OVOCA GOLD Plc

Annual report 2011

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Welcome

WE ARE

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

OUR MISSION

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

OUR STRATEGIC VISION

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

2011 KEY POINTS

- Net income for 2011 of €4.263million ($5.937million)
- Cash and cash equivalents and available for sale financial assets of €28.703million ($37.166million) as at 31 December 2011
- Appointment of Kenneth Kuchling as non-executive director – ex-Senior Mining Engineer for Rio Tinto's Diavik Diamond Mine between 1997 – 2000 and consultant to multiple high profile gold mines globally
- Maiden Stakhanovsky resource, JORC Inferred 350,000 oz gold at 1.2 g/t (cut-off grade 0.5 g/t gold)
- Updated JORC Inferred resource for Olcha of 9.2mn tons to give 650,000 ounces gold at 2.20 g/t and 3.59mn ounces silver at 12.12 g/t (cut-off grade 1.0 g/t gold)
- Appointment of Fairfax I.S. PLC as joint broker
- Share buyback programme, total share count held in treasury at year-end is 1,095,000

OPERATING STATISTICS

- 2,170 metres of diamond drilling on Olcha
- Total of approximately 8,000 tons sample ore collected on Stakhanovsky
- 4,613 metres drilled and 986 metres trenching dug on Podgorniy
- 2,500 metres drilled on Zet

CEO's statement

Dear Shareholders,

You may note that our annual report for 2011 is coming out in the beginning of April. This is the latest outward sign of the turnaround in Ovoca that has taken place over the past three years. New management both operationally and at the board level, new assets, a complete clean-up of our corporate structure, sale of non-core assets and a new level of dialog and connection with our shareholders are all the result of hard work to make Ovoca better. By getting to you our financial data faster than ever before, you now have the ability to know earlier and in more detail how your Company is performing.

Our exploration and development program in 2011 had both success and disappointment. On Rassoshisnskaya we drilled Zet and Podgorniy for the first time. These are new targets and significantly, they are targets that were largely identified by the Ovoca team and not a holdover from previous State work. As such, I can say that Ovoca is on the leading edge of gold exploration in Russia, as sadly, the industry on the whole has been living off exploration results that are over 40 years old while doing precious little to find the next source of mining growth in highly prospective Russia. On Podgorniy it is clear that Ovoca has found a large mineralised geological structure and it will be our goal to discover if the grade of the mineralisation is high enough for commercial exploitation. Ovoca has on Zet a solid gold-silver target that has many similarities with Olcha and it could be a complimentary ore deposit to any future operations in that area. On Olcha, we decided to focus our attention on securing the exploitation license needed to take the asset to the next step - development. In short, on Rassoshinskaya, Ovoca had a very productive year and is well placed to further advance the various targets on the license in 2012.

Unfortunately, Stakhanovsky proved to be a significant challenge for Ovoca in 2011, as the building of a facility big enough to process 20,000 tons of sample ore in a summer took longer than expected. Normally a few delays would not be so significant, but due to the extreme seasonality of working in the Magadan Region interior, any delay can force an entire year's work to be pushed forward to the next year (which in practical terms means the summer months of June, July, August). Ovoca was not successful in gathering new geological data in 2011 on Stakhanovsky, but the processing facility is built and ready to restart for the 2012 season. Also, we prepared in 2011 approximately 8,000 tons of sample ore, and once the facility is running we will be able to put it to work right away. A key moment for Ovoca regarding Stakhanovsky was the regulatory hurdles the Company faced to build the facility. Our team proved that none of the skills and know-how gained during the construction of Goltsovoye was lost and that Ovoca is extremely well placed to navigate the Russian mining industry regulations to successfully build mining assets in Russia in as short as possible time.

Best regards,

Tim McCutcheon
CEO

Core from Podgorniy ready to ship from site

Chairman's statement

Dear shareholders,

I am pleased to write to you this year about our company and how we are building a significant player in the Russian gold mining industry. Globally, the gold mining industry faced many challenges in 2011, as gold prices showed unprecedented volatility, which greatly affected miners and their ability to run business operations smoothly. Indeed, how does one plan long term operations or arrange business financing when the main revenue source (gold) swings in price by 3 – 4% in a single day? I think it is always appropriate to take a long term, top down view point. Gold is money, i.e. a liquid and readily accepted medium of exchange. Therefore the gold price behaves much like currency prices. What makes currencies get stronger or weaker relative to each other? It is the difference in real interest rates. Gold's interest rate is 0%. So what does gold's long term price rise tell us? It tells us that the real interest rate of US dollars, British pounds, Russian rubles and Euros is negative. As long as this is the case, gold will continue to climb higher. And from my viewpoint, I see nothing to change this in the near to medium term. I do acknowledge that at some point there will be monetary tightening, and when that happens gold will stop rising in price. However, for now and for some time to come, liquidity will be the call of central banks everywhere which means higher gold prices.

Russia is well endowed with gold resources. Geological formations in the Urals, Eastern Siberia and the Far East are well known worldwide as prolific gold districts. During the USSR the State financed countrywide geological expeditions to search for natural resources. It was methodical, large scale and effective although expensive. Currently in modern Russia there is little grassroots exploration and I fear that the next generation of gold projects is simply not being found. While Ovoca is able to operate in the regulatory environment in Russia, the fact is it could be better and more business friendly. However, the impetus on the government to ease regulation regarding gold exploration and mining is very low at the present time. Gold production has been rising in the past several years and so it is easy to be complacent. However, considering that the average time to put an exploration target into production is about 10 years, the Russian authorities need to act now if they do not want to lose a future decade of gold output. Most of the gold projects that are not yet developed are not developed for a reason. Discovered in the 1970s, these multi million ounce gold deposits are often shown as proof that there is no lack of a gold project pipeline. However, these projects are not yet mines for a reason. Whether it be no local energy source, complicated metallurgy, low grade, lack of infrastructure, the fact is that the Russian gold industry cannot rely on projects that have been known for 40+ years to the exclusion of new projects.

This is where I am particularly proud to be involved with Ovoca. We are one of the only companies in Russia pushing the envelope in exploration, targeting and drilling new projects and not being content with the leftovers of the USSR. The geology is there, the track record is with us and I believe Ovoca has a bright future.

Sincerely,

Mikhail Mogutov
Chairman

Stakhanovsky facility, mill in foreground

Corporate highlights

Ovoca Gold continued with advancing its Magadan projects in 2011 and the Company made significant strides in corporate development.

Field work – In total the Company drilled 9,283 metres and dug 986 metres of trenches in 2011. Approximately 8,000 tons of sample ore was collected. Extensive mapping, surveying and data processing was completed and Ovoca now has a full data base of new and existing targets that serve to plan and implement future exploration efforts.

Available for sale securities and cash – As at 31 December 2011 Ovoca had 650,000 Polymetal common shares worth €8.227million (US$10.562 million). Additionally, the Company had approximately €19.826million (US$25.672 million) in cash and €0.65million (US$0.842 million) in a diversified portfolio of gold mining equities. In total, the pro forma total cash and securities position of Ovoca as of 31 December 2011 is €28.703million (US$37.166 million). The strategy behind Ovoca's holding of Polymetal shares and its investment portfolio is to give Ovoca shareholders exposure to the gold price before Ovoca has its own gold production.

Director appointment – On 1 March 2011 Ken Kuchling became a non-executive director of the Company. 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 Explorations' 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.

Joint Broker appointment – On 5 July 2011 Ovoca appointed Fairfax I.S. PLC as joint broker to the Company with immediate effect. Davy continues to act as nominated adviser and joint broker for Ovoca. Fairfax is a well-established and very reputable broker and investment bank to the junior mining sector in London.

Share buyback programme was put in place and wrapped up in 2011. By taking off the market almost 1.1million shares the Company was able to return cash to shareholders in a tax efficient manner, soak up excess liquidity, and in part help close the gap of Ovoca's market valuation to the cash and equivalents on the books. Due to the volume of news flow for Ovoca during the year, there were many black-out periods where exercising the buy-back was against stock exchange regulations. As such, Ovoca was limited in using the full authority to perform share buy backs, which could have been as high as 8.8million shares in the Company.

New staff appointments – Ovoca brought onto its team two new geologists, Darren Allingham and Vladimir Shpanov. Mr. Allingham has worked as a geologist on various gold projects throughout the world for over 17 years, including a stint at Barrick Gold. He brings to the team a keen strategic sense of exploration strategy by using primary and secondary data points for effective exploration campaigning. Mr. Shpanov has 26 years working as a geologist on three continents, including several years at Kinross Gold at the Kupol mine in Russia. He brings to the team implementation skills for best industry practices in the field. His time at Kupol has practical significance for Ovoca to better and more effectively explore given the operating environment in the Far East Russia. Mr. Tsopanov has stepped down from his position as Head Geologist, although he remains a consultant for the Company. Additionally, Andrey Tsoy, our senior geologist, stepped down in 2011. Ovoca has also hired Irina Orlova as our GIS professional. Previously, Ms. Orlova was GIS for BHP Billiton's Russia office and responsible for all Eurasia.

Trench at Podgorniy

Control room at Stakhanovsky facility

Drill rig at Zet

Company projects

RASSOSHINSKAYA:

Gold and silver mineralisation on the Rassoshinskaya Exploration License, which covers 2,460 kilometres squared, is located within the Kedon terrain of the Omolon Central Massif, a Devonian-Carboniferous aged continental margin arc with underlying Precambrian basement (Siberian Craton). Mineralisation is controlled by similar geological structures and lithologies that host the large high-grade Kubaka gold and silver deposit that has a reported historical production to 2005 (when put on care and maintenance by Kinross Gold), of approximately 2.9 million ounces of gold at 18g/t. Kubaka is located about 200 km to the south-east of Ovoca Gold's Rassoshinskaya licence that has a similar-style of low-sulphidation or quartz-adularia type epithermal gold deposit named Olcha, which is hosted in andesite and minor dacite volcanic rocks. This resource is the focus of development on the licence. Rassoshinskaya is further linked geologically to Kubaka by being located on the opposite side of the rim of a volcanic dome with a diameter of 200 kilometres interpreted from Landsat TM+ Geocover mosaic images. Also, a major transfer fault, thought to have formed during northwest Devonian-Carboniferous subduction, connects the Kubaka and Rassoshinskaya areas. Any further resources discovered on the Rassoshinskaya licence that are currently being explored for in a series of drill programs from 2011 through 2012 may potentially act as satellite deposits to a central mining and processing operation at the Olcha gold-silver resource.

The Rassoshinskaya license is owned by ZAO Bulun, a wholly-owned subsidiary of Ovoca Gold. The license is an exploration license which can be extended upon successful petition to the appropriate Russian authorities. The license terms ends 15.02.2013 and management believes it will be able to secure a conversion of the license status on Olcha from exploration to exploitation while also being able to extend the remaining part of the Rassoshinskaya exploration license. On 10 October 2011 the Company received a Certificate of Discovery regarding Olcha, which is a key milestone in the process of receiving a full exploitation license. The Certificate allows the Company, through its Russian ZAO Bulun subsidiary, to apply for a mining permit on the presently drilled reserves. The necessary documents to apply for a full exploitation license have been submitted and management expects to receive such a license for Olcha in the near future. Such licenses are typically issued for 25 years, with a target work program leading up to production at some point within the license term.

OLCHA

The Olcha JORC Inferred resource inventory of 2011 currently totals 650,000 ounces of gold at 2.2g/t and 3.59mn ounces silver at 12.1g/t (1.0 g/t gold cut-off-grade). Olcha's Russian classification resource (Russian classification resources are not JORC compliant and not reviewed by a competent person) in the classification category of C1+C2 are 279,000 ounces of gold at a grade of 13.4g/t and 655,000 ounces silver at a grade of 31.6 g/t (4.0 g/t gold cut-off-grade). The Russian classification resource estimate differs from the JORC resource estimate as the later is calculated assuming a future potential underground minable resources while the JORC resource calculation uses a lower cut-off grade to determine resources that potentially could be mined by open pit less than 250 metres from surface. This resource update includes 26,727 metres of diamond drilling (10,272 metres more than what was included in last year's maiden resource) as well as 12.3 kilometres of trenching.

