



OVOCA GOLD Plc

**Annual report 2015**





OVOCA GOLD Plc



# Annual report 2015



# Welcome

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## We are

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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

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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

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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.

## 2015 Key Points Corporate

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- ◆ Ongoing search for new assets and business opportunities.
- ◆ Ovoca Gold plc (“Ovoca”) continues the litigation process connected to LLC Taymura debt. Taymura has been declared bankrupt; procedure of bankruptcy proceedings has been entered. Ovoca is the main creditor of LLC Taymura. Subsequent to the year end, the Company recovered \$740,261 in respect of assigned receivables in relation to this debt.
- ◆ In two transactions in October 2015, Ovoca’s CEO Kirill Golovanov acquired 16,256,203 ordinary shares of the Company, or 18.4% of Ovoca’s issued share capital.
- ◆ At 31 December 2015, Ovoca had net assets of US\$23.1 million, which includes cash and cash equivalents of US\$7.3 million
- ◆ Ovoca purchased 5,800,000 ordinary shares in the issued share capital of the Company. To date since the beginning of the Company’s share buyback programme, Ovoca has acquired 8.45% of its own share capital under the approved share buyback programme. The Company now has a total of 81,563,806 Ordinary Shares in issue excluding treasury shares and 6,895,000 Ordinary Shares.

# CEO's Statement



Dear Shareholders,

In 2015 we continued our drive to settle the situation with LLC Taymura, an oil and gas company with high prospects in Siberia. In addition to that corporate issue, the recent improvement in market sentiment for precious metals has meant our investments there have increased in value, thus bolstering Ovoca's balance sheet. Additionally, there are new opportunities for the company to realize value for its Stakhanovsky license with gold prices up significantly from the end of 2015. Throughout 2015 we ensured that the Stakhanovsky license remained in good standing with the relevant authorities, although no field work was conducted. We continue to maintain the Stakhanovsky license and search for project partners.

Ovoca purchased 5,800,000 ordinary shares in the issued share capital of the Company last year. To date, Ovoca has acquired 8.45% of its own share capital under the approved share buyback programme which was approved by shareholders in October 2014. As our shares are trading at a discount to the cash and cash equivalents on our balance sheet, these buybacks are value accretive to shareholders. I personally believe in the value of Ovoca and became a significant shareholder in 2015.

The company's management and board of directors have examined several projects over the course of the year, but we have yet to close on any transaction. Assets prices in Russia remain high despite the fall in the Russian Ruble, and there are few projects outside the country where we can add value with minimal risk. However, we continue to look at opportunities.

Briefly about LLC Taymura: in 2015 Ovoca became the initiator of bankruptcy proceedings of LLC Taymura, an oil and gas production company located in Eastern Siberia, Russia which was an acquisition target of ours, together with another exploration project, ETEK, for a potential joint venture. Ovoca is the main creditor of LLC Taymura. The court's decision about the external monitoring procedure for LLC Taymura was issued in September 2015, and while the bankruptcy process is slow, Ovoca has a very good chance to recover at least some of its lent funds. I would note here that this receivable was impaired by Ovoca in 2014 and 2015, but we continue to participate in litigation proceedings.

In summary, we have made progress on resolving our legal issues and market conditions look favorable for existing assets. I would emphasize that we have a strong financial position and optimistic feelings. Please accept my deep appreciation for your decision to be with us.

Sincerely,  
Kirill Golovanov, CEO

# Chairman's Statement



Dear Stakeholders,

Recent events have severely damaged Western investors' faith in Russia, and the sanction regime and Ruble devaluation have hurt the attractiveness of even the most prospective investment projects and opportunities. Russia is a country that we know very well and in which we have a deep and successful track record of business development. It is the kind of country where one can make very profitable business with investment and western expertise. Twice already, Ovoca has gone full cycle on projects in Russia, from acquisition to development to strategic sale. We know we have the skills and team to do it again, although current conditions make this more difficult than ever before.

Our desire to continue our business model of acquiring, developing and investing in natural resource projects did not materialize last year, although some positive changes have occurred. By the end of 2015 the gold price began to rise, and with it our hopes about the prospects for Stakhanovsky rose too. We made the difficult decision to effectively put the project on care and maintenance in 2013 to wait for better market conditions, and it looks like better times have arrived. After a long dry spell, the Company's team is now getting feedback for partnership and investment requests regarding Stakhanovsky.

I am more optimistic going into 2016 than I have been in several years and I am counting on success for this year and the next. The quality of projects being shown to us is better than before, and the access to capital and talent is improving rapidly. With a tailwind at our back I look forward to the opportunities Ovoca will bring to us all.

Sincerely,  
**Mikhail Mogutov**, Chairman

# Company Information and Properties Overview

## Stakhanovsky

The Stakhanovsky exploitation license is situated in the north-western part of the Magadan Region and covers an area of 73 km<sup>2</sup>. The site is 40 km from Susuman, a town with a population of 7,500 and approximately 700 km northwest of Magadan. The Stakhanovsky exploitation license is owned by OOO Magsel, a wholly-owned subsidiary of Ovoca Gold. The license allows for exploration work, mine development, and mining and is currently valid until 7 May 2027; however, this can be extended upon successful petition to the appropriate Russian authorities.

Stakhanovsky has significant infrastructure in place either adjacent to, or at site. A seasonal village, named Udarnik, is used by placer miners in the summer months to mine near-by placer deposits for gold. Power lines connect Udarnik to the regional power grid. Udarnik has several housing complexes that could be used for future operations, and the road to Stakhanovsky from Susuman is maintained year round.

The deposit area is dominated by two main fault systems, a sub-longitudinal (south southeast striking) set of faults, and gently sloping thrust faults, which strike northeast. The two different fault sets are believed to have acted as conduits for magmatic fluids leading to the development of dykes and sills.

The dykes and sills vary in thickness from several metres up to twenty metres, averaging eight metres, and have a strike from several tens of metres to several kilometres.

Gold mineralisation is associated with the quartz veinlet stockwork that cuts through the beresite dykes/sills. The gold mineralisation is most prevalent in the more intensely altered dykes/sills, which often contain visible gold.





Gold-Bearing Dykes

## Resource Estimation

Resource modelling completed in 2013 at the Stakhanovsky prospect has identified four shallow dipping, gold-bearing, beresite dyke zones that have variable strikes. These four areas are known as: Zabolocheny (1 domain), Albitovy (3 domains), Burovaya (1 domain) and Berizitovy (2 domains). The dyke zones vary in width from one metre to more than five metres. Most of the mineralisation has low average grades; Albitovy (1.14 Mt @ 0.23 g/t Au), Berizitovy (2.73 Mt @ 0.63 g/t Au), Burovaya (1.44 Mt @ 1.15 g/t Au) and Zabolocheny (6.73 Mt @ 1.22 g/t Au).

Most of the mineralisation is shallow dipping and drilling is yet to close the mineralisation off at depth, hence additional resource potential remains. Modelling so far indicates that mineralisation extends to approximately 50 m to 60 m depth. Zabolocheny is the steepest and best-drilled domain and in some areas, this structure has been modelled to approximately 100 m depth. Zabolocheny retains the greatest potential for future resource development. Additional potential also exists at Burovaya and selected areas of Berizitovy.





Processing plant  
for bulk samples at  
Stakhanovsky

The mineralisation wireframes have been constructed based on; diamond drilling (7,301 m), reverse circulation drilling (7,110 m), and trenches (7,281 m). Considerable portions of the resource wireframes are less than 2.0 m wide and much of this mineralisation will be uneconomic. Given that the mineralised domains are quite narrow, the proposed open pit would comprise a significant volume of waste and a high stripping ratio is anticipated.

Table 1. Stakhanovsky Mineral Resources Samples by Type – Complete Database

	Number	Samples	Metres
Diamond Drillholes (DD)	103 holes	2,39	7,301
Reverse Circulation Drillholes (RC)	120 holes	1,733	7,11
Trench/Channel (TR/CH)	177 lines	2,658	7,281
<b>Total</b>	<b>400 units</b>	<b>6,781</b>	<b>21,692</b>

\* Note: the above table represents the total sample database, not all samples were used for grade and tonnage estimation.

