

RNS Number :
Ovoca Gold PLC
30 September 2010

Ovoca Gold plc
2010 Interim results

Ovoca Gold plc ("Ovoca" or the "Company") is pleased to announce its interim financial statements and report covering the six month period from 1 January 2010 to 30 June 2010.

Highlights:

- Completion of the acquisition of OOO Olimp, OOO Magsel and ZAO Bulun in the Magadan Region of Russia, which hold the Nevsko Pestrinskoye, Stakhanovsky and Rassoshinskaya licenses respectively
- Total comprehensive income for 1H2010 of US\$3.34 million
- Cash and cash equivalents and available for sale financial assets of US\$47.26 million as at 30 June 2010
- Appointment of new auditor (Grant Thornton), new CFO (Svetlana Radchenko) and Corporate Secretary (Kirill Golovanov)
- Successful mobilization of exploration at all three properties
- Appointment as non-executive director Don Schissel – ex-BHP Billiton Regional Exploration Manager - Eurasia between 1992 – 1999, Exploration Manager - Russia and Kazakhstan between 2005 – 2009
- Share roll-up of 5 old shares for 1 new share

Post period:

- Shareholder approval for buyback program for up to 10% of Company's issued and outstanding equity
- Maiden JORC Inferred resource for Olcha, in the Rassoshinskaya licensed area, of 344,000 ounces gold
- Sale of Norplat and ZAO Black Fox Resources subsidiaries in the Murmansk Region of Russia for US\$1.25 million

CEO's letter

Dear shareholders,

I am pleased to report to you our financials and the results of our work for the first half of 2010. This is the first reporting period for the Company in its new phase of development, with new properties in the Magadan Region, Russia and with new management. Business development has been proceeding at a rapid pace and we are forming a platform from which the Company will be able to grow.

Operationally, things have been going well. At the Olcha gold field in Rassoshinskaya we have completed almost 8,000 metres of drilling and the season has until the end of this month for active operations. Ovoca produced a JORC resource for Olcha of 344,000 ounces gold under Inferred category. This resource only takes into account data collected before Ovoca acquired the property and will be updated with new data later this year. At the end of August we announced some preliminary results of drilling at Olcha, which were very positive and demonstrate that the resource has the grade and interval to be economic. Our main task now is to continue to define the ore body and “put ounces on the books.” In Stakhanovsky our drilling contractor was slightly delayed due to the logistics of moving equipment to the field, but drilling is well underway with about 6,000 metres completed. Trench work at Nevsko Pestrinskoye started in July once the mountain passes to the site cleared of snow.

Regarding corporate initiatives, I think they have been successful. The share roll-up has performed as hoped, in that the trading spread in our shares as a percentage of the share price has shrunk dramatically, helping liquidity and making Ovoca share trading more attractive. The share buyback program has been well received, and is a way to return capital to shareholders while at the same time giving Ovoca treasury shares that can be sold at a later date without diluting shareholders. Both Kirill and Svetlana have settled into their new positions and are valuable contributors to running the Company. Additionally, the appointment of Grant Thornton as auditors, office move from London to Dublin and appointment of Don Schissel as a non-executive director all strengthen Ovoca.

Financially, Ovoca remains in a strong position. Our cash and available-for-sale securities at 30 June 2009 was US\$47.26 million. Our administration expenses for the period was US\$ 1.37 million (2009: US\$ 0.28 million), which increased year-on-year primarily due to our expansion of activities and one-time consulting and legal fees related to the acquisition of our three properties in the Magadan Region. Note that our administration expense includes a non-cash item of incentive options granted to the new management team.

Ovoca has developed significantly in the first half of this year towards its goal of being the premier junior gold company in Russia. The next stage of development and growth will be via the drill bit, proving up ounces and getting projects ready for mine construction.

Sincerely,

Tim McCutcheon
CEO

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Consolidated Income Statement	Unaudited 6 Months ended 30/06/2010 €'000	Unaudited 6 Months ended 30/06/2009 €'000	Unaudited 6 Months ended 30/06/2010 \$'000	Unaudited 6 Months ended 30/06/2009 \$'000
Continuing operations				
Exploration costs written off	(299)	-	(398)	-
Gross loss	(299)	-	(398)	-
Administration expenses	(1,028)	(211)	(1,368)	(281)
Share option expense	(733)	-	(975)	-
Other gains and losses	2,355	6,253	3,133	8,336
Operating profit/(loss)	295	6,042	392	8,055
Finance costs	(16)	-	(21)	-
Finance income	647	125	861	167
Gain/(Loss) for the period before tax	926	6,167	1,232	8,222
Income tax	6	(17)	8	(23)
Gain for the period from continuing operations	932	6,150	1,240	8,199
Discontinued operations				
Loss for the period from discontinued operations	(2,103)	-	(2,798)	-
Loss for the period	(1,171)	6,150	(1,558)	8,199
Attributable to:				
Owners of the parent	(1,171)	6,150	(1,558)	8,199
Minority Interest	-	-	-	-
	(1,171)	6,150	(1,558)	8,199
Earnings/(loss) per share				
Basic earning/(loss) per share from continuing operations	0.20 cents	1.31 cents	0.26 cents	1.87 cents
Basic earnings/(loss)loss per share from discontinued operations	(0.45) cents	-	(0.59) cents	-
Fully diluted earnings/(loss) per share from continuing operations	0.21 cents	1.40 cents	0.27 cents	1.74 cents
Fully diluted earnings/(loss) per share from discontinued operations	(0.47) cents	-	(0.62) cents	-