The table below summarizes the inferred gold and silver resource available at various cut off grades. The resources estimate was carried out by Mir Resources Ltd. an independent geological and resource consultancy based in UK, according to JORC guidelines:

RESOURCE TABLE

Inferred resource, Olcha

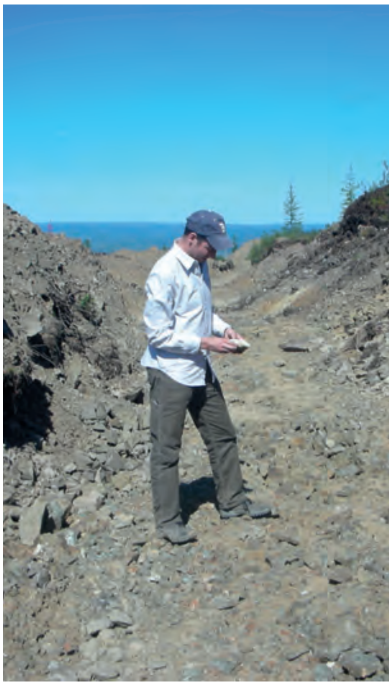
Cut-off grade, gold	Tons, Mt	Gold grade, g/t	Gold oz	Silver grade, g/t	Silver oz
0.5 g/t	20.1	1.39	900,000	9.32	6,050,000
1.0 g/t	9.2	2.20	653,000	12.12	3,590,000
1.5 g/t	5.2	2.97	496,000	14.64	2,440,000
2.0 g/t	3.3	3.64	395,000	16.82	1,820,000

Mineral resource capped gold assays at 20 g/t gold and 80 g/t silver.

Olcha is a low sulphidation epithermal gold/silver deposit. It is these types of deposits that have been the most successful in the Russian Far east in recent years. Kupol, Kubaka, Julietta are all examples of Russian low sulphidation epithermal gold/silver deposits.

The Olcha ore field, which includes the targets: Zond, Trigopunkt, Zone 1, Zone 2, occupies approximately 20 square kilometres. The ore bearing rock is mainly andesite and andesite-basalt breccias, which cover about a quarter of the total Olcha area. There are three extrusions at the Olcha ore field. Two of them which host Zone 1, Zone 2 and Trigopunkt are located in the central part of the ore field, while the third extrusion occupies the western flank of the area. Olcha is an extrusion-explosion geological formation saturated with major veins, which are linked erratically with vein-veinlets (stockworks) sub-zones controlled by fault structures. The central part of the Olcha ore field extends for more than 2,500 metres in length, with width of up to 1,000 metres.

The metallurgical characteristics of the ore are amenable to conventional gravitation, flotation and direct cyanidation processing techniques, as previously mentioned in the circular dated 22 December 2009. Metal recoveries from initial test work reached over 97% for gold and 74% for silver.



Trench on Olcha

Company projects

DRILL RESULT HIGHLIGHTS

Bore hole ID number	Target	Interval, m			Gold grade g/t	Silver grade g/t
		from	to	length		
C-47	Centralny, Zone 1	29.6	30.4	4.4	7.1	20.9
C-63	Centralny, Zone 1	10.4	18.4	8.0	15.9	49.6
C-85	Centralny, Zone 1	16.3	24.5	8.2	6.1	18.9
C-88	Centralny, Zone 1	65.2	70.5	5.2	9.4	15.7
C-121	Centralny, Zone 1	93.4	121.3	27.9	4.7	21.4
	including					
		105.1	107.1	2.0	25.1	77.8
		114.6	118.6	4.0	6.9	43.5
C-33	Centralny, Zone 2	152.0	157.5	5.5	8.4	20.0
C-40	Centralny, Zone 2	38.8	40.3	1.5	35.2	103.1
C-42	Centralny, Zone 2	51.5	53.0	1.5	24.6	54.5
C-42	Centralny, Zone 2	151.2	153.8	2.6	8.0	14.6
C-59	Centralny, Zone 2	106.6	108.0	1.4	7.9	10.0
C-136	Centralny, Zone 2	180.1	181.0	0.9	15.4	97.8
C-136	Centralny, Zone 2	203.6	204.6	1.0	14.0	TR
C-168	Centralny, Zone 2	95.9	110.0	14.1	11.3	30.1
	including					
		105.2	110.0	4.8	30.9	70.6
C-168	Centralny, Zone 2	168.6	171.6	4.0	5.4	37.0
	including					
		169.6	170.6	1.0	15.2	110.4
C-169	Centralny, Zone 2	197.5	207.5	10.0	14.6	13.0
	including					
		197.5	199.3	1.8	14.1	10.3
		204.8	206.5	1.7	44.5	40.8
C-190	Centralny, Zone 2	195.1	202.6	6.5	6.5	28.1
	including					
		199.1	200.9	1.8	19.2	68.8
C-194	Centralny, Zone 2	144.7	146.7	2.0	10.4	29.5
C-195	Centralny, Zone 2	259.9	273.6	13.7	4.0	16.5
	including					
		266.4	268.0	1.6	9.7	49.9
		270.8	271.6	0.8	13.6	20.8
C-201	Centralny, Zone 2	145.7	146.2	0.5	14.2	16.9
C-201	Centralny, Zone 2	177.9	178.9	1.0	4.5	11.9
C-202	Centralny, Zone 2	86.0	90.0	4.0	18.4	58.1
C-202A	Centralny, Zone 2	25.5	28.5	3.0	19.3	37.0
C-202A	Centralny, Zone 2	156.5	157.3	0.8	7.0	29.6
C-203	Centralny, Zone 2	85.8	86.5	0.7	8.0	25.6

The above information has been reviewed and verified by Mr. Andrew W. Aitchison for the purposes of the Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange in March 2006.. Mr. Aitchison, MAusIMM, FGS from the University of Newcastle, Australia, was Ovoca Gold's Consulting Geologist and he has over 20 years experience of gold and base metal mining and exploration in Australia, Turkey, Ghana, Russia and Kazakhstan. Experience includes operational and management roles at the Pajingo and Ovacik gold mines, as well as Manager Mineral Resources and Mine Planning for Goldfields in Ghana. Note that Ovoca has not completed a feasibility study in regards to the mineral resources presented herein and there is no certainty the project will be economically viable.

In 2011 Ovoca successfully demonstrated and registered with the State a Russian classification system reserve statement for Olcha. The certified reserves equal 279,000 ounces of gold at a grade of 13.4 g/t and 655,000 ounces silver at a grade of 31.6 g/t in the Russian reserve category C1 + C2 (this is not JORC compliant and not reviewed by a Competent Person). Russian legislation does not consider the Olcha deposit strategic as it is below the established strategic threshold of 1.6mn ounces gold in the Russian reserve C1 + C2 category. By not being strategic, Ovoca is not limited in terms of foreign ownership of Olcha and does not need Russian government review of its ownership claim.

PODGORNIY

Anomalous surface rock chip sample assays were discovered by Ovoca at Podgorniy in 2010 with a maximum value found of 21 g/t gold and 68 g/t silver. A review of historical work revealed that rock chip assays peaking at 57 g/t gold and 657 g/t silver were located 550 metres to the northwest of the anomalous Ovoca rock chip sample. Ovoca then completed a geochemical soils program, on a 100 metres east by 20 metres north spaced grid, and a large coherent geochemical surface anomaly was found with approximate dimensions of three kilometres long (in a north-south orientation) and one kilometre wide (east-west) at 50ppb, with a 100ppb core of around 500 metres by 500 metres. These results were announced on 15 November 2010.

In 2010 to test these significant gold-silver soil anomalies, firstly an IP resistivity and ground magnetic geophysics program was completed across an area of 5.5 kilometres squared (line spacing of 100 metres east by 20 metres north). This resulted in the definition of a series of resistivity anomalies that coincide with the gold and silver soils geochemical anomalies. The resistivity anomalies are interpreted to be due to silicification during epithermal hydrothermal fluid activity. Surface trenches and drill holes for the 2011 season were then targeted across the major anomalies.

Twenty surface trenches were excavated in 2011 for a total of 1,073.1 linear metres. A total of 391 fire assays were completed on samples with an average 0.9 metres spacing. Only some intervals within the trenches were sampled as autumn rain and snow covered topographical low areas within the trenches. More samples will be taken from the still open trenches during the 2012 summer field season. Significant gold and silver assay results from the trenches are listed in Table 1.

In 2011, forty six NQ-sized diamond drill holes for a total of 4,613.2 metres were drilled on four traverses aligned in an east-northeast direction drilling -55⍰ dip and azimuth towards the east-northeast. Wells were drilled down to 100 metres in four profiles. Three profiles were 250 metres apart while the forth profile was 900 metres away. The profiles were drilled perpendicular to Ovoca's understanding of the potential mineralisation at Pogorniy. Total strike length tested was

Bulldozers at Podgorniy camp

Company projects

TABLE 1: PODGORNIY SIGNIFICANT TRENCH INTERSECTIONS >0.5PPM AND >1METRE, FIRE ASSAY 50G

Trench ID	Length From (metre)	Length To (metre)	Intersection (metres)	Gold (g/t)	Silver (g/t)
PGTR-1	103.3	106.2	2.9	1.57	191.28
PGTR-1	187.6	190.8	3.2	0.64	4.28
PGTR-1	202.5	204.4	1.9	0.80	5.66
PGTR-2	188	190	2.0	1.39	9.05
PGTR-2	339	345	6.0	1.55	3.57
PGTR-3	1.0	3.8	2.8	1.36	5.36
PGTR-3	9.2	12.2	3.0	2.59	19.76
PGTR-4	**1.0**	**3.6**	**2.6**	**15.45**	**36.59**
PGTR-4	**20.1**	**23.9**	**3.8**	**14.27**	**77.68**
PGTR-4 includes	22.4	22.9	0.5	94.20	521
PGTR-5[1]	**0**	**61**	**61.0**	**1.72**	**7.89**

[1] *PGTR 5 is series of 83 samples taken from east-west aligned trenches spaced at five metres apart within a 30m by 25m rectangular excavation in the centre of the soils and resistivity anomaly.*

1,400 metres. A total of 1,943 samples were taken from 1,752.3 metres of core. These drill holes were the first that have tested the prospect. In the central portion of the soil and resistivity anomaly the best drill results were discovered. Significant drill results are listed in Table 2.

The diamond drilling defined an excellent cross-section of the stratigraphy at Podgorniy. The geology is understood to be late Protoerozoic in age with rock types including haematitic sandstone, limestone, basalt, dolerite and gabbros. The stratigraphic contacts dip both gently and moderately towards the west-southwest, steepening to the west. There is the potential for orebodies to be hidden within the relatively flat-lying stratigraphy but most metasomatic zones are interpreted to dip moderate or steeply. The Protoerozoic block is interpreted to be a horst (the block has been faulted up vertically) and is surrounded by two grabens on east-west striking faults where younger Devonian to Permian aged rocks outcrop. Magadanedra, a state regulatory body, reports at least 12 tons of alluvial gold has been historically mined in the rivers Visualnaya and Bulun, which surround the Podgorniy and Zet primary gold mineralisation.

The anomalous gold drill intersections are hosted within silicified hydrothermal breccias (break-up breccia) and quartz veins with chlorite-sericite-adularia-pyrite-silica alteration. Propylitic alteration is extensive and grades into Potassic alteration around gold-silver mineralisation. Some mineralised intervals contain minor chalcopyrite, galena and sphalerite. Podgorniy mineralisation consists of breccias and veins categorised as adularia-quartz or a low sulphidation epithermal system. The mineralisation age is considered to be similar to gold-silver mineralisation at the Olcha resource to the south, being from early Carboniferous to late Permian. Mineralisation at Podgorniy is now interpreted to strike mostly in both a north-south and east-west orientation so that

TABLE 2: PODGORNIY SIGNIFICANT DIAMOND DRILL INTERSECTIONS >0.5PPM AND >1METRE, FIRE ASSAY 50G

Hole Name	From (metre)	To (metre)	Down hole Interval (metres)	Gold (g/t)	Silver (g/t)
PGDD-9	**67.20**	**69.90**	2.7	2.29	5.85
PGDD-9	91.00	93.50	2.5	1.26	4.72
PGDD-10	**38.00**	**40.30**	2.3	1.66	41.35
PGDD-10	87.20	92.00	4.8	3.12	3.01
PGDD-12	**81.30**	**91.50**	**10.2**	**7.90**	**10.93**
PGDD-12 includes	81.3	82.6	1.3	42.55	43.80
PGDD-15	**70.30**	**74.10**	**3.8**	**6.80**	**14.18**
PGDD-16	**67.50**	**73.80**	**6.3**	**1.85**	**1.53**
PGDD-19	59.90	61.60	1.7	1.39	23.44
PGDD-31	41.40	43.60	2.2	0.74	1.00
PGDD-31	98.30	100.00	1.7	0.71	1.62
PGDD-32	50.00	53.10	3.1	1.16	8.74
PGDD-33	55.70	58.50	2.8	0.71	2.65
PGDD-34	36.00	38.50	2.5	0.59	6.93
PGDD-35	13.90	15.20	1.3	0.69	3.12
PGDD-37	95.00	98.30	3.3	0.74	5.32
PGDD-42	**68.20**	**69.40**	**1.2**	**28.56**	**27.99**
PGDD-43	54.20	55.70	1.5	0.72	1.52

from the drill intersections in the central area (PGDD-09, 10, 12, 15, 16) mineralisation is still open in both of these directions. Drilling tested an initially interpreted northwest oriented system. There is a second target area in the north (trench 1 and drill hole 42) with very high silver assays (>190g/t) found associated with gold, which is unusual for the Rassoshinskaya Project. If continuous, this northern anomaly presents as an excellent underground mine target with possible small open pitable. This priority target has a maximum of 400 metres strike on surface.

