CAPITAL – GROUP AND COMPANY

	2010 €	2009 €	2010 US$	2009 US$
Authorised equity				
120,000,000 Ordinary shares of 12.5 cent each	15,000,000	-	21,000,000	-
600,000,000 Ordinary shares of 2.5 cent each	-	15,000,000	-	21,000,000
	15,000,000	**15,000,000**	**21,000,000**	**21,000,000**

On 15th January 2010 the company completed a capital reorganisation consolidating every 5 Ordinary shares into 1 Ordinary share.

Issued, called up and fully paid:	Number of ordinary shares	Share capital €'000	Share premium €'000	Share capital US$'000	Share premium US$'000
At 1 January 2010	**442,294,026**	**11,057**	**48,108**	**15,586**	**67,809**
At 31 December 2010	**88,458,806**	**11,057**	**48,108**	**15,586**	**67,809**

25. RETAINED EARNINGS

	Group 2010 €'000	Group 2009 €'000	Company 2010 €'000	Company 2009 €'000	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Deficit at 1 January	(19,453)	(21,495)	(1,525)	1,938	(28,707)	(31,555)	(2,100)	2,730
(Loss)/Gain for the year	(3,440)	2,042	(10,005)	(3,463)	(4,557)	2,848	(13,211)	(4,830)
Deficit at 31 December	(22,893)	(19,453)	(11,530)	(1,525)	(33,264)	(28,707)	(15,311)	(2,100)

In accordance with the provisions of the Companies Act 1963, Section 148(8), the company has not presented an income statement. A loss for the period of €10,005 (2009: loss of €3,463) has been recognised in the income statement of the company.

26. OTHER RESERVES

Group	Other reserves €'000	Foreign currency reserve €'000	Share based payment reserve €'000	Total €'000	Other reserves US$'000	Foreign currency reserve US$'000	Share based payment reserve US$'000	Total US$'000
At 1 January 2009	11	-	520	531	16	-	733	749
Available for sale investments	6,542	-	-	6,542	9,124	-	-	9,124
Exchange movements	-	(364)	-	(364)	-	1,493	-	1,493
At 31 December 2009	**6,553**	**(364)**	**520**	**6,709**	**9,140**	**1,493**	**733**	**11,366**
At 1 January 2010	6,553	(364)	520	6,709	9,140	1,493	733	11,366
Share options expense in the year	-	-	733	733	-	-	973	973
Available for sale investments	10,176	-	-	10,176	13,074	-	-	13,074
Exchange movements	-	2,858	-	2,858	-	1,909	-	1,909
At 31 December 2010	**16,729**	**2,494**	**1,253**	**20,476**	**22,214**	**3,402**	**1,706**	**27,322**

Company	Other reserves €'000	Foreign currency reserve €'000	Share based payment reserve €'000	Total €'000	Other reserves US$'000	Foreign currency reserve US$'000	Share based payment reserve US$'000	Total US$'000
At 1 January 2009	11	-	520	531	16	-	734	750
Exchange movements	-	-	-	-	-	529	-	529
At 31 December 2009	**11**	**-**	**520**	**531**	**16**	**529**	**734**	**1,279**
At 1 January 2010	11	-	520	531	16	529	734	1,279
Share Options Expense in the year	-	-	733	733	-	-	973	973
Exchange movements	-	(83)	-	(83)	-	(2,248)	-	(2,248)
At 31 December 2010	**11**	**(83)**	**1,253**	**1,181**	**16**	**(1,719)**	**1,707**	**4**

27. RELATED PARTY TRANSACTIONS

Details of subsidiary undertakings are shown in Note 17. In accordance with International Accounting Standard 4 – Related Party Disclosures, transactions between group entities that have been eliminated on consolidation are not disclosed.

Included in amounts due from group undertakings of the Company are amounts of €590,404 (2009:€517,911) due from Comtrans, €4,924,063 (2009: €nil) due from Bulun, €1,576,726 (2009: €nil) due from Olymp and €1,004,765 (2009:€nil) due from Magsel, €379,830 (2009: €3,596,269) due from Silver Star Limited and €nil (€4,902,082) from CJSC Black Fox.

During the year Ovoca Gold Plc, through its subsidiary Silver Star Limited acquired three Magadan subsidiaries details of which are disclosed in Note 15 – CJSC Bulun, Magsel Ltd. and Olymp Ltd. These were wholly owned by Mikhail Mogutov, Leonid Skoptsov and Yuri Radchenko, who with their related parties collectively own 44.7% of the issued share capital and are directors of Ovoca Gold plc.

During the year the group entered an agreement with DGGC, a company of which Yuri Radchenko is a shareholder and manager, for the lease of plant and equipment (€179,082), property (€2,186) and a contracted explorations services (€3,020,325). At the year end the company owed DGGC €722,568.

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in Note 10 of the consolidated financial statements.

None of the related party transaction disclosed above were undertaken with the parent company Ovoca Gold plc.

28. FINANCIAL INSTRUMENTS

The group monitors relevant aspects of financial instrument risk on an ongoing basis. Financial instrument risks primarily relates to foreign exchange risk, liquidity risk and market risk.

The Group's policy is set out the Directors' report on page 13.

29. SHARE BASED PAYMENTS – GROUP AND COMPANY

Under the share option scheme employees of the Group can receive conditional awards of share options depending on their performance, seniority and length of service. All options issued to date vest once granted. IFRS 2 requires that a recognised valuation methodology be employed to determine the fair value of share options granted. The valuation model used by the company in years where options are granted or vesting is the Bi-nominal model.

The expense reported in the group income statement of €733k (2009: €nil) US$ 973k (2009: US$Nil) has been arrived at by applying the Bi-nomial Model formula.

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

		2010		2009
	Number of options	Weighted average exercise price (€ cent per share)	Number of options	Weighted average exercise price (€ cent per share)
Outstanding at 1 January 2010	11,250,000	13	18,900,000	14
Lapsed during the year	(7,050,000)	13	(7,650,000)	13
Effects of share consolidation	(3,360,000)	13	-	-
Granted during the year	5,800,000	30	-	-
Outstanding at 31 December 2010	6,640,000	28	11,250,000	13
Of which:				
Exercisable at 31 December 2010	6,640,000	28	11,250,000	13

Below are the weighted average assumptions used in the Bi-nomial model formula in determining the fair value of the share options:

	2010	2009
Weighted average fair value of options granted (cent)	12.6	N/A
Weighted average share price at date of grant (cent)	20.6	N/A
Average exercise price (cent)	28.7	N/A
Expected volatility (%)	116.23	N/A
Average expected term to exercise (years)	4	N/A
Risk free rate (%)	2.75	N/A
Expected dividend yield	Nil	N/A

The following table shows the number of options outstanding with the exercise price:

Number of options	Exercise price	Date of expiry
160,000	£0.50p	07/06/2016
600,000	€0.80c	28/07/2016
80,000	£0.50p	28/07/2016
5,600,000	£0.25p	20/01/2017
200,000	£0.30p	20/04/2017
6,640,000		

30. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year end date.

31. COMMITMENTS

	Group 2010 €'000	Group 2009 €'000	Company 2010 €'000	Company 2009 €'000	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
No later than one year	28	24	-	-	37	34	-	-
Later than one year and no later than five years	18	27	18	27	24	-	24	39
Total	46	24	18	27	61	34	24	39

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between one and two years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to the income statement during the year is disclosed in Note 4 of the consolidated financial statements.

As per Note 4, payments in the amount of €179 were made in the year in respect of leased equipment, however, there are no future lease obligations in relation to these assets.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 17 May 2011


СУСУМАН

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