Consolidated statement of comprehensive income	Unaudited	Unaudited	Unaudited	Unaudited
	6 Months	6 Months	6 Months	6 Months
	ended	ended	ended	ended
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	€'000	€'000	\$'000	\$'000
Profit/(loss) for the period	(1,171)	6,150	(1,558)	8,199
Other comprehensive income/(expense):				
Fair value gain on available for sale financial assets	4,654	6,285	4,538	8,829
Exchange movement	6,870	602	357	(411)
Total comprehensive income for the period	10,353	13,038	3,337	16,617

Consolidated statement of changes in equity

	Share capital	Share premium	Share based payment reserve	Other reserves	Exchange movement	Retained earnings	Total (attributable to owners of the parent)
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2010	11,057	48,108	520	6,553	(364)	(19,453)	46,421
Comprehensive income:							
Loss for the period	-	-	-	-	-	(1,171)	(1,171)
Other comprehensive income							0
Fair value gain on available for sale financial assets	-	-	-	4,654	-	-	4,654
Share option expense	-	-	733	-	-	-	733
Exchange movement	-	-	-	-	6,870	-	6,870
At 30 June 2010	11,057	48,108	1,253	11,207	6,506	(20,624)	57,507
At 1 January 2009	11,057	48,108	520	11	-	(21,495)	38,201
Comprehensive income:							
Profit for the period	-	-	-	-	-	2,042	2,042
Other comprehensive income							
Fair value gain on available for sale financial assets	-	-	-	6,542	-	-	6,542
Exchange movement	-	-	-	-	(364)	-	(364)
At 31 December 2009	11,057	48,108	520	6,553	(364)	(19,453)	46,421

Consolidated statement of financial position	Unaudited	Audited	Unaudited	Audited
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
	€'000	€'000	\$'000	\$'000
Assets				
Current assets				
Inventories	30	7	37	10
Trade and other receivables	5,702	3,997	6,959	5,728
Cash and cash equivalents	11,847	19,754	14,459	28,313
	17,579	23,758	21,455	34,051
Non current assets				
Property, plant and equipment	948	799	1,157	1,121
Intangible assets	17,319	3,022	21,138	4,331
Assets held for sale	1,004	-	1,225	-
Available for sale financial assets	26,876	20,681	32,802	29,187
	46,147	24,502	56,322	34,639
Total assets	63,726	48,260	77,777	68,690
Liabilities				
Current liabilities				
Trade and other payables	1,659	1,839	2,025	2,636
Provisions for other liabilities and charges	4,560	-	5,565	-
	6,219	1,839	7,590	2,636
Total liabilities	6,219	1,839	7,590	2,636
Net assets	57,507	46,421	70,187	66,054
Equity				
Ordinary shares	11,057	11,057	15,586	15,586
Share premium accounts	48,108	48,108	67,809	67,809
Other reserves	11,207	6,553	13,678	9,140
Foreign currency translation reserve	6,506	(364)	1,850	1,493
Share based payment reserve	1,253	520	1,529	733
Profit and loss account	(20,624)	(19,453)	(30,265)	(28,707)
	57,507	46,421	70,187	66,054

Consolidated statement of changes in cashflows

	Unaudited	Audited	Unaudited	Audited
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
	€'000	€'000	\$'000	\$'000
Cash flows from operating activities				
Net loss for the period/year before tax	(1,171)	2,042	(1,558)	2,848
Exchange movement	6,870	-	1,117	721
Depreciation	-	122	-	174
Net unrealised gain on AFS assets	(1,541)	-	923	-
Non cash share option expense	733	-	796	-
Net Finance Costs	(16)	(226)	(19)	(315)
Exploration costs written off	(299)	4,733	(398)	6,597
Increase in Inventories	(23)	(7)	(27)	(10)
Increase in Debtors	(1,705)	(3,728)	(1,231)	(5,349)
Increase in creditors	4,679	473	4,556	710
Net cash flow from operating activities	7,527	3,409	4,159	5,376
Cash flows from investing activities				
Net proceeds/(purchases) of property, plant & equipment	(149)	171	(198)	243
Acquisitions of subsidiary/intangibles	(15,301)	-	(17,834)	-
Purchase of available for sale assets	-	17,670	-	24,710
Proceeds from disposal of AFS assets	-	(8,229)	-	(11,507)
Expenditure on exploration activities	-	(282)	-	(393)
Interest received	16	226	19	315
Net cash flow from financing activities	(15,434)	9,556	(18,013)	13,368
Net (decrease)/increase in cash and cash equivalents	(7,907)	12,965	(13,854)	18,744
Cash and cash equivalents at the beginning of period/year	19,754	6,789	28,313	9,569
Cash and cash equivalents at the end of period/year	11,847	19,754	14,459	28,313

Notes:

1. Basis of Preparation

The interim consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

2. Segmental reporting

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

At 31 December 2009, the Group had two business segments, Exploration activities and Investment. Investment activities are primarily carried out by number of subsidiary companies based in Russia. Investing activities are carried out by another subsidiary company located in Bermuda. Unallocated costs represent group administration costs, primarily incurred in Ireland and the United Kingdom.