A new diamond drill program in 2012 is planned to determine the extents to these newly discovered high-grade gold-silver mineralisation zones.

ZET

The Zet prospect is located to the south of Podgorniy. A total of 2,500 metres were drilled in 20 NQ diamond drill holes. Eight profiles were drilled on the target spaced from 100 metres to 400 metres apart. Total strike length tested was 1,700 metres. Wells were drilled down to 120 metre depth. Samples totaled 247 for 214.3 metres. Significant drill intersections are shown in Table 3.

At the beginning of 2011 Ovoca announced the results of historical and 2010 trenching work. Zet is 30 kilometres north of Olcha and initial study of the target shows it is a low-sulphidation gold-silver epithermal ore zone similar to Olcha. Ovoca drilled on Zet for the first time and the total plan for 2011 was 2,000 metres, of which a total of 2,500 metres

Examining core at Zet

Company projects

TABLE 3: ZET SIGNIFICANT DIAMOND DRILL INTERSECTIONS >0.5PPM AND >1METRE, FIRE ASSAY 50G

Hole Name	From (metre)	To (metre)	Down hole Interval (metres)	Gold (g/t)	Silver (g/t)
CZ-3	48.6	49.6	1.0	4.82	1.63
CZ-5	**59.6**	**60.6**	**1.0**	**14.20**	**121.00**
CZ-6	**107.8**	**112.1**	**3.4**	**3.55**	**57.64**
CZ-18	67.1	71.6	4.5	0.80	2.92

has been drilled and the season ended on Zet (additional 500 metres drilled above plan). The focus of the drilling was to establish that surface mineralisation (as shown by trench work in Table 3B) extends to depth. There are several examples in and near the Magadan Region of operating gold mines transporting ore up to 100 kilometre distances. One such example is Birkachan-Kubaka-Sopka Kvartsevaya operated by Polymetal, while another example is Dvoynoye-Kupol operated by Kinross. While gold and silver grades are a key issue determining the economic viability of transporting ore, Zet and Olcha could be part of one production complex given their near proximity.

TABLE 3B: ZET AVERAGE TRENCH INTERSECTIONS (2010) AND INTERPRETED VEIN DIMENSIONS

Vein	Interval m	Gold g/t	Silver g/t	Length m
Vein 1	1.92	2.6	13.8	450
Vein 2	0.50	3.1	10.1	250
Vein 3	0.76	4.1	21.6	750
Vein 4	0.80	1.9	5.5	500
Vein 5	0.80	2.7	4.4	800
Vein 6	1.65	4.5	38.2	320
Vein 7	1.67	0.6	1.2	350
Vein 8	1.70	9.8	17.6	450
Vein 9	1.00	5.0	14.0	130
Average	**1.20**	**3.7**	**13.3**	**444**

MALIY AND AGROMNIY PROSPECTS

At Maliy geological mapping was completed at a 1:10,000 scale mapping two stockwork occurrences over 7 kilometres long, up to 1 kilometre wide are on the contact between Devonian and Protoerozoic lithologies. One zone with 8 historical rock-ship samples averaged 26g/t in Devonian volcanic rocks and the second towards the northwest in Protoerozoic basalts (8 samples) averages 0.5g/t with silver values up to 80g/t.

At Agromniy geological mapping was completed at a 1:10,000 scale. Assays were received from rock chips of quartz-feldspar veins within Devonian intermediate volcanic rocks, on the contact with limestone. A best assay result of 4.0 g/t gold and 861 g/t silver was received. Further reconnaissance work is planned on these two prospects in the 2012 field season.

The above information regarding Podgorniy, Zet, Maliy and Agromniy has been compiled and verified by Mr. Darren Allingham for the purposes of the document {AIM Note for Mining and Oil & Gas Companies} issued by the London Stock Exchange in June 2009. Mr. Allingham is a full member of The Australasian Institute of Mining and Metallurgy and The Australian Institute of Geoscientists and is a JORC (2004) competent person for the type of minerals being reported on above. Mr. Allingham is a consulting Geologist with over 17 years of experience in gold exploration, resource estimation and mining and has Bachelors and honours degrees in geology from The Australian National University and The University of Queensland, Australia. The most recent permanent position was with Natasa Mining Ltd as Country Manager in Kazakhstan but over the last five years he has been consulting in mineral due diligence, project procurement, scoping and feasibility studies undertaken for a variety of public and private mineral resource companies on projects in Bolivia, Colombia, Kazakhstan, Kyrgyzstan, Madagascar, Nicaragua, Russia, Saudi Arabia, South Africa, Tajikistan, Zambia, Zimbabwe and Uzbekistan.

STAKHANOVSKY

Stakhanovsky is situated in the Northwestern part of the Magadan Region. The total license area of 73 square kilometres. The site is 40 kilometres from a large regional town (Susuman, population 7,500) and is approximately 700km from Magadan, the region's largest city and capital. Stakhanovsky is composed of intrusive rocks (dykes) that vary from diorite-porphyry to granite-porphyry. These dykes are predominantly steep dipping in the Northwestern Magadan region, but they are shallow dipping in the area of the Stakhanovsky ore field. The length of individual dykes varies from a few hundred metres to several kilometres, while the thickness of the dykes is from one to 20 metres, with the average about 7 metres. The dykes strike mostly in a northwest direction. The gold mineralisation in the dykes is characterized by relatively large grains (up to 5mm in diameter) of free gold unevenly distributed. Sample size in exploring Stakhanovsky is very important in order to negate the "nugget effect" of the gold distribution and give reliable results. In 2010 the Company commissioned a wide-diameter drill programme (RC rig drilling 18cm diameter drill wells), but the contractor did not complete the full work programme (completed was slightly over 50% or 7,100 metres). At the end of 2010 the Company decided to change contractors or shift the focus of the exploration effort to bulk sampling. Bulk sampling done in 2009 yielded encouraging results of 1.9 g/t and 2.0 g/t on two targets with total sample size being 260 tons.

Ovoca chose for 2011 to conduct a bulk sampling programme with some drilling to confirm ore body structure (DD rig drilling 7cm diameter drill wells). The initial plan was to process 20,000 tons of ore samples over the 2011 summer and autumn. Unfortunately, a delay in the delivery of the metal frame that houses the conveyor belts and ball mill cost three weeks of the operating season. Despite intense efforts to ex-

Stakhanovsky processing facility

Company projects

pedite the assembly process to make up the lost time, the bulk sample processing facility was not ready until late into the operating season. To complicate matters further, this summer has been unusually cold in the Magadan Region, which has frozen up water supplies necessary for the operating of the facility. However, approximately 8,000 tons of ore samples have already been collected, labeled and await processing. The facility has been test-run so that once there is running water again it can be switched on for operation. The Company will be able to immediately start processing ore by the first thaw in the Stakhanovsky area, which normally is at the beginning of May. The result of this delay is a push out of anticipated first gold production to the beginning of 2014 (pending successful exploration and engineering results).

The metallurgical characteristics of the ore are very amenable to conventional gravitation, as initial test work has shown that a significant majority of the gold mineralisation at the site is free gold embedded within the diorite quartz veins. Simple ore crushing and gravitation achieved over 60% recoveries on a 260 ton bulk sample taken from the site in 2009. Management believes that additional test work could significantly raise the gold recovery rate by gravitation methods alone.

The Stakhanovsky license is owned by Magsel, a wholly-owned subsidiary of Ovoca Gold. The license is an exploitation license which allows for exploration work, mine development, and mining. The license terms ends 07.05.2027 and can be extended upon successful petition to the appropriate Russian authorities.

In February 2011 Ovoca announced a Mineral Resource estimate in accordance with the JORC Code for Stakhanovsky. At a gold cut-off-grade of 0.5 g/t Stakhanovsky contains 9.1 Mt of Inferred Mineral Resources at an average gold grade of 1.2 g/t for a gold content of some 350,000 ounces gold. The resource estimate was prepared by SRK Consulting (UK) Ltd ("SRK") using both historic data and data gathered by Ovoca in the 2010 exploration season. The historic data includes 3,013 metres of diamond drilling (27 holes ranging in depth from 50.9 metres to 200.3 metres, average 110 metres) and 3,042 metres of trenching. The data collected by Ovoca in 2010 includes 120 RC holes (ranging in depth from 12.8 metres to 151 metres, average 59.3 metres) totaling 7,100 metres and 20 diamond holes totaling 1,168 metres (ranging in depth from 20.5 metres to 112 metres, average 58.4 metres). Reverse Circular drilling ("RC") was used in 2010 to achieve large volume samples from drill holes, which were felt to be more representative of the true grade of the deposit, particularly considering the frequent occurrence of course gold mineralisation.

RESOURCE TABLE

Inferred resource, Stakhanovsky			
Million tonnes	**Grade (g/t)**	**Gold (t)**	**Gold oz**
9.1	1.2	10.9	350,000

** Cut-off grade 0.5 g/t gold*

SRK has produced basic 3D models from the mapped outcrops and the drilling intersections in order to demonstrate the continuity of the dykes to which the gold mineralisation is confined. The dykes in SRK's resource model are generally 5-15 metres thick and dip shallowly to a depth of generally less than 120 metres and therefore the model is considered to have reasonable prospects for open pit extraction. A 2D gridding method of weighting has been used to appropriately deal with new and old datasets which combine varying sample weights. The resultant grid model has been used to assign average grades over the whole thickness of each dyke. For reporting, the model has been divided into large areas in plan with 100 metre to 500 metre dimensions. This reflects Ovoca's intention to achieve a global grade estimate, whilst segregating the large scale high and low grade areas evident in the dyke grade models which are probably due to localised trends in the mineralisation in SRK's opinion.

The method employed by SRK relies on drillhole intersections with variable spacing or sometimes incomplete coverage, supported by mapped outcrop and trench results. Despite large sample volumes, the continuity of high grade intersections is not always well demonstrated hence relying on large scale reporting volumes. For these reasons the estimate has been classified as an Inferred Mineral Resource. More work is required to demonstrate grade continuity which will be addressed in Ovoca's proposed surface bulk sampling programme. SRK's Mineral Resource Statement given in the table is dated 1 February 2011 and is reported using the terminology and guidelines given in the JORC Code. The resource is given above a 0.5 g/t cut off grade and comprises seven areas from the Berezitoviy, Zabolocheniy 1 and Tainstvennaya 1 areas.

Completed Stakhanovsky facility

RC drill drig on Stakhanovsky

Company projects

SIGNIFICANT HISTORICAL DRILLING RESULTS FROM 2010 INCLUDE:

PREVIOUSLY ANNOUNCED:

Bore hole ID number	Target	Interval, m			True thickness, m	Gold grade g/t
		from	to	length		
RCZ1-3	Zabolocheniy-1	125	143	18	18	4.48
RCZ1-6	Zabolocheniy-1	118	121	3	3	2.87
RCZ1-8	Zabolocheniy-1	86	89	3	3	12.78
RCZ1-9	Zabolocheniy-1	88	110	22	22	0.64
RCZ1-23	Zabolocheniy-1	39	51	12	12	0.82
RCZ1-27A	Zabolocheniy-1	58	71	13	12	3.09
RCBU-8	Burovaya	17	22	5	5	16.27
RCBU-9	Burovaya	26	31	5	5	3.82
RCBU-11	Burovaya	65	73	8	8	0.69
RCBU-12	Burovaya	88	94	6	6	1.54
RCBU-15	Burovaya	65	70	5	5	0.56
RCBR-15	Berezitoviy	24	32	8	8	0.76
RCBR-20	Berezitoviy	29	37	8	8	1.74
RCBR-27	Berezitoviy	3	11	8	8	0.61
RCBR-30	Berezitoviy	12	14	2	2	0.95

ADDITIONAL RESULTS:

Bore hole ID number	Target	Interval, m			True thickness, m	Gold grade g/t
		from	to	length		
RCZ1-4	Zabolocheniy-1	11	37	26	26	0.55
RCZ1-11	Zabolocheniy-1	54	72	18	18	0.49
RCZ1-25	Zabolocheniy-1	12	32	20	20	0.49
RCT1-12	Tainstvennay-1	36	39	3	3	0.87
RCT1-14	Tainstvennay-1	63	67	4	4	0.72
RCBU-4	Burovaya	24	29	5	5	0.51
RCBU-5	Burovaya	31	38	7	7	1.39
DDBR-15-2	Berezitoviy	30.9	36.2	5.3	5.3	2.45
DDBR-27-2	Berezitoviy	3.0	8.3	5.3	5.3	0.41

The above information regarding Stakhanovsky has been reviewed and verified by Mr. Gareth O' Donovan for the purposes of the Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange in March 2006. Mr. O' Donovan, with 25 years of mining engineering, management and consulting experience, graduated as BA Hons from Keele University, has an MSc from Rhodes University, is a Fellow of both the Geological Society and the Institute of Materials Minerals and Mining and is a Chartered Engineer.