The total JORC Mineral Resource for Stakhanovsky is 4.4 Mt @ 2.3 g/t Au, comprising 327 koz Au. This estimate is based on a cut-off grade of 0.5 g/t Au. Due to the coarse-grained nature of the gold mineralisation, it is possible that Ovoca will mine the deposit to the geological boundaries in order to maximise gold recovery.

Table 2. Stakhanovsky Mineral Resources by Classification

Resource Category	Tonnes (Mt)	Au Grade (g/t)	Gold (koz)
Open Pit			
Measured + Indicated	2.8	2.6	231
Inferred	1.6	1.9	96
<b>Total</b>	<b>4.4</b>	<b>2.3</b>	<b>327</b>

Note:

- Unless otherwise stated all Mineral Resources are quoted as 100% and are not attributable with respect to ownership.
- Results are rounded to one decimal place in this table to reflect the level of accuracy of the estimate.
- Resources reported to cut-off grade = 0.5 g/t Au.

Magadannedra (Regional Office of “GKZ” the State Reserves Committee) have approved the temporary resource calculation conditions, aimed at upgrading the Stakhanovsky Resource. In addition, Magadannedra has extended the terms for the next stage of exploration at Stakhanovsky field up to 2018.

### Additional information

The year 2015 was very challenging for Ovoca in terms of navigating the Russian legal system and courts. Regarding the outstanding loan to LLC Taymura, after a reasonable timeframe of dialog with the debtor and complications due to adverse actions from LLC Taymura owners (artificial inflation of debt levels to effect control), Ovoca was forced to apply to the arbitration court for a bankruptcy petition against LLC Taymura. The Company took ten months to complete three stages of Russian arbitration court procedures to obtain a final judgement, which was issued on 27.03.2015. The final judgement is for Ovoca to seek full payment of its loan to LLC Taymura plus accumulated interest. On 15.09.2015 the arbitration manager was appointed by the Court and on 15.02.2016 LLC Taymura was declared bankrupt. Ovoca is one of the main creditors of LLC Taymura and proactively participates in bankruptcy procedures to secure its interests as a creditor. During 2015 Ovoca participated in 42 court hearings, and although management continues to take all necessary and lawful actions available to the Company, it remains unclear if the loan will be recovered in full.

Regional office  
in Magadan



# Directors and corporate information

## Directors

**Mikhail Mogutov**  
Executive Chairman

**Kirill Golovanov**  
CEO (Executive Director)

**Kenneth Kuchling**  
Non-Executive Director

**Yuri Radchenko**  
Non-Executive Director

**Donald Schissel**  
Non-Executive Director

**Leonid Skoptsov**  
Non-Executive Director

**Timothy McCutcheon**  
Non-Executive Director

**Registered Office**  
78 Merrion Square South  
Dublin 2  
Ireland

**Business Address**  
78 Merrion Square South  
Dublin 2  
Ireland

**Other Business Information**  
Svetlana Radchenko  
CFO

Kirill Golovanov  
Corporate Secretary

**Registration number**  
105274

**Incorporated**  
15 January 1985

**Web site**  
[www.ovocagold.com](http://www.ovocagold.com)

**Principal banker**  
Allied Irish Banks plc  
Terenure Road  
Rathgar  
Dublin 6  
Ireland

**Auditors**  
Grant Thornton  
Chartered Accountants &  
Registered Auditors  
Molyneux House  
Bride Street  
Dublin 8  
Ireland

**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

The Directors present their annual report and audited financial statements for the year ended 31 December 2015 of Ovoca Gold plc ("the Company"), a company registered and domiciled 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 for the foreseeable future.

A detailed business review is included in the company information and property 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 – completion of production plan.

## Results and Dividends

The results are disclosed on page 35 of the financial statements. The directors do not recommend the payment of a dividend.

## Principal Risks and Uncertainties

The Group's operating activities are principally carried out 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 economic 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 on the Company's financial position and results in future.
- > **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 maximum exposure of the Group's financial assets which are subject to credit risk:

	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000
Trade and other receivables (Note 18)	62	49	68	59
Loans and receivables (Note 19)	678	879	741	1,067
Cash and cash equivalents (Note 20)	7,340	7,294	8,019	8,866
<b>Total</b>	<b>8,080</b>	<b>8,222</b>	<b>8,828</b>	<b>9,992</b>

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.

- > **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.

Balances due within 1 year	Group	Group	Group	Group
	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
Trade and other payables (Note 21)	269	298	294	358
<b>Total</b>	<b>269</b>	<b>298</b>	<b>294</b>	<b>358</b>

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 20), trade and other receivables (Note 18) and available for sale financial assets (Note 16) significantly exceed the current cash outflow requirements.

- > **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.

## Directors and Secretary and Their Interests

In accordance with Section 329 of the Companies Act 2014, the interests (all of which are beneficial) of the Directors and Secretary who held office at the date of approval of the annual report and at 31 December 2015 and their families in the share capital of the Company were:

	Ord shares of 12.5 cents each			Options over Ord shares		
	22/06/16	31/12/15	01/01/15	22/06/16	31/12/15	01/01/15
Mikhail Mogutov	-	-	11,656,203	200,000	200,000	200,000
Leonid Skoptsov	11,656,203	11,656,203	11,656,203	200,000	200,000	200,000
Yuri Radchenko	11,656,202	11,656,202	11,656,202	200,000	200,000	200,000
Timothy McCutcheon	-	-	-	-	-	-
Donald Schissel	-	-	-	200,000	200,000	200,000
Kenneth Kuchling	-	-	-	200,000	200,000	200,000
Kirill Golovanov	16,256,203	16,256,203	-	1,800,000	1,800,000	1,800,000

Further details of the above share options of the directors as at 31 December 2015 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
Donald Schissel	200,000	£0.30	20 January 2017
Kenneth Kuchling	200,000	£0.36	20 January 2018
Kirill Golovanov	1,800,000	£0.25	20 January 2017

Kirill Golovanov, Chief Executive Officer of the Company, had purchased 11,656,203 ordinary shares in the Company at a price of Stg 4.95 pence per ordinary share on 6 October 2015. Mr Golovanov purchased the ordinary shares from Salyco Trading Co. Limited ("Salyco"), a company connected to Mikhail Mogutov, Chairman of Ovoca. Salyco and Mr. Mogutov no longer have any interest in the ordinary shares of the Company.

On 12 October 2015, Mr. Golovanov, purchased 4,600,000 ordinary shares in the Company at a price of Stg 5.40 pence per ordinary share. Mr Golovanov purchased the ordinary shares from Trikeri Investments Limited ("Trikeri"), Trikeri no longer has any interest in the ordinary shares of the Company.

Following this transaction, Kirill Golovanov holds 16,256,203 ordinary shares of the Company, or 18.4% of the issued share capital.

## Share Price

The Company's shares are primarily traded on the Enterprise Securities Market (ESM) of the Irish Stock Exchange, and the Alternative Investment Market (AIM) of the London Stock Exchange. The Company's shares are also traded on the Frankfurt, Berlin, Munich and Stuttgart exchanges.

The market price of the Company's shares on ESM at 31 December 2015 was €0.08 (2014: €0.09). During the year ended 31 December 2015 the market price of the Company's shares ranged from €0.05 to €0.11 (2014: €0.07 to €0.12).

The market price of the Company's share on AIM at 31 December 2015 was £0.05 pence (2014: £0.08 pence). During the year ended 31 December 2015 the market price of the Company's shares ranged from £0.04 to £0.07 (2014: £0.06 to £0.09).

## 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 31 May 2016 are as follows:

	Ordinary shares of €1.25c each	% of issued share capital
Euroclear Nominees Limited	14,698,561	16.62%
BBHISL Nominees (HSBC)	7,633,143	9.36%
Citibank Nominees (Ireland)	4,919,592	5.56%
Redmayne (Nominees) Limited	4,891,804	5.53%
Davy Crest Nominees	4,298,704	4.86%
Chase Nominees Limited	3,231,200	3.65%

## Group Undertakings

Details of the Company's subsidiary undertakings are set out in note 15 to the financial statements.

## Directors' Interest in Contracts

None of the Directors had a beneficial interest in any contract to which the Company or Group was a party during the period except as detailed in note 25.