Period ended 30 June 2010	Exploration	Investment	Unallocated	Total	Exploration	Investment	Unallocated	Total
	Activities				Activities			
	€'000	€'000	€'000	€'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	-	-	-	-	-	-	-	-
Other gains and losses	(277)	2,021	611	2,355	(369)	2,689	813	3,133
Operating profit	(3,960)	1,850	2,405	295	(531)	2,461	(540)	1,390
Finance costs	(16)	-	-	(16)	(21)	-	-	(21)
Finance income	454	-	193	647	604	-	257	861
Loss/Profit before tax	(2,772)	1,850	2,598	1,676	52	2,461	(283)	2,230
Segment assets	11,882	46,167	5,677	63,726	14,502	56,346	6,929	77,777
Segment liabilities	(1,224)	(4,560)	(435)	(6,219)	(1,494)	(5,565)	(531)	(7,590)
Net assets	10,658	41,607	5,242	57,507	13,008	50,781	6,398	70,187

Notes (contd.)

Period ended 30 June 2009	Exploration	Investment	Unallocated	Total	Exploration	Investment	Unallocated	Total
	Activities				Activities			
	€'000	€'000	€'000	€'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	-	-	-	-	-	-	-	-
Other gains and losses	-	6,253	-	6,253	-	8,336	-	8,336
Operating profit	-	6,253	(211)	6,042	-	8,336	(281)	8,055
Finance costs	-	-	-	-	-	-	-	-
Finance income	37	88	0	125	49	118	-	167
Loss/Profit before tax	37	6,341	(211)	6,167	49	118	(281)	8,222
Segment assets	7,218	36,053	4,990	48,260	10,273	51,315	7,102	68,690
Segment liabilities	(225)	(12)	(1,602)	(1,839)	(322)	(17)	(2,297)	(2,636)
Net assets	6,993	36,041	3,387	46,421	9,951	51,298	4,805	66,054

(b) Secondary reporting format - geographical segments

The Group's business segments and its assets are located in the Russia, Bermuda, Ireland and the United Kingdom. The table above shows income and expenditure and assets and liabilities by primary geographical segments on the basis that exploration activities are carried out in Russia, investment activity is carried out in Bermuda and unallocated amounts relate to costs incurred in Ireland and the United Kingdom.

3. Events after the balance sheet date

There have been no significant events affecting the Group since the balance sheet date.

4. Approval of the financial statements

The interim report was approved by the Board of Directors on 29 September 2010 and is included on the Company's website, www.ovocagold.com.

Notes to Editors

Ovoca is a mineral exploration and mine development company listed on the AIM market of the London Stock Exchange (Ticker: OVG) and on the ESM market of the Irish Stock Exchange (Ticker: OVX). The Company's principal activity is gold exploration in the Magadan Region of the Russian Federation. Previously Ovoca acquired, developed and sold to JSC Polymetal the Goltsovoye silver project located in the Magadan Region. Currently, Ovoca is aggressively exploring and developing its 100 per cent owned Stakhanovsky, Rassoshinskaya and Nevsko-Pestrinskoye licenses.

Stakhanovsky is located approximately 40 kilometres north of Susuman, the second largest city in the Magadan region. It is accessible by year-round road and there is power infrastructure on site. Internal preliminary estimates suggest a gold resource (non JORC code of Russian standard compliant) of over 700,000 ounces. The Company intends to put Stakhanovsky into production by 2013.

Rassoshinskaya is in the North Eastern part of the Magadan Region about 200 kilometres from the town of Simchan. There is no nearby infrastructure. Rassoshinskaya hosts an epithermal gold deposit named Olcha, which is the focus of Ovoca's exploration program. Olcha and nearby satellite deposits have the potential to host a high grade multi-million ounce gold resource. Current JORC Inferred resource is 344,000 ounces of gold.

Nevsko-Pestrinskoye is located in the central part of the Magadan region near the town of Omsukchan. A year-round road and powerline are near the site. The license completely surrounds the Goltsovoye silver deposit, which was owned by the Company from 2006 – 2009 and sold to JSC Polymetal for US\$47.7 million at the time of closing. Ovoca intends to investigate and explore known mineral occurrences that extend beyond the Goltsovoye license area onto Nevsko-Pestrinskoye.