The Mineral Resource estimate for Stakhanovsky was undertaken by Mr. Martin Pittuck, CEng, MIMMM, a Principal Resource Geologist with SRK (UK) Ltd who has some 15 years relevant experience in the estimation of gold deposits and is considered a 'Competent Person' suitably qualified to report this Mineral Resource Estimate according to the JORC Code.

Directors and corporate information

Directors
Mikhail Mogutov
Executive Chairman

Timothy McCutcheon
CEO (Executive Director)

Kenneth Kuchling
Non-Executive Director

Yuri Radchenko
Non-Executive Director

Don Schissel
Non-Executive Director

Leonid Skoptsov
Non-Executive Director

Registered Office
78 Merrion Square South
Dublin 2
Ireland

Business Address
78 Merrion Square South
Dublin 2
Ireland

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

Registration number:
105274

Incorporated:
15 January 1985

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www.ovocagold.com

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Chartered Accountants &
Registered Auditors
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Solicitors
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Registrars
Computershare Investor
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Sandyford Industrial Estate
Dublin 18
Ireland

Director's report

The Directors present their annual report and audited financial statements for the year ended 31 December 2011 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 at its projected level of activity for the foreseeable future.

A detailed business review is included in 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 44 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 of the Company's financial position and results in future.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- Credit Risk; this refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining significant collateral, where appropriate, as a means of mitigating the risk of financial loss from defaulters. The table below analyses the Group's financial assets which are subject to credit risk:

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000
Cash and cash equivalents (Note 22)	19,826	8,394	25,672	11,123
Trade and other receivables (Note 20)	7,241	4,918	9,373	6,517
Total	27,067	13,312	35,045	17,640

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.

Director's report

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 31/12/2011 €'000	Group 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000
Trade and other payables (Note 23)	476	1,153	616	1,528
Total	476	1,153	616	1,528

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and available for sale financial assets. The Group's current cash resources (Note 22), trade and other receivables (Note 20) and available for sale financial assets (Note 18) significantly exceed the current cash outflow requirements.

- 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

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 2011 and their families in the share capital of the Company were:

	06/04/12	31/12/11	01/01/11	28/04/11	31/12/11	01/01/11
Mikhail Mogutov	11,656,203	12,086,188	14,457,546	200,000	200,000	200,000
Leonid Skoptsov	11,656,203	12,086,189	14,341,834	200,000	200,000	200,000
Yuri Radchenko	11,656,203	10,796,237	10,796,231	200,000	200,000	200,000
Timothy McCutcheon	400,000	400,000	-	2,200,000	2,200,000	2,200,000
Donald Schissel	-	-	-	200,000	200,000	200,000
Kenneth Kuchling	-	-	-	200,000	200,000	-
Kirill Golovanov (Secretary)	-	-	-	1,800,000	1,800,000	1,800,000

Mr. Kenneth Kuchling was appointed as Non Executive Director on 1 March 2011

Further details of the above share options of the directors as at 31 December 2011 are as follows:

	Number of options	Exercise Price	End of exercise period
Mikhail Mogutov	200,000	€0.80	28 July 2016
Leonid Skoptsov	200,000	€0.80	28 July 2016
Yuri Radchenko	200,000	€0.80	28 July 2016
Timothy McCutcheon	2,200,000	£0.25	20 January 2017
Donald Schissel	200,000	£0.30	20 January 2017
Kenneth Kuchling	200,000	£0.36	20 January 2017
Kirill Golovanov (Secretary)	1,800,000	£0.25	20 January 2017

SHARE PRICE

The Company's shares are primarily traded on the Enterprise Securities Market (ESM) of the Irish Stock Exchange, 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 2011 was €0.26. During the year ended 31 December 2011 the market price of the Company's shares ranged from €0.26 to €0.46.

The market price of the Company's share on AIM at 30 December 2011 was £0.22 pence. During the year ended 31 December 2011 the market price of the Company's shares ranged from £0.22 to £0.35.

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 06/04/12 are as follows:

	Ordinary shares of €0.125c each	% of issued share capital
BBHISL Nominees Limited (120165)	10,045,925	11.36%
Salyco Trading Co. Limited (Mikhail Mogutov)	9,155,886	10.35%
Pickco Trading Co. Limited (Yuri Radchenko)	7,928,531	8.96%
The Bank of New York (Nominees)	7,273,100	8.22%
Citibank Nominees (Ireland)	4,762,205	5.38%
Trikeri Investments Limited	4,600,000	5.20%
Euroclear Nominees Limited	4,298,883	4.86%
Chase Nominees Limited	3,247,200	3.67%

Director's report

GROUP UNDERTAKINGS

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

DIRECTORS' INTEREST IN CONTRACTS

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

POLITICAL DONATIONS

The Group made no political donations during the period.

GOING CONCERN

The Group uses the full cost method of accounting for exploration costs. Under this method, all costs associated with exploration are capitalized. The recovery of exploration costs is dependent on the successful production of economic quantities of precious metals and other minerals.

Provision for impairment is made where a project is abandoned or considered to be of no further interest to the group or its anticipated income potential is less than the carrying value of the project. The Directors have reviewed the current state of the Group's finances, taking into account the resources currently available to the Group.

The Group has significant liquid resources in the form of cash reserves of €19.8million and available for sale financial assets of €8.9million and the Directors are satisfied that there are sufficient levels of funding within the Group to enable them to trade at the projected level of operations for the foreseeable future.

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

DETAILS OF EXECUTIVE DIRECTORS

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

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

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

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

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

DETAILS OF NON-EXECUTIVE DIRECTORS

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

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

Yuri Ivanovich Radchenko, Non-Executive Director
Mr. Radchenko became a board member of Ovoca in June 2006. Mr. Radchenko is a Magadan resident and has a long history of natural resource development in the region. He was deeply involved in the development of the Julietta gold-silver mine by Bema Gold Corporation and he is currently the Chairman of Julietta's operating company. Ad-

Director's report

ditionally, he was the discoverer of the Lunnoye silver deposit, which is now one of OAO Polymetal's core assets. He was part of the group that vended into Ovoca Gold Plc 100% of OAO Ajax – Goltsovoye.

MS Geology, Kazakhstan Polytechnical Institute, Almaty, Kazakhstan.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

BOARD

The board currently has six directors, comprising two Executive Directors and four Non-Executive Directors. The Board met formally on 6 occasions during 2011. An agenda and supporting documentation was circulated in advance of each meeting. All the Directors bring independent judgment to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experiences in the industry, Non-Executive Directors are not appointed for specific terms. Each Non-Executive Director comes up for re-election every three years and each new Director is subject to election at the next Annual General Meeting following the date of appointment.

The following committees deal with the specific aspects of the Group affairs:

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

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

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

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

INTERNAL CONTROL

The Directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls that enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records. The Group's system of internal financial control provides reasonable, though not absolute assurance that assets are safeguarded, transactions authorised and recorded properly and that material errors or irregularities are either prevented or detected within a timely period. Having made appropriate enquiries, the Directors consider that the system of internal financial, operational and compliance controls and risk management operated effectively during the period covered by the financial statements and up to the date on which the financial state-

Director's report

ments were signed. The internal control system includes the following key features, which have been designed to provide internal financial control appropriate to the Group's businesses:

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

REMUNERATION COMMITTEE REPORT

The Group's policy on senior executive remuneration is designed to attract and retain people of the highest calibre who can bring their experienced and independent views to the policy, strategic decisions and governance of the Group. In setting remuneration levels, the Remuneration Committee takes into consideration the remuneration practices of other companies of similar size and scope. A key philosophy is that staff must be properly rewarded and motivated to perform in the best interests of the shareholders.

DIRECTORS'RESPONSIBILITY STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU IFRS) and have elected to prepare the Company financial statements in accordance with EU IFRS, as applied in accordance with the provisions of the Companies Acts, 1963 to 2009.

The Group and Company financial statements are required by law to present fairly the financial position and performance of the Group; the Companies Acts 1963 to 2009 provide, in relation to such financial statements, that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable IFRS as adopted by the European Union,

subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BOOKS AND ACCOUNTING RECORDS

The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements.

These books and accounting records are maintained at 78 Merrion Square, Dublin 2, Ireland.

EVENTS AFTER REPORTING PERIOD

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

AUDITORS

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

Approved on behalf of the Board on 6 April 2012

Leonid Skoptsov
Director

Timothy McCutcheon
Director

Independent auditor's report

Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows, Accounting Policies, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flow and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the consolidated and parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' Report on page 22.

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

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

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements;
- whether at the statement of financial position date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company statement of financial position, are not more than half of its called-up share capital; and

- whether any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the CEO's statement, Chairman's statement, Company information and properties overview and the Directors report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2011 and of its income and cash flows for the year then ended;

- the consolidated financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs and cashflows as at 31 December 2011; and

Independent auditor's report

- the parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

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

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

The net assets of the company, as stated in the company statement of financial position, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

EMPHASIS OF MATTER

In forming our opinion, we have considered the adequacy of disclosures made in note 14 to the financial statements, in relation to the Directors' assessment of the carrying value of the Group's exploration licenses and deferred exploration costs amounting to €24.635million ($34.954million). The realisation of the intangible assets is dependent on the successful development or disposal of precious metal and other minerals in the Group's licence areas. Such successful development is dependent on several variables including the existence of commercial deposits of precious metal and other minerals, availability of finance and the market price of precious metal and other minerals.

The financial statements do not include the adjustments that would result if the exploration and evaluation assets were not recoverable. In view of the significance of these uncertainties we consider that they should be drawn to your attention. Our opinion is not qualified in these respects.

Aidan Connaughton
For and on behalf of
Grant Thornton
Chartered Accountants and Registered Auditors
24-26 City Quay
Dublin 2

6 April 2012

Statement of account 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 those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS.

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

The IFRSs adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective at 31 December 2011.

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

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

The following are the new standards that were effective for the Group's financial year ending 31 December 2011. They had no impact on the results or financial position as set out herein.

- Amendments to IAS32 - Financial instruments (presentation and classification of rights issues)
- IFRIC19 - Extinguishing financial liabilities with equity instruments
- Amendments to IAS24 - Related Party Disclosures
- Amendments to IFRS1 - First time adoption of IFRS
- Improvements to IFRSs (2010)
- Amendments to IFRIC14 - Prepayments of a minimum funding requirement

Statement of account policies

There are a number of forthcoming requirements of IFRSs as adopted by the EU which are not yet effective and have therefore not been adopted in these financial statements. These new standards and interpretations, which are effective from the beginning of the periods outlined below include:

- Disclosures - Transfers of Financial Assets (Amendment to IFRS 7) with an effective date of 1 July 2011.
- IFRS 9 Financial Instruments (IFRS 9 (2010)), with an effective date of 1 January 2015.
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12, with an effective date of 1 January 2012.
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement, which all have an effective date of 1 January 2013.
- IAS 27 Separate Financial Statements (2011), which supersedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2011), which supersedes IAS 28 (2008), which both have an effective date of 1 January 2013.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 Presentation of Financial Statements), with an effective date of 1 July 2012.
- IAS 19 Employee Benefits which supersedes IAS 19 (1998), with an effective date of 1 January 2013.

The Group does not plan to adopt these standards early and the extent of their impact has not yet been determined.

BASIS OF PREPARATION

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

REVENUE RECOGNITION - INTEREST REVENUE

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

CONSOLIDATION

The consolidated financial statements comprise the financial statements of Ovoca Gold Plc and its subsidiaries for the year ended 31 December 2011.

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.

Statement of account policies

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

IMPAIRMENT

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that is expected to generate cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

TAXATION

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

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

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

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in a foreign currency are translated into Euro at the exchange rate ruling at the statement of financial position date. Revenues, costs and non monetary assets are translated at the exchange rates ruling at the dates of the transactions. All exchange differences are dealt with through the income statement.