## Political Donations

The Group made no political donations during the period.

## Going Concern

The Group has significant liquid resources in the form of cash reserves of €7.3 million and available for sale financial assets of €12.3million and the Directors are satisfied that there are sufficient levels of funding within the Group to enable them to trade for the foreseeable future, and to explore further investment opportunities if appropriate projects exist.

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.



## Recoverability of Loans and Receivables

In the prior year, the company entered into a loan agreement with a third party. In return for a US\$6,345,000 loan, Ovoca Gold plc received an exclusive period to complete due diligence on JSC Evenkiya Fuel and Energy Company (Etek) and LLC Taymura. The loan was secured by certain receivables of LLC Taymura, non-encumbrance of the assets for the exclusive period, and personal guarantees. In the event that acquisition terms could not be agreed the loan was to be returned with interest to the company. The loan subsequently went in to default for non repayment.

The company has taken legal measures under Russian law to recover the full amount including interest. Payables, assets and accounts have been seized by the courts on behalf of Ovoca Gold plc.

During the current year, a portion of the receivables was impaired down to the amount of \$740,261, which was received by the Company subsequent to the year end.

## 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.

### Kirill Andreyevich Golovanov, Chief Executive Officer

Mr. Golovanov joined Ovoca as a corporate advisor in 2007 and moved to be the manager of the Company's Russia representative office in 2009. During his time at Ovoca he played a major role in the development and subsequent sale of the Goltsovoye silver deposit. He has extensive experience in mining and corporate law, as well as working experience at leading Russian enterprises, such as Gazprombank and Vneshekonombank. Additionally, he was a department manager in the Federal Service on Bankruptcy and Finance Restoration – a subdivision of the Russian Federation Ministry of Finance.

JD, Moscow State Law Academy, Moscow, Russia. MBA, Duke University's Fuqua School of Business, NC, USA. Fluent in Russian and English.

## Details of Non-Executive Directors

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### **Tim McCutcheon, Non-Executive Director**

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.

### **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 Volganefit 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. 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.

### **Donald 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. Donald was Regional Exploration Manager - Eurasia between 1992 – 1999, as well as Exploration Manager - Russia and Kazakhstan between 2005 – 2009. During Don'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 2012. 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

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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

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The board currently has seven directors, comprising two Executive Directors and five Non-Executive Directors. The Board met formally on 6 occasions during 2015. 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](http://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

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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

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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.

## Auditor Independence

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Ethical Standards for auditors sets out the requirement for audit rotation. ES 3 Long association with the audit engagement (revised) states that in the case of listed companies, save where the circumstances contemplated in paragraph 15 and 16 apply, the audit firm shall establish policies and procedures to ensure that: a) no one shall act as audit engagement partner for more than five years; and b) anyone who has acted as the audit engagement partner for a particular audited entity for a period of five years, shall not subsequently participate in the audit engagement until a further period of five years has elapsed.

However, paragraph 16 of that standard states that in circumstances where the audit committee (or equivalent) of the audited entity decide that a degree of flexibility over the timing of rotation is necessary to safeguard the quality of the audit and the audit firm agrees, the audit engagement partner may continue in this position for an additional period of up to two years, so that no longer than seven years in total is spent in the position of audit engagement partner. An audit committee and the audit firm may consider that such flexibility safeguards the quality of the audit, for example, where:

- > substantial change has recently been made or will soon be made to the nature or structure of the audited entity's business; or
- > there are unexpected changes in the senior management of the audited entity.

In this regard it has been agreed that due to the substantial changes in the nature of the business due to the scaled back exploration activity in Russia and the continued review of further investment opportunities, that the audit Committee proposed to retain the existing audit partner.

## Accounting Records

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The Directors believe that they have complied with the requirement of section 281 to 285 of the Companies Act, 2014, with regard to the keeping of accounting records by employing persons with appropriate expertise and by providing adequate resources to the financial function. The accounting records are held at the company's business address at 78 Merrion Square South, Dublin 2, Ireland.

## Events After Reporting Period

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Events subsequent to the period end are dealt with in note 28 to the financial statements.

## Auditors

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The auditors, Grant Thornton, continue in office in accordance with section 383(2) of the Companies Act 2014.

This report was approved by the board on 22 June 2016 and signed on its behalf.

Leonid Skoptsov

Kirill Golovanov

Director

Director

## Directors' Responsibilities 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 Irish law and regulations.

The Group and Company financial statements are required by law to present fairly their financial position and performance for each financial year.

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 accounting estimates that are reasonable and prudent;
- > state whether the financial statements have been prepared in accordance with applicable accounting
- > standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the Group and Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Group and Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Approved on behalf of the Board on 22 June 2016

Leonid Skoptsov  
Director

Kirill Golovanov  
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 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Loss, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cashflows, the Company Statement of Cashflows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as applied in accordance with the provisions of the Companies Act, 2014.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

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In our opinion:

- > the group 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 2015 and of its loss for the year then ended;
- > the parent company statement of financial position gives a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act, 2014, of the state of the parent company's assets, liabilities and financial position as at 31 December 2015; and

## **Matters on which we are required to report by the Companies Act, 2014**

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- > We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- > In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- > The parent company statement of financial position is in agreement with the accounting records.
- > In our opinion the information given in the directors' report is consistent with the financial statements.

## **Matters on which we are required to report by exception**

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We have nothing to report in respect of the provisions in the Companies Act, 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

**Aidan Connaughton**

For and on behalf of

Grant Thornton

Chartered Accountants and Registered Auditors

Molyneux House

Bride Street

Dublin 8

Date: 22 June 2016

# Statement of Accounting Policies

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 Irish Statute comprising the Companies Act, 2014.

The Company has availed of the exemption in Section 304(2) of the Companies Act, 2014 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 304(2)(c) of the Companies Act, 2014.

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 2015.

The following standards and interpretations became effective for the 2015 financial statements but these were either not relevant to or did not have a material impact on the Group's financial statements:

- > IAS 19 (amendment) – Defined benefit plans: Employee Contributions;
- > Annual improvements to IFRSs 2010 – 2012 Cycle – various standards;
- > Annual improvements to IFRSs 2011 – 2013 Cycle – various standards.

The Group has not applied the following standards and interpretations which have been issued and become effective for accounting periods beginning after the commencement of the Group's next financial year but either have no impact or are not expected to have a material impact on the Group's financial statements:

- > IFRS 9 – Financial Instruments;
- > IFRS 10, IFRS 12, IAS 28 (amendment) – Investment Entities: Applying the Consolidation Exception;
- > IFRS 10, IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- > IFRS 11 (amendment) – Accounting for Acquisitions of Interests in Joint Operations;

- > IFRS 14 – Regulatory Deferral Accounts;
- > IFRS 15 – Revenue from contracts with customers;
- > IAS 1 (amendment) – Disclosure Initiative;
- > IAS 16 / 38 (amendment) – Property, Plant and Equipment / Intangible Assets; Clarification of acceptable methods of depreciation and amortisation;
- > IAS 16 / 41 (amendment) – Agriculture: Bearer Plants;
- > IAS 27 (amendment) – Equity Method in Separate Financial Statements;
- > Annual improvements to IFRSs 2012 – 2014 Cycle – various standards.

The standards and interpretations addressed above will be applied for the purposes of the Group financial statements with effect from the date they become effective.

## **Basis of preparation**

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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**

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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**

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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**

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The consolidated financial statements comprise the financial statements of Ovoca Gold plc and its subsidiaries for the year ended 31 December 2015.

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:

- i. the operations are ongoing in the area of interest and exploration or evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; or
- ii. such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its realisation.

When the Directors decide that no further expenditure on an area of interest is worthwhile, the related expenditure is written off or down to an amount which it considers 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

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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
Buildings	- 2% Straight line

## Assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continued use. This condition is regarded as satisfied only when the sale is highly probable (to be completed within one year from date of classification) and the asset is available for immediate sale in its present condition.

## 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 27 of the consolidated financial statements.

For any share options granted, 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**

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Issue expenses are written off against the premium arising on the issue of share capital.

### **Earnings per share**

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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**

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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**

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

## **Other loans and receivables**

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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 recognised at fair value on recognition and amortised cost thereafter. 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.

## **Trade and other receivables**

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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

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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

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

## Trade payables

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Trade payables are initially stated at fair value which, given the short-dated nature of these liabilities equates to initial cost. Trade payables 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

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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.

**Recoverability of loans and receivables**

Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that loans and receivables may be impaired. The Directors use all available information to them to assess if loans and receivables may be impaired. The amount of any 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 if applicable.

**Fair values**

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- > **Level 1:** quoted prices (unadjusted) in active markets for identical assets and liabilities
- > **Level 2:** valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- > **Level 3:** valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

**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.

# Financial Statements

## Consolidated Income Statement

	Note	2015 €'000	2014 €'000	2015 \$'000	2014 \$'000
Administration expenses	3	(1,160)	(1,618)	(1,287)	(2,154)
Other gains and losses	5	(1,940)	(5,739)	(2,153)	(7,069)
<b>Operating loss</b>		<b>(3,100)</b>	<b>(7,357)</b>	<b>(3,440)</b>	<b>(9,223)</b>
Finance costs	6	(10)	(8)	(12)	(11)
Finance income	6	888	720	986	957
<b>Loss for the year before tax</b>		<b>(2,222)</b>	<b>(6,645)</b>	<b>(2,466)</b>	<b>(8,277)</b>
Income tax	11	-	-	-	-
<b>Loss for the year</b>		<b>(2,222)</b>	<b>(6,645)</b>	<b>(2,466)</b>	<b>(8,277)</b>
Attributable to:					
Owners of the parent		(2,222)	(6,645)	(2,466)	(8,277)
		(2,222)	(6,645)	(2,466)	(8,277)
<b>Loss per share</b>					
Basic loss per share (cents)	12	(2.72)c	(7.61)c	(3.02)c	(9.47)c
Fully diluted loss per share (cents)	12	(2.72)c	(7.61)c	(3.02)c	(9.47)c

The accompanying notes on pages 43 to 55 form an integral part of these financial statements.

## Consolidated Statement of Comprehensive Loss

Note	2015 €'000	2014 €'000	2015 \$'000	2014 \$'000
Loss for the year	(2,222)	(6,645)	(2,466)	(8,277)
Other comprehensive expense:				
<b>Total comprehensive loss for the year</b>	<b>(2,222)</b>	<b>(6,645)</b>	<b>(2,466)</b>	<b>(8,277)</b>

There is no income tax impact in respect of the components recognised within the statement of comprehensive loss.

The accompanying notes on pages 43 to 55 form an integral part of these financial statements.

## Consolidated Statement of Changes In Equity

	Share capital €'000	Other reserves €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Retained earnings €'000	Total (attributable to owners of the parent) €'000
<b>At 1 January 2015</b>	<b>11,057</b>	<b>11</b>	<b>4,703</b>	<b>1,294</b>	<b>5,394</b>	<b>22,459</b>
<b>Comprehensive loss:</b>						
Loss for the year	-	-	-	-	(2,222)	(2,222)
<b>Other comprehensive income:</b>						
Exchange movement	-	-	1,761	-	-	1,761
<b>Total comprehensive income/ (loss)</b>	<b>-</b>	<b>-</b>	<b>1,761</b>	<b>-</b>	<b>(2,222)</b>	<b>(461)</b>
<b>Transactions with owners:</b>						
Acquisition of own shares	-	-	-	-	(547)	(547)
	-	-	-	-	(547)	(547)
<b>Balance at 31 December 2015</b>	<b>11,057</b>	<b>11</b>	<b>6,464</b>	<b>1,294</b>	<b>2,625</b>	<b>21,451</b>
<b>At 1 January 2014</b>	<b>11,057</b>	<b>11</b>	<b>1,573</b>	<b>1,294</b>	<b>12,039</b>	<b>25,974</b>
<b>Comprehensive loss:</b>						
Loss for the year	-	-	-	-	(6,645)	(6,645)
<b>Other comprehensive expense:</b>						
Exchange movement	-	-	3,130	-	-	3,130
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>3,130</b>	<b>-</b>	<b>(6,645)</b>	<b>(3,515)</b>
<b>Balance at 31 December 2014</b>	<b>11,057</b>	<b>11</b>	<b>4,703</b>	<b>1,294</b>	<b>5,394</b>	<b>22,459</b>

The accompanying notes on pages 43 to 55 form an integral part of these financial statements

## Company Statement of Changes in Equity

	Share capital €'000	Other reserves €'000	Share based payment reserve €'000	Retained earnings €'000	Total (attribut- able to owners of the parent) €'000
<b>At 1 January 2015</b>	<b>11,057</b>	<b>11</b>	<b>1,294</b>	<b>8,387</b>	<b>20,749</b>
Profit for the year	-	-	-	671	671
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>671</b>	<b>671</b>
<b>At 31 December 2015</b>	<b>11,057</b>	<b>11</b>	<b>1,294</b>	<b>9,058</b>	<b>21,420</b>
<b>At 1 January 2014</b>	<b>11,057</b>	<b>11</b>	<b>1,294</b>	<b>15,607</b>	<b>27,969</b>
<b>Comprehensive loss:</b>					
Loss for the year	-	-	-	(7,220)	(7,220)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,220)</b>	<b>(7,220)</b>
<b>At 31 December 2014</b>	<b>11,057</b>	<b>11</b>	<b>1,294</b>	<b>8,387</b>	<b>20,749</b>

The accompanying notes on pages 43 to 55 form an integral part of these financial statements.

## Consolidated Statement of Financial Position

	Note	2015 €'000	2014 €'000	2015 \$'000	2014 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Inventories	17	46	54	51	66
Trade and other receivables	18	62	49	68	59
Loans and receivables	19	678	879	741	1,067
Cash and cash equivalents	20	7,340	7,294	8,019	8,866
<b>Total current assets</b>		<b>8,126</b>	<b>8,276</b>	<b>8,879</b>	<b>10,058</b>
<b>Non-current assets</b>					
Property, plant and equipment	14	1,331	2,946	1,824	4,005
Available for sale financial assets	16	12,263	11,535	13,398	14,020
<b>Total non-current assets</b>		<b>13,594</b>	<b>14,481</b>	<b>15,222</b>	<b>18,025</b>
<b>Total assets</b>		<b>21,720</b>	<b>22,757</b>	<b>24,101</b>	<b>28,083</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	21	269	298	294	358
Contingent provisions	13	-	-	-	-
<b>Total current liabilities</b>		<b>269</b>	<b>298</b>	<b>294</b>	<b>358</b>
<b>Net assets</b>		<b>21,451</b>	<b>22,459</b>	<b>23,807</b>	<b>27,725</b>
<b>Equity</b>					
Ordinary shares	22	11,057	11,057	15,586	15,586
Other reserves	24	11	11	16	16
Foreign currency translation reserve	24	6,464	4,703	2,305	3,150
Share based payment reserve	24	1,294	1,294	1,759	1,759
Retained earnings	23	2,625	5,394	4,141	7,214
		<b>21,451</b>	<b>22,459</b>	<b>23,807</b>	<b>27,725</b>

The accompanying notes on pages 43 to 55 form an integral part of these financial statements.