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

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant & equipment are stated at cost, less accumulated depreciation. No depreciation is provided on land. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, which are reviewed each financial year, as follows:

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

Statement of account policies

SHARE BASED PAYMENTS

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

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

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

ISSUE EXPENSES AND SHARE PREMIUM ACCOUNT

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

EARNINGS PER SHARE

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's investments in equity securities that are not accounted for as a subsidiary, associate or joint venture are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, including translation differences, are recognised directly in equity.

The fair value of investments classified as available-for-sale is their quoted market price at the statement of financial position date. When such an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

OPERATING LEASES

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

OTHER LOANS AND RECEIVABLES

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value. Given the short-dated nature of these assets the original invoice value equates to initial fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less an impairment provision when there is objective evidence that it will not be possible to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original rate of interest. The amount of the provision is recognised in the income statement in selling and distribution costs.

Statement of account policies

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

TRADE PAYABLES

Trade payables are initially stated at 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

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.

CONTINGENT CONSIDERATION

The directors have assessed the expected payment dates of contingent consideration recognised as a result of acquisitions in the prior year.

These are managements best estimates on all available information to them however the resultant payment dates will also be affected by factors external to the company's control.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when present obligations as a result of past events 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	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Exploration costs written off	14	(1,528)	(297)	(2,128)	(394)
Gross loss		**(1,528)**	**(297)**	**(2,128)**	**(394)**
Administration expenses		(2,160)	(3,361)	(2,967)	(4,463)
Other gains and losses	6	7,750	4,853	10,793	6,455
Operating profit		**4,062**	**1,195**	**5,698**	**1,598**
Finance costs	7	(410)	(1,103)	(612)	(1,465)
Finance income	7	611	844	851	1,121
Gain for the year before tax		**201**	**936**	**239**	**1,254**
Income tax	12	-	-	-	-
Gain for the year from continuing operations		**4,263**	**936**	**5,937**	**1,254**
Discontinued operations					
Loss for the year from discontinued operations	3	-	(4,376)	-	(5,811)
Gain/(loss) for the year		**4,263**	**(3,440)**	**5,937**	**(4,557)**
Attributable to:					
Owners of the parent		4,263	(3,440)	5,937	(4,557)
		4,263	**(3,440)**	**5,937**	**(4,557)**
Earnings/(loss) per share					
Basic earnings per share from continuing operations	13	4.85c	1.06c	6.75c	1.41c
Basic loss per share from discontinued operations	13	-	(4.95)c	-	(6.57)c
Basic earnings/(loss) per share	13	4.85c	(3.89)c	6.75c	(5.16)c
Fully diluted earnings per share from continuing operations	13	4.51c	0.98c	6.28c	1.31c
Fully diluted loss per share from discontinued operations	13	-	(4.60)c	-	(6.11)c
Fully diluted earnings/(loss) per share	13	4.51c	(3.62)c	6.28c	(4.80)c

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.
Approved on behalf of the Board on 6 April 2012

Leonid Skoptsov
Director

Timothy McCutcheon
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Gain/(loss) for the year	4,263	(3,440)	5,937	(4,557)
Other comprehensive (expense)/income:				
Fair value movement on available for sale financial assets during the year	(2,483)	15,825	(2,985)	20,586
Reclassification of previously unrecognised gains now recognised in income	(8,139)	(5,649)	(11,335)	(7,512)
Exchange movement	115	2,858	(506)	1,909
Total comprehensive (loss)/income for the year	**(6,244)**	**9,594**	**(8,889)**	**10,426**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Share premium €'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
At 1 January 2011	**11,057**	**48,108**	**16,729**	**2,494**	**1,253**	**(22,893)**	**56,748**
Comprehensive income:							
Gain for the year	-	-	-	-	-	4,263	4,263
Other comprehensive income							
Fair value movement on available for sale financial assets during the year	-	-	(2,483)	-	-	-	(2,483)
Reclassification of previously unrecognised gains now recognised in income			(8,139)				(8,139)
Realised exchange movement on available for sale assets disposed of during the year	-	-	-	129	-	-	129
Exchange movement	-	-	-	(14)		-	(14)
Total comprehensive income	**11,057**	**48,108**	**6,107**	**2,609**	**1,253**	**(18,630)**	**50,504**
Transactions with owners							
Transfer of share premium	-	(48,108)	-	-	-	48,108	-
Shares held by subsidiary company	-	-	-	-	-	(392)	(392)
Share based payments	-	-	-	-	41	-	41
Balance at 31 December	**11,057**	**-**	**6,107**	**2,609**	**1,294**	**29,086**	**50,153**
At 1 January 2010	**11,057**	**48,108**	**6,553**	**(364)**	**520**	**(19,453)**	**46,421**
Comprehensive income:							
Loss for the year	-	-	-	-	-	(3,440)	(3,440)
Other comprehensive income							
Fair value movement on available for sale financial assets during the year	-	-	15,825	-	-	-	15,825
Reclassification of previously unrecognised gains now recognised in income			(5,649)				(5,649)
Realised exchange movement on available for sale assets disposed of during the year	-	-	-	138	-	-	138
Exchange movement	-	-	-	2,720	-	-	2,720
Total comprehensive income	**11,057**	**48,108**	**16,729**	**2,494**	**520**	**(22,893)**	**56,015**
Transactions with owners							
Share based payments	-	-	-	-	733	-	733
At 31 December 2010	**11,057**	**48,108**	**16,729**	**2,494**	**1,253**	**(22,893)**	**56,748**

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.

Financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Share premium €'000	Other reserves €'000	Share based payment reserve €'000	Retained earnings €'000	Total (attributable to owners of the parent) €'000
At 1 January 2011	**11,057**	**48,108**	**11**	**1,253**	**(11,613)**	**48,816**
Comprehensive income:						
Loss for the year	-	-	-	-	(1,578)	(1,578)
Total before transactions with owners	**11,057**	**48,108**	**11**	**1,253**	**(13,191)**	**47,238**
Transactions with owners						
Transfer between reserves	-	(48,108)	-	-	48,108	-
Share based payments	-	-	-	41	-	41
At 31 December 2011	**11,057**	**-**	**11**	**1,294**	**34,917**	**47,279**
At 1 January 2010	**11,057**	**48,108**	**11**	**520**	**(1,525)**	**58,171**
Comprehensive income:						
Loss for the year	-	-	-	-	(10,088)	(10,088)
Total before transactions with owners	**11,057**	**48,108**	**11**	**520**	**(11,613)**	**48,083**
Transactions with owners						
Share based payments	-	-	-	733	-	733
At 31 December 2010	**11,057**	**48,108**	**11**	**1,253**	**(11,613)**	**48,816**

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Assets					
Current assets					
Inventories	19	120	35	155	46
Trade and other receivables	20	7,241	4,918	9,373	6,517
Cash and cash equivalents	22	19,826	8,394	25,672	11,123
		27,187	**13,347**	**35,200**	**17,686**
Noncurrent assets					
Property, plant and equipment	16	2,583	750	3,603	1,024
Intangible assets	14	24,635	23,413	34,954	33,252
Available for sale financial assets	18	8,877	32,473	11,494	43,029
		36,095	**56,636**	**50,051**	**77,305**
Total assets		**63,282**	**69,983**	**85,251**	**94,991**
Liabilities					
Current liabilities					
Trade and other payables	23	476	1,153	616	1,528
Contingent provisions	15	2,275	2,092	2,946	2,771
		2,751	**3,245**	**3,562**	**4,299**
Non-current liabilities					
Contingent provisions	15	10,378	9,990	13,647	13,239
Total liabilities		**13,129**	**13,235**	**17,209**	**17,538**
Net assets		**50,153**	**56,748**	**68,042**	**77,453**
Equity					
Ordinary shares	24	11,057	11,057	15,586	15,586
Share premium	24	-	48,108	-	67,809
Other reserves	26	6,107	16,729	7,894	22,214
Foreign currency translation reserve	26	2,609	2,494	2,896	3,402
Share based payment reserve	26	1,294	1,253	1,759	1,706
Retained earnings	25	29,086	(22,893)	39,907	(33,264)
		50,153	**56,748**	**68,042**	**77,453**

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.
Approved on behalf of the Board on 6 April 2012

Leonid Skoptsov
Director

Timothy McCutcheon
Director

Financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Assets					
Current assets					
Trade and other receivables	20	7,406	8,552	9,590	11,332
Cash and cash equivalents	22	163	280	211	371
		7,569	**8,832**	**9,801**	**11,703**
Noncurrent assets					
Property, plant and equipment	16	28	34	37	45
Financial assets	17	39,918	40,327	56,264	56,840
		39,946	**40,361**	**56,301**	**56,885**
Total assets		**47,515**	**49,193**	**66,102**	**68,588**
Liabilities					
Current liabilities					
Trade and other payables	23	236	377	306	500
		236	**377**	**306**	**500**
Total liabilities		**236**	**377**	**306**	**500**
Net assets		**47,279**	**48,816**	**65,796**	**68,088**
Equity					
Ordinary shares	24	11,057	11,057	15,586	15,586
Share premium	24	-	48,108	-	67,809
Other reserves	26	11	11	16	16
Foreign currency translation reserve	26	-	-	(1,871)	(1,719)
Share based payment reserve	26	1,294	1,253	1,764	1,707
Retained earnings	25	34,917	(11,613)	50,301	(15,311)
		47,279	**48,816**	**65,796**	**68,088**

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.
Approved on behalf of the Board on 6 April 2012

Leonid Skoptsov
Director

Timothy McCutcheon
Director

CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Cash flows from operating activities					
Continuing operations					
Net gain for the year before tax		4,263	936	5,937	1,254
Foreign currency reserve movement		115	2,858	(506)	1,909
Exploration costs written off	14	1,528	297	2,128	394
Depreciation	16	78	116	109	154
Net finance income/(costs)	7	(201)	170	(239)	232
Share option expense	29	41	733	53	973
Increase in inventories	19	(85)	(28)	(109)	(36)
Increase in trade and other receivables	20	(2,323)	(921)	(2,856)	(789)
Decrease in trade and other payables	23	(106)	(686)	(329)	(1,108)
Net cash flow from continuing operations		**3,310**	**3,475**	**4,188**	**2,983**
Discontinued operations					
Net loss for the year before tax		-	(4,376)	-	(5,811)
Exploration costs written off	14	-	3,779	-	5,377
Net finance costs	7	-	89	-	112
Net cash flow from discontinuing operations		**-**	**(508)**	**-**	**(322)**
Net cash flow from operating activities		**3,310**	**2,967**	**4,188**	**2,661**
Cash flows from financing activities					
Net interest received/(charged)	7	201	(259)	239	(344)
Payments to acquire treasury shares	25	(392)	-	(575)	-
Net cash flow from financing activities		**(191)**	**(259)**	**(336)**	**(344)**
Cash flows from investing activities					
Expenditure on exploration activities	14	(2,750)	(5,121)	(3,830)	(6,800)
Net intangible assets acquired	14	-	(7,264)	-	(11,882)
Net (purchases)/proceeds of property, plant and equipment	16	(1,911)	(67)	(2,688)	(57)
Purchase of available for sale asset		-	-	-	-
Net proceeds from disposal of available for sale asset		12,974	(1,616)	17,215	(768)
Net cash flow from financing activities		**8,313**	**(14,068)**	**10,697**	**(19,507)**
Net (decrease)/increase in cash and cash equivalents		11,432	(11,360)	14,549	(17,190)
Cash and cash equivalents at the beginning of year	22	8,394	19,754	11,123	28,313
Cash and cash equivalents at the end of year	22	**19,826**	**8,394**	**25,672**	**11,123**

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.

Financial statements

COMPANY STATEMENT OF CASHFLOWS

	Note	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Cash flows from operating activities					
Net loss for the year before tax		(1,578)	(10,088)	(2,197)	(13,211)
Foreign currency reserve movement		-	-	(152)	(2,248)
Depreciation	16	9	8	12	11
Share option expense	29	41	733	57	973
Decrease in trade and other receivables	20	1,146	4,465	1,742	7,293
Decrease increase in trade and other payables	23	(141)	(2,806)	(194)	(4,020)
Impairment of financial assets	17	409	577	576	815
Loss on disposal of financial assets	17	-	6,173	-	9,008
Net cash outflow from operating activities		**(114)**	**(938)**	**(156)**	**(1,379)**
Cash flows from investing activities					
Net purchases) of property, plant and equipment	16	(3)	(42)	(4)	(56)
Advances to/investment in subsidiaries	17	-	(6)	-	(8)
Net cash outflow from financing activities		**(3)**	**(48)**	**(4)**	**(64)**
Net decrease increase in cash and cash equivalents		(117)	(986)	(160)	(1,443)
Cash and cash equivalents at the beginning of year	22	280	1,266	371	1,814
Cash and cash equivalents at the end of year	**22**	**163**	**280**	**211**	**371**

The accompanying notes on pages 51 to 69 form an integral part of these financial statements.