Approved on behalf of the Board of Directors on 22 June 2016

Leonid Skoptsov  
Director

Kirill Golovanov  
Director



## Company Statement Of Financial Position

	Note	2015 €'000	2014 €'000	2015 \$'000	2014 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Trade and other receivables	18	681	594	744	723
Loans and receivables	19	678	879	741	1,067
Cash and cash equivalents	20	62	24	68	29
<b>Total current assets</b>		<b>1,421</b>	<b>1,497</b>	<b>1,553</b>	<b>1,819</b>
<b>Non-current assets</b>					
Property, plant and equipment	14	4	8	5	10
Financial assets	15	23,780	22,232	25,980	27,023
<b>Total non-current assets</b>		<b>23,784</b>	<b>22,240</b>	<b>25,985</b>	<b>27,033</b>
<b>Total assets</b>		<b>25,205</b>	<b>23,737</b>	<b>27,538</b>	<b>28,852</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	21	3,785	2,988	4,135	3,632
<b>Total current liabilities</b>		<b>3,785</b>	<b>2,988</b>	<b>4,135</b>	<b>3,632</b>
<b>Total liabilities</b>		<b>3,785</b>	<b>2,988</b>	<b>4,135</b>	<b>3,632</b>
<b>Net assets</b>		<b>21,420</b>	<b>20,749</b>	<b>23,403</b>	<b>25,220</b>
<b>Equity</b>					
Ordinary shares	22	11,057	11,057	15,586	15,586
Other reserves	24	11	11	16	16
Foreign currency translation reserve	24	-	-	(9,069)	(6,507)
Share based payment reserve	24	1,294	1,294	1,764	1,764
Retained earnings	23	9,058	8,387	15,106	14,361
		<b>21,420</b>	<b>20,749</b>	<b>23,403</b>	<b>25,220</b>

The accompanying notes on pages 43 to 55 form an integral part of these financial statements

Approved on behalf of the Board of Directors on 22 June 2016

Leonid Skoptsov  
Director

Kirill Golovanov  
Director

## Consolidated Statement Of Cashflows

	Note	2015 €'000	2014 €'000	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>					
<b>Continuing operations</b>					
Net loss for the year before tax		(2,222)	(6,645)	(2,466)	(8,277)
Foreign currency reserve movement		1,761	3,130	(845)	307
Impairment and exchange movement on available for sale assets	16	(728)	(768)	622	802
Impairment of tangible assets		1,569	-	2,130	-
Treasury shares	22	(547)	-	(607)	-
Impairment of and exchange movement on loans and receivables	19	201	4,282	326	5,951
Depreciation	14	46	62	51	82
Gain on disposal of tangible assets	3	-	(77)	-	(102)
Net finance income	6	878	(712)	974	(946)
Decrease in inventories	17	8	359	15	503
Increase/decrease in trade and other receivables	18	(13)	22	(9)	38
Increase/decrease in trade and other payables	21	(29)	20	(64)	(25)
<b>Net cash generated from operating activities</b>		<b>924</b>	<b>(327)</b>	<b>127</b>	<b>(1,667)</b>
<b>Cash flows from financing activities</b>					
Net interest received and dividend income	6	(878)	205	(974)	273
<b>Net cash used in financing activities</b>		<b>(878)</b>	<b>205</b>	<b>(974)</b>	<b>273</b>
<b>Cash flows from investing activities</b>					
Advances of loans and receivables	19	-	(4,654)	-	(6,345)
Payment of contingent consideration	13	-	(2,179)	-	(3,000)
Net purchases of property, plant and equipment	14	-	184	-	243
<b>Net cash from investing activities</b>		<b>-</b>	<b>(6,649)</b>	<b>-</b>	<b>(9,102)</b>
Net increase/(decrease) in cash and cash equivalents		46	(6,771)	(847)	(10,496)
Cash and cash equivalents at the beginning of year	20	7,294	14,065	8,866	19,362
<b>Cash and cash equivalents at the end of year</b>	<b>20</b>	<b>7,340</b>	<b>7,294</b>	<b>8,019</b>	<b>8,866</b>

The accompanying notes on pages 43 to 55 form an integral part of these financial statements.

## Company Statement Of Cashflows

	Note	2015 €'000	2014 €'000	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>					
Net loss for the year before tax		671	(7,220)	745	(9,597)
Foreign currency movements		-	-	(2,558)	(3,684)
Depreciation	14	4	6	5	8
Net finance income		(3)	(546)	(3)	(725)
Increase in trade and other receivables	18	(87)	(76)	(21)	(10)
Increase in trade and other payables	21	797	965	503	848
Impairment of and exchange movement on loans and receivables	19	201	4,282	326	5,951
Impairment of financial assets	15	(1,548)	2,402	1,043	6,887
<b>Net cash generated from operating activities</b>		<b>35</b>	<b>(187)</b>	<b>36</b>	<b>(322)</b>
<b>Cash flows from financing activities</b>					
Net interest received		3	39	3	52
<b>Net cash used in financing activities</b>		<b>3</b>	<b>39</b>	<b>3</b>	<b>52</b>
<b>Cash flows from investing activities</b>					
Advances of loans and receivables	19	-	(4,654)	-	(6,345)
<b>Net cash from investing activities</b>		<b>-</b>	<b>(4,654)</b>	<b>-</b>	<b>(6,345)</b>
Net (decrease)/increase in cash and cash equivalents		38	(4,802)	39	(6,615)
Cash and cash equivalents at the beginning of year	20	24	4,826	29	6,644
<b>Cash and cash equivalents at the end of year</b>	<b>20</b>	<b>62</b>	<b>24</b>	<b>68</b>	<b>29</b>

The accompanying notes on pages 43 to 55 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1 Going concern

The Directors have reviewed the current state of the group's finances, taking into account resources currently available. The Directors are satisfied that sufficient funding will be available to the group to enable it to trade 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

At 31 December 2015, the Group had two business segments, exploration activities and investment. Exploration activities are primarily carried out by subsidiary companies, Comtrans, Bulun and Magsel 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 2015

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities US\$'000	Investment US\$'000	Unallocated US\$'000	Total US\$'000
Administration expenses	(142)	(482)	(536)	(1,160)	(157)	(535)	(595)	(1,287)
Other gains and losses	(783)	(2,101)	944	(1,940)	(869)	(2,332)	1,048	(2,153)
<b>Operating loss</b>	<b>(925)</b>	<b>(2,583)</b>	<b>408</b>	<b>(3,100)</b>	<b>(1,026)</b>	<b>(2,867)</b>	<b>(453)</b>	<b>(3,440)</b>
Finance costs	(2)	(5)	(3)	(10)	(2)	(6)	(4)	(12)
Finance income	-	888	-	888	-	986	-	986
<b>Loss before tax</b>	<b>(927)</b>	<b>(1,700)</b>	<b>405</b>	<b>(2,222)</b>	<b>(1,028)</b>	<b>(1,887)</b>	<b>(449)</b>	<b>(2,466)</b>
Income tax	-	-	-	-	-	-	-	-
<b>Loss after tax</b>	<b>(927)</b>	<b>(1,700)</b>	<b>405</b>	<b>(2,222)</b>	<b>(1,028)</b>	<b>(1,887)</b>	<b>(449)</b>	<b>(2,466)</b>
Segment assets	1,427	20,471	(178)	21,720	1,929	22,365	(193)	24,101
Segment liabilities	(4)	-	(265)	(269)	(4)	-	(290)	(294)
<b>Net assets</b>	<b>1,423</b>	<b>20,471</b>	<b>(443)</b>	<b>21,451</b>	<b>1,925</b>	<b>22,365</b>	<b>(483)</b>	<b>23,807</b>

## Continuing Operations — 31 December 2014

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities US\$'000	Investment US\$'000	Unallocated US\$'000	Total US\$'000
Administration expenses	(358)	(405)	(855)	(1,618)	(475)	(538)	(1,141)	(2,154)
Other gains and losses	-	(1,055)	(4,684)	(5,739)	-	(1,402)	(5,667)	(7,069)
<b>Operating loss</b>	<b>(358)</b>	<b>(1,460)</b>	<b>(5,539)</b>	<b>(7,357)</b>	<b>(475)</b>	<b>(1,940)</b>	<b>(6,808)</b>	<b>(9,223)</b>
Loss on disposal of assets held for sale	-	-	-	-	-	-	-	-
Finance costs	-	(5)	(3)	(8)	-	(7)	(4)	(11)
Finance income	-	174	546	720	-	231	726	957
<b>Loss before tax</b>	<b>(358)</b>	<b>(1,291)</b>	<b>(4,996)</b>	<b>(6,645)</b>	<b>(475)</b>	<b>(1,716)</b>	<b>(6,086)</b>	<b>(8,277)</b>
Income tax	-	-	-	-	-	-	-	-
<b>Loss after tax</b>	<b>(358)</b>	<b>(1,291)</b>	<b>(4,996)</b>	<b>(6,645)</b>	<b>(475)</b>	<b>(1,716)</b>	<b>(6,086)</b>	<b>(8,277)</b>
Segment assets	3,083	18,669	1,005	22,757	4,169	22,692	1,222	28,083
Segment liabilities	(10)	-	(288)	(298)	(12)	-	(346)	(358)
<b>Net assets</b>	<b>3,073</b>	<b>18,669</b>	<b>717</b>	<b>22,459</b>	<b>4,157</b>	<b>22,692</b>	<b>876</b>	<b>27,725</b>

3	Loss on ordinary activities before taxation on continuing operations	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
<b>Administration expenses</b>					
	Employee expense (Note 8)	(177)	(435)	(195)	(578)
	Directors remuneration (Note 9)	(381)	(312)	(424)	(412)
	Depreciation (Note 14)	(46)	(62)	(51)	(82)
	Gain on sale of tangible assets	-	77	-	102
	Services provided by the group's auditors (Note 4)	(57)	(53)	(63)	(71)
	Operating lease rentals - property (Note 29)	(9)	(111)	(10)	(148)
	Other administration expenses	(490)	(722)	(544)	(965)
	<b>Total administration expenses</b>	<b>(1,160)</b>	<b>(1,618)</b>	<b>(1,287)</b>	<b>(2,154)</b>

4	Services provided by the auditor	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
	Audit services – group audit	36	34	40	45
	Audit services- statutory entities	13	11	14	15
	Tax advisory services	8	8	9	11
	<b>Total auditors remuneration</b>	<b>57</b>	<b>53</b>	<b>63</b>	<b>71</b>

5	Other gains and losses	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
	Impairment of fixed assets	(783)	-	(869)	-
	Bad debts written off	(3)	-	(4)	-
	Impairment of available for sale financial assets (Note 16)	(23)	(34)	(25)	(45)
	Exchange movement on contingent consideration (Note 13)	-	(78)	-	-
	Impairment of loans and receivables (Note 19)	(96)	(4,897)	(107)	(5,951)
	Realised foreign exchange losses	(1,035)	(730)	(1,148)	(1,073)
	<b>Total other gains and losses</b>	<b>(1,940)</b>	<b>(5,739)</b>	<b>(2,153)</b>	<b>(7,069)</b>

6	Finance costs and finance income	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
	<b>Finance costs</b>				
	Bank interest and charges	(10)	(8)	(12)	(11)
	<b>Total finance costs</b>	<b>(10)</b>	<b>(8)</b>	<b>(12)</b>	<b>(11)</b>
	<b>Finance income</b>				
	Dividends received	888	164	986	218
	Bank and loan interest	-	556	-	739
	<b>Total finance income</b>	<b>888</b>	<b>720</b>	<b>986</b>	<b>957</b>

7	Employees The average monthly number of employees of the group during the financial year was:	31/12/2015 Number	31/12/2014 Number
	Administration and operational staff	8	8

8 Employment costs				
Staff costs (inclusive of directors) during the financial year were as follows:				
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	€'000	€'000	US\$'000	US\$'000
Wages and salaries	551	690	611	917
Social insurance costs	7	57	8	73
<b>Total employment costs</b>	<b>558</b>	<b>747</b>	<b>619</b>	<b>990</b>

The above employment costs relate to short term benefits only

9 Directors remuneration	Share-based benefits		Short-term benefits			
	2015	2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	Number of options		€'000	€'000	US\$'000	US\$'000
Mikhail Mogutov	200,000	200,000	108	90	120	120
Timothy McCutcheon	-	-	21	14	23	18
Yuri Radchenko	200,000	200,000	16	14	18	18
Donald Schissel	200,000	200,000	16	14	18	18
Leonid Skoptsov	200,000	200,000	34	14	38	18
Kenneth Kuchling	200,000	200,000	16	14	18	18
Kirill Golovanov	1,800,000	1,800,000	170	152	189	202
<b>Directors remuneration</b>	<b>2,800,000</b>	<b>2,800,000</b>	<b>381</b>	<b>312</b>	<b>424</b>	<b>412</b>

The share based benefits relate to the number of exercisable share options held by directors at the year end. Please refer to note 27 for details on share options granted in the year and the expense recognised. There were no options exercised during the year.

#### 10 Retirement benefit costs

The group does not operate a pension scheme.

11 Income tax (Group)				
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	€'000	€'000	US\$'000	US\$'000

<b>Income Tax</b>	-	-	-	-
<b>Reconciliation of factors affecting the income tax charge for the year</b>				
Loss on ordinary activities before tax	(2,222)	(6,645)	(2,466)	(8,343)
Corporation tax at standard rate 2015: 12.5% (2014: 12.5%)	(278)	(831)	(308)	(1,042)
<b>Effects of</b>				
Ineligible costs and losses carried forward to future periods	278	831	308	1,042
<b>Total income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 12 Loss per share

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 loss per share is calculated by adjusting the weighted average number of share in issue to assume conversion of all potential ordinary shares. For the purpose of calculating diluted loss per share for both 2015 and 2014, the potentially exercisable instruments in issue would have the effect of being antidilutive and, as such, the diluted loss per share is the same as the basic loss per share for both years.

Basic loss per share	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
Loss after taxation from continuing operations	(2,222)	(6,645)	(2,466)	(8,277)
Weighted average number of ordinary shares (thousands)	81,564	87,364	81,564	87,364
<b>Basic loss per share</b>	<b>(2,72)c</b>	<b>(7.61)c</b>	<b>(3.02)c</b>	<b>(9.47)c</b>

## Diluted loss per share

Weighted average number of ordinary shares (all measures) (thousands)	81,564	87,364	81,564	87,364
<b>Fully diluted loss per share</b>	<b>(2,72)c</b>	<b>(7.61)c</b>	<b>(3.02)c</b>	<b>(9.47)c</b>

Weighted average number of ordinary shares excludes 6,895,000 (2014: 1,095,000) ordinary shares which are held within the group as treasury shares.



**13 Business combinations (exploration licenses) and related contingent provision**

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 was contingent upon the achievement of certain exploration and licence targets. On 24 January 2013, the Group sold Olimp Limited.

In the prior year, the directors reviewed the probability of the remaining contingent consideration being paid in whole or in part. Given all available information at the last statement of financial position date, they concluded that it would be paid over the following twelve months. The revised contingent consideration was agreed with the vendors in 2014, and it was written down to that amount at 31 December 2013.

In 2013, the gain on settlement was brought to the income statement to offset the impairment of the licenses previously capitalised. Previously, contingent consideration was 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.

In the prior year, the revised contingent consideration was discharged in full.

The movement on deferred consideration during the year was as follows:

	31/12/2015 €'000	31/12/2015 US\$'000
Deferred consideration at 1 January 2015	-	-
Exchange rate movement for the year	-	-
Consideration paid during the year	-	-
<b>Deferred consideration at 31 December 2015</b>	<b>-</b>	<b>-</b>

The movement on deferred consideration during the prior year was as follows:

	31/12/2014 €'000	31/12/2014 US\$'000
Deferred consideration at 1 January 2014	2,179	3,000
Exchange rate movement for the year	78	-
Gain on settlement of deferred consideration	(2,257)	(3,000)
<b>Deferred consideration at 31 December 2014</b>	<b>-</b>	<b>-</b>

## 14 Property, plant and equipment

Group	Mining equip. €'000	Office furniture & equip. €'000	Land and buildings €'000	Total €'000	Mining equip. \$000	Office furniture & equip. \$'000	Land and buildings \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2015	2,150	69	1,131	3,350	2,887	109	1,526	4,522
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	(1,569)	-	-	(1,569)	(2,130)	-	-	(2,130)
<b>At 31 December 2015</b>	<b>581</b>	<b>69</b>	<b>1,131</b>	<b>1,781</b>	<b>757</b>	<b>109</b>	<b>1,526</b>	<b>2,392</b>
<b>Depreciation</b>								
At 1 January 2015	184	66	154	404	208	90	219	517
Charge for year	11	3	32	46	12	8	31	51
Disposals	-	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	<b>195</b>	<b>69</b>	<b>186</b>	<b>450</b>	<b>220</b>	<b>98</b>	<b>250</b>	<b>568</b>
<b>Net book values</b>								
<b>At 31 December 2015</b>	<b>386</b>	<b>-</b>	<b>945</b>	<b>1,331</b>	<b>537</b>	<b>11</b>	<b>1,276</b>	<b>1,824</b>
<b>At 31 December 2014</b>	<b>1,966</b>	<b>3</b>	<b>977</b>	<b>2,946</b>	<b>2,679</b>	<b>19</b>	<b>1,307</b>	<b>4,005</b>