Notes to the financial statements

1. GOING CONCERN

The group financial statements consolidate the financial statements of Ovoca Gold Plc and its subsidiary undertakings for the year ended 31 December 2011. The company uses the full cost method of accounting for exploration costs. Under this method all costs associated with exploration are capitalised.

The recovery of exploration costs is dependent on the successful production of economic quantities of precious metals and other minerals. If commercial production is achieved, the unit of production basis will be used to amortise all remaining balances in the proportion the current production in a period bears to total estimated recoverable reserves. Provision for impairment is made where a project is abandoned or considered to be of no further interest to the group or its anticipated income potential is less than the carrying value of the project on the statement of financial position.

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

On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis. The directors consider that in preparing the financial statements that they have taken in to account all information that could reasonably be expected to be available. On that basis, they consider that it is appropriate to prepare the financial statements on a going concern basis. 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 2011, the Group had two business segments, exploration activities and investment. Exploration activities are primarily carried out by subsidiary companies, Comtrans, Bulun, Magsel and Olymp which are carried out in the Russian Federation.

Investing activities are carried out by another subsidiary company, Silver Star Limited, a company located in Bermuda. Unallocated costs represent group administration costs, primarily incurred in Ireland and the Russian Federation.

Notes to the financial statements

CONTINUING OPERATIONS - 31 DECEMBER 2011

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities $'000	Investment $'000	Unallocated $'000	Total $'000
Exploration costs written off	(1528)	-	-	(1,528)	(2,128)	-	-	(2,128)
Administration expenses	(156)	(636)	(1,368)	(2,160)	(217)	(845)	(1,905)	(2,967)
Other gains and losses	-	7,757	(7)	7,750	-	10,803	(10)	10,793
Operating (loss)/gain	(1,684)	7,121	(1,375)	4,062	(2,345)	9,958	(1,915)	5,698
Finance costs	(10)	(395)	(5)	(410)	(14)	(591)	(7)	(612)
Finance income	1	610	-	611	1	850	-	851
(Loss)/gain before tax	(1,693)	7,336	(1,380)	4,263	(2,358)	10,217	(1,922)	5,937
Income tax	-	-	-	-	-	-		-
(Loss)/gain after tax	(1,693)	7,336	(1,380)	4,263	(2,358)	10,217	(1,922)	5,937
Segment assets	21,245	41,814	223	63,282	28,620	56,330	301	85,251
Segment liabilities	(269)	(12,653)	(207)	(13,129)	(353)	(16,585)	(271)	(17,209)
Net assets	20,976	29,161	16	50,153	28,267	39,745	30	68,042

CONTINUING OPERATIONS -31 DECEMBER 2010

	Exploration activities €'000	Investment €'000	Unallocated €'000	Total €'000	Exploration activities $'000	Investment $'000	Unallocated $'000	Total $'000
Exploration costs written off	(297)	-	-	(297)	(394)	-	-	(394)
Administration expenses	(11)	(1,870)	(1,480)	(3,361)	(14)	(2,483)	(1,966)	(4,463)
Other gains and losses	(60)	4,682	231	4,853	(80)	6,228	307	6,455
Operating gain	(368)	2,812	(1,249)	1,195	(488)	3,745	(1,659)	1,598
Finance costs	(118)	(974)	(11)	(1,103)	(157)	(1,293)	(15)	(1,465)
Finance income	22	700	122	844	29	929	163	1,121
Gain/(loss) before tax	(464)	2,538	(1,138)	936	(616)	3,381	(1,511)	1,254
Income tax	-	-	-	-	-	-	-	-
Gain/(loss) after tax	(464)	2,538	(1,138)	936	(616)	3,381	(1,511)	1,254
Segment assets	11,212	58,361	410	69,983	15,219	79,216	556	94,991
Segment liabilities	(795)	(12,094)	(346)	(13,235)	(1,053)	(16,026)	(459)	(17,538)
Net assets	10,417	46,267	64	56,748	14,166	63,190	97	77,453

DISCONTINUED OPERATIONS - 31 DECEMBER 2010

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

Notes to the financial statements

3. DISCONTINUED OPERATIONS

On 30 August 2010 Ovoca Gold Plc sold its wholly owned subsidiary Norplat Limited together with its indirect holdings in CJSC Black Fox Resources and Lovozero Limited to a third party for $1.25m cash. Norplat Limited had a 95% interest in the Oleninskoye gold project and the Pellapakh copper-molybdenum project in the Murmansk Region of Russia. The sale of Norplat means an exit from the Murmansk Region as part of the Company's strategy to focus our financial and management resources on Ovoca's Magadan properties. Ovoca Gold Plc also proceeded with the strike off of three Irish subsidiaries which held exploration licenses long expired. Ovoca Gold Plc also proceeded with the strike off of its UK registered subsidiary Boreal Minerals Plc as part of the drive to concentrate the management of the business and bring it closer to its service providers. These companies were classified as discontinued operations as at 31 December 2010.

The results of the discontinued operations are as follows:

The results of the discontinued operations are as follows:	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Exploration costs written off	-	-	-	-
Gross loss	**-**	**-**	**-**	**-**
Administration expenses	-	(40)	-	(53)
Other gains and losses	-	(434)	-	(576)
Operating loss	**-**	**(474)**	**-**	**(629)**
Finance costs	-	(89)	-	(118)
Loss before tax from discontinued operations	**-**	**(563)**	**-**	**(747)**
Loss on disposal of discontinued operations	-	(3,813)	-	(5,064)
Loss for the period from discontinued operations	**-**	**(4,376)**	**-**	**(5,811)**
Basic loss per share (cent)	**-**	**(4.95)c**	**-**	**(6.57)c**
Diluted loss per share (cent)	**-**	**(4.60)c**	**-**	**(6.11)c**

The effect of disposal on the financial position of the group is as follows:

The effect of disposal on the financial position of the group is as follows:	2011 €'000	2010 €'000	2011 $'000	2010 $'000
Trade and other receivables	-	1,044	-	1,383
Cash and cash equivalents	-	19	-	25
Intangible assets	-	3,780	-	5,009
Deferred tax assets	-	200	-	265
Trade and other payables	-	(25)	-	(33)
Deferred tax liabilities	-	(70)	-	(93)
Net assets disposed of	**-**	**4,948**	**-**	**6,556**
Proceeds receivable – not impaired	-	(75)	-	(100)
Amounts provided for against further receivables	-	(980)	-	(1,150)
Accumulated currency translation differences included in loss	-	(80)	-	(242)
Total loss on disposal	**-**	**3,813**	**-**	**5,064**

4. GAIN ON ORDINARY ACTIVITIES BEFORE TAXATION ON CONTINUING OPERATIONS

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Employee expense (net of amounts capitalised)	(1,234)	(689)	(1,718)	(915)
Directors remuneration	(295)	(371)	(410)	(493)
Depreciation				
- Included in administration expenses	(78)	(116)	(109)	(155)
Services provided by the Group's auditors (Note 5)	(76)	(119)	(105)	(158)
Gain on disposal of available for sale asset	8,139	5,649	11,335	7,512
Operating lease rentals				
- Property (Note 31)	(133)	(110)	(185)	(145)
- Equipment (Note 31)	-	(179)	-	(236)
Effective interest on contingent consideration (Note 15)	(806)	(967)	(1,123)	(1,284)
Fair value adjustment on re-evaluation of payment dates of deferred consideration (note 15)	417	-	540	-
Realised foreign exchange (loss) gain	(208)	171	(404)	228
Interest received	611	844	851	1,121
Other administration expenses	(2,074)	(3,177)	(2,735)	(4,221)
Gain on ordinary activities before taxation on continuing operation	**4,263**	**936**	**5,937**	**1,254**

5. SERVICES PROVIDED BY THE AUDITOR

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Audit services – group audit	34	50	47	66
Audit services- statutory entities	34	40	47	53
Other assurance services	-	21	-	28
Tax advisory services	8	8	11	11
Total auditors remuneration	**76**	**119**	**105**	**158**

6. OTHER GAINS AND LOSSES

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Net gain on disposal of available for sale financial assets	8,139	5,649	11,335	7,512
Exchange movement on contingent consideration	(181)	(967)	(252)	(1,285)
Realised foreign exchange gains	(208)	171	(290)	228
	7,750	4,853	10,793	6,455

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

Notes to the financial statements

7. FINANCE COSTS AND FINANCE INCOME

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Finance costs				
Bank charges	(21)	(136)	(29)	(181)
Unwinding of discount relating to contingent provision and exchange variance during the year (Note 15)	(806)	(967)	(1,123)	(1,284)
Fair value adjustment on re-evaluation of payment dates of deferred consideration	417	-	540	-
Finance income				
Bank interest received	611	844	851	1,121
	201	(259)	239	(344)

8. EMPLOYEES

	31/12/2011 Number	31/12/2010 Number
Administration and operational staff	38	22

9. EMPLOYMENT COSTS

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Wages and salaries	1,375	1,118	1,914	1,485
Social welfare costs	154	36	214	48
Staff costs capitalised	-	(94)	-	(125)
Total employment costs	**1,529**	**1,060**	**2,128**	**1,408**

The above employment costs relate to short term benefits only.

10. DIRECTORS REMUNERATION

	2011	2010	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
	Number of options					
Mikhail Mogutov	200,000	200,000	86	90	120	120
Timothy McCutcheon	2,200,000	2,200,000	157	237	218	315
Yuri Radchenko	200,000	200,000	13	14	18	18
Don Schissel	200,000	200,000	13	10	18	13
Leonid Skoptsov	200,000	200,000	13	20	18	27
Kenneth Kuchling	200,000	-	13	-	18	-
Directors remuneration	**3,200,000**	**3,000,000**	**295**	**371**	**410**	**493**

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

11. PENSION COSTS

The group does not operate a pension scheme.

12. INCOME TAX

Analysis of tax charge for the year	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Income tax	-	-	-	-
Reconciliation of factors affecting the income tax charge for the year				
Loss on ordinary activities before tax	4,263	936	5,937	1,254
Corporation tax at standard rate 2011: 12.5% (2010: 12.5%)	**533**	**117**	**742**	**157**
Effects of				
Income not subject to taxation	(917)	(302)	(1,277)	(401)
Ineligible costs and losses carried forward to future periods	384	185	535	244

13. EARNINGS/(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 earnings/(loss) per share is calculated by adjusting the weighted average number of share in issue to assume conversion of all potential ordinary shares.

Basic	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Gain after taxation from continuing operations	4,263	936	5,937	1,254
Loss after taxation from discontinued operations	-	(4,376)	-	(5,811)
Weighted average number of ordinary shares (**thousands**)	87,954	88,459	87,954	88,459
Basic earnings per share from continuing operations	4.85c	1.06c	6.75c	1.41c
Basic loss per share from discontinued operations	-	(4.95)c	-	(6.57)c
Basic (loss)/earnings per share	4.85c	(3.89)c	6.75c	(5.16)c

Diluted	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Weighted average number of ordinary shares (all measures) (**thousands**)	94,475	95,099	94,475	95,099
Fully diluted earnings/(loss) per share from continuing operations	4.51c	0.98c	6.28c	1.31c
Fully diluted earnings/(loss) per share from discontinued operations	-	(4.60)c	-	(6.11)c
Fully diluted earnings/(loss) per share	4.51c	(3.62)c	6.28c	(4.80)c

Notes to the financial statements

14. INTANGIBLE ASSETS

Group	Exploration licenses €'000	Deferred exploration costs €'000	Total €'000	Exploration licenses $'000	Deferred exploration costs $'000	Total $'000
At 1 January 2011	12,825	10,588	23,413	18,611	14,641	33,252
Expenditure incurred during the year	-	2,750	2,750	-	3,830	3,830
Amounts written off during the year	-	(1,528)	(1,528)	-	(2,128)	(2,128)
At 31 December 2011	12,825	11,810	24,635	18,611	16,343	34,954
Net book values						
At 31 December 2011	12,825	11,810	24,635	18,611	16,343	34,954
At 31 December 2010	12,825	10,588	23,413	18,611	14,641	33,252

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

In accordance with IFRS 6 - Exploration for an Evaluation of Mineral Resources, the carrying value of the Group and Company intangible assets was reviewed for indicators of impairment. On review the recoverable amount of the assets was found to exceed the carrying amount. The intangible assets were reviewed on the basis of cash generating units, which is in line with the geographical and operational segments as disclosed in note 2. All of the deferred exploration costs written off relate to exploration activities carried out in Russia. While development in these areas is ongoing, an amount of €'000 1,528 (2010: €'000 297) was written off during the period.

15. 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 ($6.960m) and deferred consideration of up to a maximum of $18 million, payment of which is contingent upon the achievement of certain exploration and licence targets. The acquisition is deemed to be a related party transaction as detailed further in note 27. The acquisitions have been accounted for under IFRS 3 - Business Combinations. The excess paid over the net assets acquired is wholly attributable to the exploration licences held by the acquired companies. During the acquisition process, management used independent experts to value these licences. These valuations fully support the value attributed to the exploration licences below. Details of the net assets acquired, contingent consideration and amounts allocated to intangible assets (exploration licences) are as follows:

The following information relates to business combinations which occurred in 2010. No such transactions occurred in 2011.

	31/12/2010 €'000	31/12/2010 $'000
Cash paid	4,796	6,960
Contingent consideration	10,148	14,726
Total purchase consideration	14,944	21,686
Fair value of net identifiable assets acquired	2,119	3,075
Intangible assets (exploration licenses)	12,825	18,611

The assets and liabilities at the date of acquisition are as follows:

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

Fair values have been assessed and it has been determined that there is no significant difference between fair values and book value of the assets and liabilities acquired. No revenue has been recognised in the financial statements to 31 December 2010 or 31 December 2011 as a result of the acquisitions made. The acquired assets have not yet been amortised as they have not yet been in full operation. A useful life will be allocated to each licence based on the results of future geological testing in the area.

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

Notes to the financial statements

The contingent consideration on acquisition was calculated as follows:

	31/12/2010 €'000	31/12/2010 $'000
Amount of contingent consideration deemed payable	12,403	18,000
Discounted to date of acquisition (effective interest rate of 7.59%)	10,148	14,726
Effective interest for the period from acquisition to 31 December 2011	967	1,284
Exchange rate movement from the period from acquisition to 31 December 2011	967	-
Deferred consideration at 31 December 2010	12,082	16,010

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

	31/12/2010 €'000	31/12/2010 $'000
Deferred consideration at 31 December 2010	12,082	16,010
Effective interest for the year (effective interest rate of 7.43%)	806	1,123
Exchange rate movement from the period from acquisition to 31 December 2011 (effective interest rate of 7.43%)	182	-
Fair value adjustment on re-evaluation of payment dates of deferred consideration	(417)	(540)
Deferred consideration at 31 December 2011	12,653	16,593

Deferred consideration expected to fall due as follows:

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Deferred consideration due within 1 year	2,275	2,092	2,946	2,771
Deferred consideration due after 1 year but less than 5 years	10,378	9,990	13,647	13,239
Deferred consideration at 31 December 2011	12,653	12,082	16,593	16,010

16. PROPERTY, PLANT AND EQUIPMENT

Group	Mining equip. €'000	Office furniture and equip. €'000	Land and buildings €'000	Assets under const. €'000	Total €'000	Mining equip. $'000	Office furniture and equip. $'000	Land and buildings $'000	Assets under constr. €'000	Total $'000
Cost										
At 1 January 2011	**218**	**53**	**614**	**-**	**885**	**304**	**71**	**814**	**-**	**1,189**
Additions	220	166	212	1,360	1,958	307	231	322	1,894	2,754
Disposal	(96)	-	-	-	(96)	(134)	-	-	-	(134)
At 31 December 2011	**342**	**219**	**826**	**1,360**	**2,747**	**477**	**302**	**1,136**	**1,894**	**3,809**
Depreciation										
At 1 January 2011	**85**	**23**	**27**	**-**	**135**	**84**	**31**	**50**	**-**	**165**
Charge for year	39	17	22	-	78	54	24	31	-	109
Disposal	(49)	-	-	-	(49)	(68)	-	-	-	(68)
At 31 December 2011	**75**	**40**	**49**	**-**	**164**	**70**	**55**	**81**	**-**	**206**
Net book values										
At 31 December 2011	**267**	**179**	**777**	**1,360**	**2,583**	**407**	**247**	**1,055**	**1,894**	**3,603**
At 31 December 2010	**133**	**30**	**587**	**-**	**750**	**220**	**40**	**764**	**-**	**1,024**

During the year, the company commenced construction of facilities in order to commence the commercial extraction and production of gold in 2012. The assets are not in use at the year end and as such no deprecations has been charged.

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

Group	Mining equip. €'000	Office furniture and equip. €'000	Land and buildings €'000	Assets under const. €'000	Total €'000	Mining equip. $'000	Office furniture and equip. $'000	Land and buildings $'000	Assets under constr. €'000	Total $'000
Cost										
At 1 January 2010	**264**	**11**	**614**	**889**	**415**	**15**	**814**	**1,244**	**-**	**1,189**
Additions	156	42	-	198	207	56	-	263	1,894	2,754
Disposal	(202)	-	-	(202)	(318)	-	-	(318)	-	(134)
At 31 December 2010	**218**	**53**	**614**	**885**	**304**	**71**	**814**	**1,189**	**1,894**	**3,809**
Depreciation										
At 1 January 2010	**73**	**11**	**6**	**90**	**86**	**15**	**22**	**123**	**-**	**165**
Charge for year	83	12	21	116	110	16	28	154	-	109
Disposal	(71)	-	-	(71)	(112)	-	-	(112)	-	(68)
At 31 December 2010	**85**	**23**	**27**	**135**	**84**	**31**	**50**	**165**	**-**	**206**
Net book values										
At 31 December 2010	**133**	**30**	**587**	**750**	**220**	**40**	**764**	**1,024**	**1,894**	**3,603**
At 31 December 2008	**191**	**-**	**608**	**799**	**329**	**-**	**792**	**1,121**	**-**	**1,024**

Company	Office furniture and equipment €'000	Total €'000	Office furniture and equipment $'000	Total $'000
Cost				
At 1 January 2011	**42**	**42**	**56**	**56**
Additions	3	3	4	4
At 31 December 2011	**45**	**45**	**60**	**60**
Depreciation				
At 1 January 2011	**8**	**8**	**11**	**11**
Charge for year	9	9	12	12
At 31 December 2011	**17**	**17**	**23**	**23**
Net book values				
At 31 December 2011	**28**	**28**	**37**	**37**
At 31 December 2010	**34**	**34**	**45**	**45**

Notes to the financial statements

17. FINANCIAL ASSETS - COMPANY

	01/01/2011 €'000	Movement during year €'000	31/12/2011 €'000	01/01/2011 $'000	Movement during year $'000	31/12/2011 $'000
Ovoca Mining Limited	9	-	9	12	-	12
Silver Star Limited	39,909	-	39,909	56,252	-	56,252
Comtrans Limited	409	(409)	-	576	(576)	-
Investment in subsidiaries at cost	**40,327**	**(409)**	**39,918**	**56,840**	**(576)**	**56,264**

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

In the opinion of the directors, following the provision against the carrying value of Comtrans Limited, the fair value of financial assets in the company statement of financial position at 31 December 2011 was in excess of the carrying value at that date.

During the prior year the company disposed of its shareholding in Norplat Limited and its wholly owned subsidiary, CSJC Black Fox. The company also provided against the carrying value of the investment held in Boreal Minerals plc and Comtrans Limited.

There were three subsidiaries acquired during the prior year by Silver Star Limited, a wholly owned subsidiary of Ovoca Gold PLC. The business combination is discussed in note 15 to the financial statements.

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

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

18. AVAILABLE FOR SALE FINANCIAL ASSETS - GROUP

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
At 1 January 2011	32,473	20,681	43,029	29,187
Additions	7,887	2,522	11,000	3,343
Disposals	(20,990)	(1,943)	(28,215)	(2,575)
Fair value movement on available for sale financial assets during the year	(2,483)	15,825	(2,985)	20,586
Reclassification of previously unrecognised gains now recognised in income	(8,139)	(5,649)	(11,335)	(7,512)
Exchange movement	129	1,037	-	-
	8,877	32,473	11,494	43,029

Available for sale financial assets include the following

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Quoted securities	8,877	32,473	11,494	43,029
Investment in Polymetal	8,227	18,313	10,652	24,268
Asset managed fund	650	14,160	842	18,761
	8,877	32,473	11,494	43,029

In the prior year the investment held in Polymetal represented shares listed on the Russian stock exchange. During the year PMTL International Limited, a new UK listed entity announced an offer, through a subsidiary Polymental Holding Limited, to certain eligible existing shareholders of Polymetal to acquire their ordinary shares in Polymetal. The terms provide for the issue of shares in Polymetal International in exchange for Polymetal shares on a one for one basis. As the underlying assets of the investment remained substantially the same, substantially all of the risks and rewards associated with the investment remained the same. In accordance with IAS 39 no derecognition event occurred and no disposal was recognised.

The investment in Polymetal represents the holding of 630,000 shares. Polymetal is now 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:

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Russian Rubles	-	18,313	-	24,268
US Dollar	650	9,548	842	12,650
Canadian Dollar	-	2,364	-	3,132
Sterling	8,227	1,616	10,652	2,141
Australian Dollar	-	632	-	838
	8,877	32,473	11,494	43,029

At 31 December 2011, 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 €’000 411/$’000 532 higher/lower (2010: €’000 1,624 / $’000 2,151 higher/lower), mainly as a result of changes in fair values of available-for-sale financial assets.

Notes to the financial statements

19. INVENTORIES

	31/12/2011 €'000	31/12/2010 €'000	31/12/2011 $'000	31/12/2010 $'000
Inventories	120	35	155	46

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

20. TRADE AND OTHER RECEIVABLES

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Company 31/12/2011 €'000	Company 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000	Company 31/12/2011 $'000	Company 31/12/2010 $'000
Trade receivables	506	573	-	-	655	759	-	-
Tax and social welfare	421	-	4	-	545	-	5	-
Amounts owed by group undertakings	-	-	7,397	8,477	-	-	9,578	11,233
Loans and receivables (Note 21)	6,309	4,120	-	-	8,166	5,459	-	-
Prepayments and accrued income	5	150	5	-	7	200	7	-
Receivable on sale of Norplat	-	75	-	75	-	99	-	99
	7,241	4,918	7,406	8,552	9,373	6,517	9,590	11,332

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

21. LOANS AND RECEIVABLES

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Company 31/12/2011 €'000	Company 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000	Company 31/12/2011 $'000	Company 31/12/2010 $'000
At 1 January	4,120	3,611	-	3,611	5,459	5,175	-	5,175
Amounts received	(4,120)	(3,611)	-	(3,611)	(5,459)	(5,175)	-	(5,175)
Loans issued to related parties	2,267	-	-	-	2,937	-	-	-
Promissory notes issued and interest accrued there-on	4,042	4,120	-	-	5,229	5,459	-	-
At 31 December	6,309	4,120	-	-	8,166	5,459	-	-

Loans and receivables represent promissory notes issued to third parties which are at arm's length and interest bearing, at an annual interest rate of 6.0% (2010: 5.5%) and loans issued to related parties as further described in note 27, at an annual interest rate of 11.1%.

The fair value of loans and receivables noted above approximate their book value. Loans and receivables noted above are deemed recoverable in full.

Loans and receivables are all denominated in US Dollars.

22. CASH AND CASH EQUIVALENTS

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Company 31/12/2011 €'000	Company 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000	Company 31/12/2011 $'000	Company 31/12/2010 $'000
Cash at bank and in hand	8,326	3,281	163	280	10,781	4,348	211	371
Short term deposits	11,500	5,113	-	-	14,891	6,775	-	-
	19,826	8,394	163	280	25,672	11,123	211	371

23. TRADE AND OTHER PAYABLES

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Company 31/12/2011 €'000	Company 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000	Company 31/12/2011 $'000	Company 31/12/2010 $'000
Trade payables	414	985	165	207	536	1,305	214	274
Amounts owed to group undertakings	-	-	2	4	-	-	3	5
Accruals and deferred income	62	168	69	166	80	223	89	220
	476	1,153	236	377	616	1,528	306	500

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

24. SHARE CAPITAL

Group and company	**31/12/2011 €**	**31/12/2010 €**	**31/12/2011 $**	**31/12/2010 $**
Authorised equity				
120,000,000 Ordinary shares of 12.5 cent each	15,000,000	15,000,000	21,000,000	21,000,000
	15,000,000	**15,000,000**	**21,000,000**	**21,000,000**

Group **Issued, called up and fully paid:**	**Number of ordinary shares**	**Share capital €'000**	**Share premium €'000**	**Share capital $'000**	**Share premium $'000**
At 1 January 2011	**88,458,806**	**11,057**	**48,108**	**15,586**	**67,809**
Amounts transferred to retained earnings		-	(48,108)	-	(67,809)
At 31 December 2011	**88,458,806**	**11,057**	**-**	**15,586**	**-**

Company **Issued, called up and fully paid:**	**Number of ordinary shares**	**Share capital €'000**	**Share premium €'000**	**Share capital $'000**	**Share premium $'000**
At 1 January 2011	**88,458,806**	**11,057**	**48,108**	**15,586**	**67,809**
Amounts transferred to retained earnings		-	(48,108)	-	(67,809)
At 31 December 2011	**88,458,806**	**11,507**	**-**	**15,586**	**-**

On the 14 January 2011 the company received high court approval for the cancellation of share premium in the amount of €'000 48,108 and that the reserve resulting from the cancellation of this amount is treated as profits available for distribution as defined by Section 45 of the Companies (Amendment) Act 1983.