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

Group	Mining equip. €'000	Office furniture & equip. €'000	Land and buildings €'000	Total €'000	Mining equip. \$000	Office furniture & equip. \$'000	Land and buildings \$'000	Total \$'000	
<b>Cost</b>									
At 1 January 2014		2,230	72	1,197	3,499	2,993	113	1,613	4,719
Additions		-	1	-	1	-	1	-	1
Disposals		(80)	(4)	(66)	(150)	(106)	(5)	(87)	(198)
<b>At 31 December 2014</b>		<b>2,150</b>	<b>69</b>	<b>1,131</b>	<b>3,350</b>	<b>2,887</b>	<b>109</b>	<b>1,526</b>	<b>4,522</b>
<b>Depreciation</b>									
At 1 January 2014		195	59	130	384	223	81	187	491
Charge for year		19	10	33	62	25	13	44	82
Disposal		(30)	(3)	(9)	(42)	(40)	(4)	(12)	(56)
<b>At 31 December 2014</b>		<b>184</b>	<b>66</b>	<b>154</b>	<b>404</b>	<b>208</b>	<b>90</b>	<b>219</b>	<b>517</b>
<b>Net book values</b>									
<b>At 31 December 2014</b>		<b>1,966</b>	<b>3</b>	<b>977</b>	<b>2,946</b>	<b>2,679</b>	<b>19</b>	<b>1,307</b>	<b>4,005</b>
<b>At 31 December 2013</b>		<b>2,035</b>	<b>13</b>	<b>1,067</b>	<b>3,115</b>	<b>2,770</b>	<b>32</b>	<b>1,426</b>	<b>4,228</b>

Company	31/12/2015				31/12/2014			
	Office furniture and equipment €'000	Total €'000	Office furniture and equipment \$'000	Total \$'000	Office furniture and equipment €'000	Total €'000	Office furniture and equipment \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2015	49	49	66	66	49	49	66	66
Additions	-	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	<b>49</b>	<b>49</b>	<b>66</b>	<b>66</b>	<b>49</b>	<b>49</b>	<b>66</b>	<b>66</b>
<b>Depreciation</b>								
At 1 January 2015	41	41	56	56	35	35	48	48
Charge for year	4	4	5	5	6	6	8	8
<b>At 31 December 2015</b>	<b>45</b>	<b>45</b>	<b>61</b>	<b>61</b>	<b>41</b>	<b>41</b>	<b>56</b>	<b>56</b>
<b>Net book value</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>10</b>

15 Financial assets – company						
	01/01/2015 €'000	Impairment during year €'000	31/12/2015 €'000	01/01/2015 US\$'000	Impairment during year US\$'000	31/12/2015 US\$'000
Silver Star Limited	22,232	1,548	23,780	27,023	(1,043)	25,980
<b>Investment in subsidiaries at cost</b>	<b>22,232</b>	<b>1,548</b>	<b>23,780</b>	<b>27,023</b>	<b>(1,043)</b>	<b>25,980</b>
	01/01/2014 €'000	Impairment during year €'000	31/12/2014 €'000	01/01/2014 US\$'000	Impairment during year US\$'000	31/12/2014 US\$'000
Silver Star Limited	24,634	(2,402)	22,232	33,910	(6,887)	27,023
<b>Investment in subsidiaries at cost</b>	<b>24,634</b>	<b>(2,402)</b>	<b>22,232</b>	<b>33,910</b>	<b>(6,887)</b>	<b>27,023</b>

In the opinion of the directors, the fair value of financial assets in the company statement of financial position at 31 December 2015 was equal to the carrying value at that date.

At 31 December 2015 the company had the following direct and indirect subsidiary undertakings:

Name	Registered office & country of incorporation	Activity	Proportion holding
CJSC Bulun	13 A Koltcevaya street, Magadan 685000, Russian Federation	Mineral Exploration	100%
Magsel Limited	13 A Koltcevaya street, Magadan 685000, Russian Federation	Mineral Exploration	100%
Comtrans	13 A Koltcevaya street, Magadan 685000, Russian Federation	Support Company	100%
Ovoca Mining Limited	36 Vyronos Avenue, Nicosia Tower Center, 8th Floor, 1506 Nicosia, Cyprus	Dormant	100%
Silver Star Limited	27 Reid Street, 1st Floor, Hamilton HM11, Bermuda	Investment	100%
Ovoca Gold (Russia) Limited	78 Merrion Sqaure South, Dublin 2, Ireland	Support company	100%

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

#### 16 Available for sale financial assets – group

	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
At 1 January 2014	11,535	10,767	14,020	14,822
Impairment	(23)	(34)	(25)	(45)
Exchange movement	751	802	(597)	(757)
<b>At 31 December 2015</b>	<b>12,263</b>	<b>11,535</b>	<b>13,398</b>	<b>14,020</b>

Available for sale financial assets include the following:

Quoted securities	12,263	11,535	13,398	14,020
Polymetal International plc	11,144	10,359	12,175	12,591
Asset managed fund	1,110	1,136	1,213	1,381
Other	9	40	10	48
	<b>12,263</b>	<b>11,535</b>	<b>13,398</b>	<b>14,020</b>

The Investment in Polymetal International plc represents the holding of 1,405,000 shares. Polymetal International plc is listed on the London stock exchange. The asset managed fund represents investments in quoted investments in US listed entities.

The above securities are denominated in the following currencies:

	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
Sterling	11,144	10,359	12,175	12,591
US Dollar	1,110	1,136	1,213	1,381
AUS Dollar	9	40	10	48
	<b>12,263</b>	<b>11,535</b>	<b>13,398</b>	<b>14,020</b>

At 31 December 2015, 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 €'000 577/US\$'000 701 higher/lower (2014: €'000 538/US\$'000 741 higher/lower), mainly as a result of changes in fair values.

All items listed are valued using Level 1 inputs. Valuation methods for Levels 1, 2 and 3 are described in the "fair value hierarchy" section of the accounting policies.

## 17 Inventories

	31/12/2015 €'000	31/12/2014 €'000	31/12/2015 US\$'000	31/12/2014 US\$'000
Inventories	46	54	51	66

The group has not recognised an inventory write down during the year (2014: €nil).

## 18 Trade and other receivables

	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Company 31/12/2015 €'000	Company 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000	Company 31/12/2015 US\$'000	Company 31/12/2014 US\$'000
Tax and social welfare	62	49	4	19	68	59	4	23
Amounts owed by group undertakings	-	-	677	575	-	-	740	700
	<b>62</b>	<b>49</b>	<b>681</b>	<b>594</b>	<b>68</b>	<b>59</b>	<b>744</b>	<b>723</b>

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.

## 19 Loans and receivables

	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Company 31/12/2015 €'000	Company 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000	Company 31/12/2015 US\$'000	Company 31/12/2014 US\$'000
Advanced during the year	879	4,654	879	4,654	1,067	6,345	1,067	6,345
Interest receivable	-	507	-	507	-	673	-	673
Exchange movement	(105)	615	(105)	615	(219)	-	(219)	-
Amounts impaired	(96)	(4,897)	(96)	(4,897)	(107)	(5,951)	(107)	(5,951)
Loans receivable	<b>678</b>	<b>879</b>	<b>678</b>	<b>879</b>	<b>741</b>	<b>1,067</b>	<b>741</b>	<b>1,067</b>

On February, 5 2014 the Company entered in to a loan agreement, as the lender with Taymura LLC, an unrelated company registered in Russia, as the Borrower. The Company has provided Taymura LLC a loan in the amount of US\$6,345,000. The loan was advanced at an initial interest rate of 8% per annum, increasing in the event of default to 12% per annum.

In return for the Company received an exclusive period to complete due diligence on JSC Evenkiya Fuel and Energy Company (ETEK) and LLC Taymura. The full amount of the loan and any interest accruing, was secured by certain receivables of LLC Taymura, non-encumbrance of the assets for the exclusive period and personal guarantees of a number of the shareholders of LLC Taymura. The loan subsequently went into default for non-repayment.

Ovoca Gold plc has taken measures under Russian law to recover the full amount including interest. Various assets have been seized by the courts on behalf of the Company and to date the company has recovered approximately US\$1 million in cash and receivables.

It is intended to rigorously pursue all available options to recover the loans and the Company has already taken steps to pursue the personal guarantees which were used to secure loan. The Directors believe that substantially the entire loan will be recovered, however there can be no certainty in that regard. Therefore during the year, the remaining portion of the total loan receivable was written down to amounts received in respect of collections from the assigned receivables after the year end.

20 Cash and cash equivalents								
	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Company 31/12/2015 €'000	Company 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000	Company 31/12/2015 US\$'000	Company 31/12/2014 US\$'000
Cash at bank and in hand	6,218	6,449	62	24	7,374	7,838	68	29
Short term deposits	1,122	845	-	-	645	1,028	-	-
	<b>7,340</b>	<b>7,294</b>	<b>62</b>	<b>24</b>	<b>8,019</b>	<b>8,866</b>	<b>68</b>	<b>29</b>

21 Trade and other payables								
	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Company 31/12/2015 €'000	Company 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000	Company 31/12/2015 US\$'000	Company 31/12/2014 US\$'000
Trade payables	223	231	215	231	244	281	235	281
Amounts owed to group undertakings	-	-	3,524	2,705	-	-	3,850	3,288
Accruals	46	67	46	52	50	77	50	63
	<b>269</b>	<b>298</b>	<b>3,785</b>	<b>2,988</b>	<b>294</b>	<b>358</b>	<b>4,135</b>	<b>3,632</b>

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

22 Share capital				
Group and company	31/12/2015 €	31/12/2014 €	31/12/2015 US\$	31/12/2014 US\$
Authorised equity				
120,000,000 Ordinary shares of 12.5 cent each	15,000,000	15,000,000	21,000,000	21,000,000
	<b>15,000,000</b>	<b>15,000,000</b>	<b>21,000,000</b>	<b>21,000,000</b>
			Number of ordinary shares	Share capital Share capital
Group and company				€'000 US\$'000
<i>Issued, called up and fully paid</i>				
At 1 January 2015			88,458,806	11,057 15,586
At 31 December 2015			88,458,806	11,057 15,586

On 28 April 2015, Ovoca Gold plc purchased 5,800,000 ordinary shares of nominal value €0.125 each of the issued share capital of the Company at a price of GBP 6.8p. Ovoca Gold plc intends to hold these shares as treasury stock. As of year end 2015, the Company has a total of 81,563,806 Ordinary Shares in issue excluding treasury shares of 6,895,000. The purchase was made pursuant to the authority granted by shareholders at an Extraordinary General Meeting of the Company held on 17 October 2014. To date, Ovoca has acquired 7.8% (2014: 6.6%) of its own share capital under this approved share buyback programme.

23 Retained earnings								
	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Company 31/12/2015 €'000	Company 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000	Company 31/12/2015 US\$'000	Company 31/12/2014 US\$'000
Surplus at 1 January	5,394	12,039	8,387	15,607	7,214	15,491	14,361	23,958
Loss for the year	(2,222)	(6,645)	671	(7,220)	(2,466)	(8,277)	745	(9,597)
Surplus at 31 December	<b>3,172</b>	<b>5,394</b>	<b>9,058</b>	<b>8,387</b>	<b>4,748</b>	<b>7,214</b>	<b>15,106</b>	<b>14,361</b>

In accordance with the provisions of the Companies Act 2014, Section 304(2), the Company has not presented an income statement. A loss for the year of €'000 7 (2014: €'000 7,220) has been recognised in the income statement of the Company.

24 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 2015	11	4,703	1,294	6,008	16	3,150	1,759	4,925
Exchange movements	-	1,761	-	1,761	-	(844)	-	(844)
<b>At 31 December 2015</b>	<b>11</b>	<b>6,464</b>	<b>1,294</b>	<b>7,769</b>	<b>16</b>	<b>2,306</b>	<b>1,759</b>	<b>4,081</b>
At 1 January 2014	11	1,573	1,294	2,878	16	2,843	1,759	4,618
Exchange movements	-	3,130	-	3,130	-	307	-	307
<b>At 31 December 2014</b>	<b>11</b>	<b>4,703</b>	<b>1,294</b>	<b>6,008</b>	<b>16</b>	<b>3,150</b>	<b>1,759</b>	<b>4,925</b>

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 2015	11	-	1,294	1,305	16	(6,507)	1,764	(4,727)
Exchange movements	-	-	-	-	-	(2,558)	-	(2,558)
<b>At 31 December 2015</b>	<b>11</b>	<b>-</b>	<b>1,294</b>	<b>1,305</b>	<b>16</b>	<b>(9,065)</b>	<b>1,764</b>	<b>(7,285)</b>
At 1 January 2014	11	-	1,294	1,305	16	(2,823)	1,764	(1,043)
Exchange movements	-	-	-	-	-	(3,684)	-	(3,684)
<b>At 31 December 2014</b>	<b>11</b>	<b>-</b>	<b>1,294</b>	<b>1,305</b>	<b>16</b>	<b>(6,507)</b>	<b>1,764</b>	<b>(4,727)</b>

## 25 Related party transactions

Details of subsidiary undertakings are shown in note 15. In accordance with International Accounting Standard 24 - 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 €'000 677 (2014:€'000 575) due from Comtrans, Included in amounts due to group undertakings of the Company is an amount of €'000 3,524 (2014: €'000 2,705) due to Silver Star Limited.

In the prior year the group entered into an agreement with DGGC, a company partly managed by Mr. Yuri Radchenko, for a sale and purchase agreement €'000 Nil (2014: €'000 1).

The Group entered into a Deed of Amendment dated June 11, 2014 related to a Master Agreement Transaction dated December, 18 2009 with Rivo Alto Enterprises Inc. In accordance with the Deed of Amendment, Silver Star Limited has made a payment during the prior year an amount of US\$'000 3,000 to Rivo Alto Enterprises Inc. in respect of contingent consideration due as further described in Note 13. Rivo Alto Enterprises Inc is a company connected to Mikhail Mogutov, Leonid Skoptsov and Yuri Radchenko.

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in Note 9 of the consolidated financial statements.

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

## 26 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.

## 27 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. Fair value is determined under the equity settled share based remuneration schemes operated by the group.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

The market vesting condition was factored into the valuation of the phantom options by applying an appropriate discount to the fair value of equivalent share appreciation rights without the specified vesting conditions.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

	Number of options	2015 Weighted average exercise price (€ cent per share)	Number of options	2014 Weighted average exercise price (€ cent per share)
Outstanding at 1 January 2015	3,800,000	39	3,800,000	39
Expired in the year	-	-	-	-
<b>Outstanding at 31 December 2015</b>	<b>3,800,000</b>	<b>39</b>	<b>3,800,000</b>	<b>39</b>
Of which:				
<b>Exercisable at 31 December 2015</b>	<b>3,800,000</b>	<b>39</b>	<b>3,800,000</b>	<b>39</b>

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

	Number of options	Exercise price	Date of expiry
	600,000	€0.80c	28/07/2016
	2,800,000	£0.25p	20/01/2017
	200,000	£0.30p	20/01/2017
	200,000	£0.36p	20/01/2018
	<b>3,800,000</b>		

## 28 Events after the reporting period

As more fully described in note 19 the company has taken legal measures under Russian law to recover a loan of US\$6,345,000 advanced to Taymura LLC.

There were no other significant events after the year end date.

## 29 Commitments

	Group 31/12/2015 €'000	Group 31/12/2014 €'000	Company 31/12/2015 €'000	Company 31/12/2014 €'000	Group 31/12/2015 US\$'000	Group 31/12/2014 US\$'000	Company 31/12/2015 US\$'000	Company 31/12/2014 US\$'000
No later than one year	10	10	10	10	12	12	12	12
<b>Total</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>

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 3 of the consolidated financial statements.

## 30 Approval of the financial statements

These financial statements were approved by the Board of Directors on 22 June 2016.





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