Notes to the financial statements

25. RETAINED EARNINGS

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Company 31/12/2011 €'000	Company 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000	Company 31/12/2011 $'000	Company 31/12/2010 $'000
Deficit at 1 January	(22,893)	(19,453)	(11,613)	(1,525)	(33,264)	(28,707)	(15,311)	(2,100)
Transfer between reserves	48,108	-	48,108	-	67,809	-	67,809	-
Shares held by subsidiary company	(392)	-	-	-	(575)	-	-	-
Gain/(loss) for the year	4,263	(3,440)	(1,578)	(10,088)	5,937	(4,557)	(2,197)	(13,211)
Deficit at 31 December	29,086	(22,893)	34,917	(11,613)	39,907	(33,264)	50,301	(15,311)

In accordance with the provisions of the Companies Act 1963, Section 148(8), the company has not presented an income statement. A loss for the period of €’000 1,578 (2010: loss of €’000 10,088) has been recognised in the income statement of the company. During the year a subsidiary company, Silverstar Limited, commenced the on-market purchase of shares in Ovoca Gold plc. As at 31 December 2011 Silverstar Limited had acquired 1,095,000 shares at a total acquisition cost of €’000 392($’000 575). On consolidation these amounts have been disclosed as treasury shares. In accordance with IAS 32 these amounts have been deducted from equity and in accorcandance with Irish Company Law these amounts have been deducted from distributable reserves.

As detailed in note 24 above, on the 14 January 2011 the company received high court approval for the cancellation of share premium in the amount of €’000 48,108 and that the reserve resulting from the cancellation of this amount is treated as profits available for distribution as defined by Section 45 of the Companies (Amendment) Act 1983.

26. OTHER RESERVES

Other reserves	Other reserves €'000	Other reserves €'000	Other reserves €'000	Other reserves €'000	Other reserves $'000	Other reserves $'000	Other reserves $'000	Other reserves $'000
At 1 January 2010	**6,553**	**(364)**	**520**	**6,709**	**9,140**	**1,493**	**733**	**11,366**
Share options expense in the year	-	-	733	733	-	-	973	973
Fair value movement on available for sale financial assets during the year	15,825	-	-	15,825	20,586	-	-	20,586
Reclassification of previously unrecognised gains	(5,649)	-	-	(5,649)	(7,512)	-	-	(7,512)
Exchange movements	-	2,858	-	2,858	-	1,909	-	1,909
At 31 December 2010	**16,729**	**2,494**	**1,253**	**20,476**	**22,214**	**3,402**	**1,706**	**27,322**
At 1 January 2011	**16,729**	**2,494**	**1,253**	**20,476**	**22,214**	**3,402**	**1,706**	**27,322**
Share options expense in the year	-	-	41	41	-	-	53	53
Fair value movement on available for sale financial assets during the year	(2,483)	-	-	(2,483)	(2,985)	-	-	(2,985)
Reclassification of previously unrecognised gains	(8,139)	-	-	(8,139)	(11,335)	-	-	(11,335)
Exchange movements	-	115	-	115	-	(506)	-	(506)
At 31 December 2011	**6,107**	**2,609**	**1,294**	**10,010**	**7,894**	**2,896**	**1,759**	**12,549**

Company	Other reserves €'000	Foreign currency reserve €'000	Share based payment reserve €'000	Total €'000	Other reserves $'000	Foreign currency reserve $'000	Share based payment reserve $'000	Total $'000
At 1 January 2010	**11**	**-**	**520**	**531**	**16**	**529**	**734**	**1,279**
Share options expense in the year	-	-	733	733	-	-	973	973
Exchange movements	-	-	-	-	-	(2,248)	-	(2,248)
At 31 December 2010	**11**	**-**	**1,253**	**1,264**	**16**	**(1,719)**	**1,707**	**4**
At 1 January 2011	**11**	**-**	**1,253**	**1,264**	**16**	**(1,719)**	**1,707**	**4**
Share options expense in the year	-	-	41	41	-	-	57	57
Exchange movements	-	-	-	-	-	(152)	-	(152)
At 31 December 2011	**11**	**-**	**1,294**	**1,305**	**16**	**(1,871)**	**1,764**	**(91)**

27. RELATED PARTY TRANSACTIONS

Details of subsidiary undertakings are shown in note 17. 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 €'000 637 (2010: €'000 590) due from Comtrans, €'000 5,313 (2010: €'000 4,924) due from Bulun, €nil (2010: €'000 1,577) due from Olymp and €'000 1,412 (2010: €'000 1,005) due from Magsel, €'000 35 (2010: €'000 379) due from Silver Star Limited. Included in amounts due to group undertakings of the company is an amount of €'000 2 (2010: €'000 4) due to Ovoca Mining Cyprus Limited.

During the year the group entered into an agreement with DGGC, a company wholly owned by Mr. Yuri Radchenko, for the lease of plant and equipment €'000 14 (2010: €'000 179), and a contracted explorations services €'000 2,434 (2010: €'000 3,020). At the year end the company owed DGGC €'000 Nil (2010: €'000 723).

During the year the group entered into an agreement with Rivo Alto Enterprises Inc. which is considered as a connected company to Mikhail Mogutov, by way of common ownership. A credit facility for Rivo Alto Enterprises Inc was provided by the group for an amount of $'000 2,700. The loan is guaranteed by way of future contingent payments due by the group in relation to the prior year acquisition noted below and in note 15. At the year end Rivo Alto Enterprises Inc. owed the group an amount of $'000 2,937. This amount is shown in loans and receivables as disclosed in note 21.

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

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.

Notes to the financial statements

28. FINANCIAL INSTRUMENTS

The group monitors relevant aspects of financial instrument risk on an ongoing basis. Financial instrument risks primarily relates to foreign exchange risk, liquidity risk and market risk. The Group's policy is set out the Directors' report on page 22.

29. SHARE BASED PAYMENTS - GROUP AND COMPANY

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

The expense reported in the group income statement of €'000 41 (2010: €'000 733) $'000 53 (2010: $'000 973) has been arrived at by applying the Bi-nomial Model formula.

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

	2011 Number of options	2011 Weighted average exercise price (€ cent per share)	2010 Number of options	2010 Weighted average exercise price (€ cent per share)
Outstanding at 1 January 2011	6,640,000	28	11,250,000	13
Lapsed during the year	(540,000)	42	(7,050,000)	13
Effects of share consolidation	-	-	(3,360,000)	13
Granted during the year	200,000	43	5,800,000	30
Outstanding at 31 December 2011	6,300,000	35	6,640,000	28
Of which:				
Exercisable at 31 December 2011	6,300,000	35	6,640,000	28

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

	31/12/2011	31/12/2010
Weighted average fair value of options granted (cent)	33.44	12.6
Weighted average share price at date of grant (cent)	38.22	20.6
Average exercise price (cent)	42.71	28.7
Expected volatility (%)	60.53	116.23
Average expected term to exercise (years)	6	4
Risk free rate (%)	2.75	2.75
Expected dividend yield	Nil	Nil

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
5,300,000	£0.25p	20/01/2017
200,000	£0.30p	20/01/2017
200,000	£0.36p	20/01/2017
6,300,000		

30. EVENTS AFTER THE REPORTING PERIOD

On 3 April 2012 an exploitation licence was granted to ZAO Bulun, a subsidary of the Group in respect of the Olcha project. The granting of this licence results in deferred consideration of $'000 3,000 becoming payable under the agreement entered into on the acquisition of ZAO Bulun in the prior year. The timing and amount of the payment of deferred consideration is as expected and as accounted for in note 15 of the financial statements.

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

31. COMMITMENTS

	Group 31/12/2011 €'000	Group 31/12/2010 €'000	Company 31/12/2011 €'000	Company 31/12/2010 €'000	Group 31/12/2011 $'000	Group 31/12/2010 $'000	Company 31/12/2011 $'000	Company 31/12/2010 $'000
No later than one year	10	28	10	-	13	37	13	-
Later than one year and no later than five years	-	18	-	18	-	24	-	24
Total	10	46	10	18	13	61	13	24

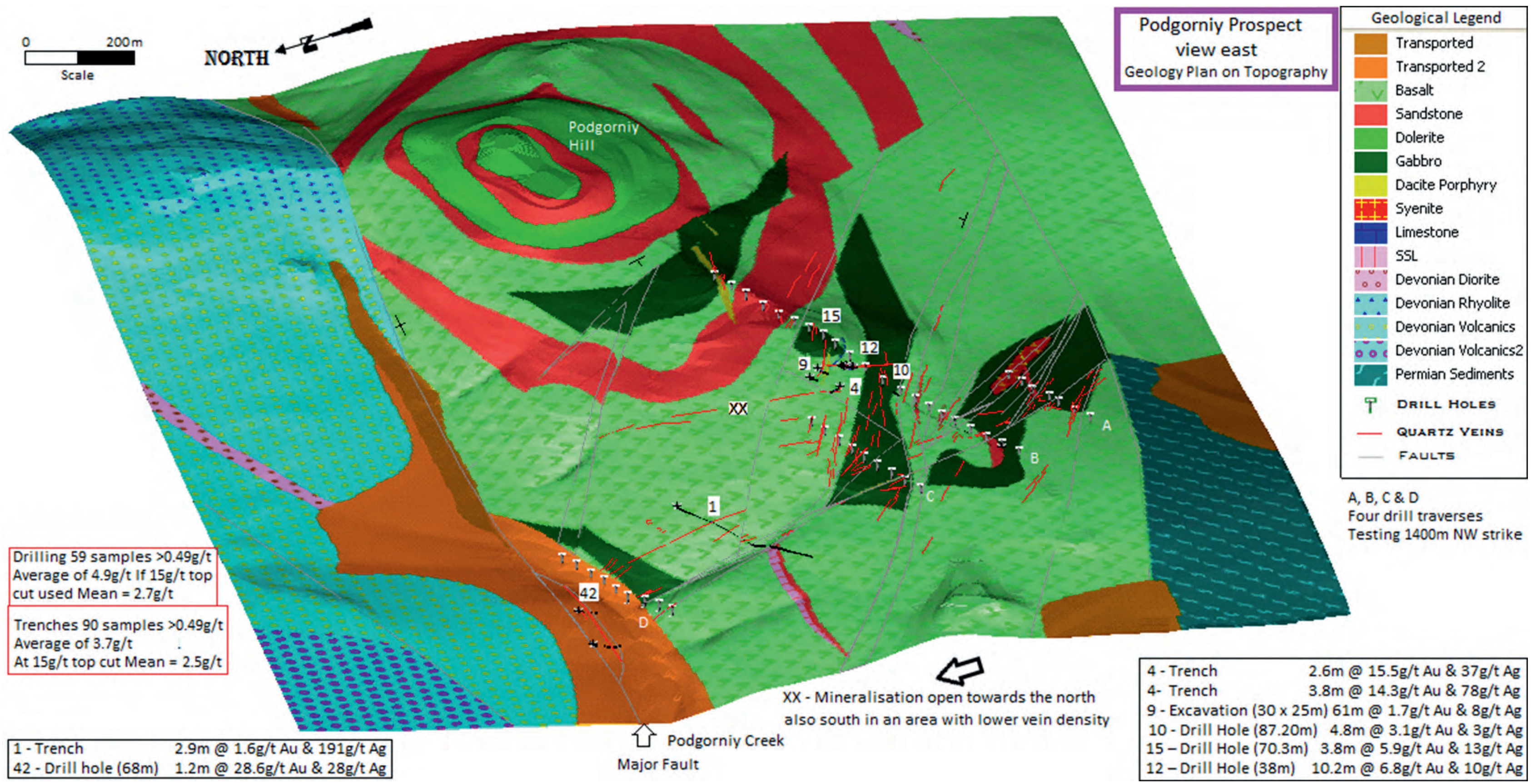
The Group leases offices under non-cancellable operating lease agreements. The lease terms are between one and two years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 6 April 2012.

Podgorniy map



Zet map

Mid to upper Devonian Stratigraphy.
Rhyolites, dacites & andesite Volcanics and associated tuffs and ignimbrite.

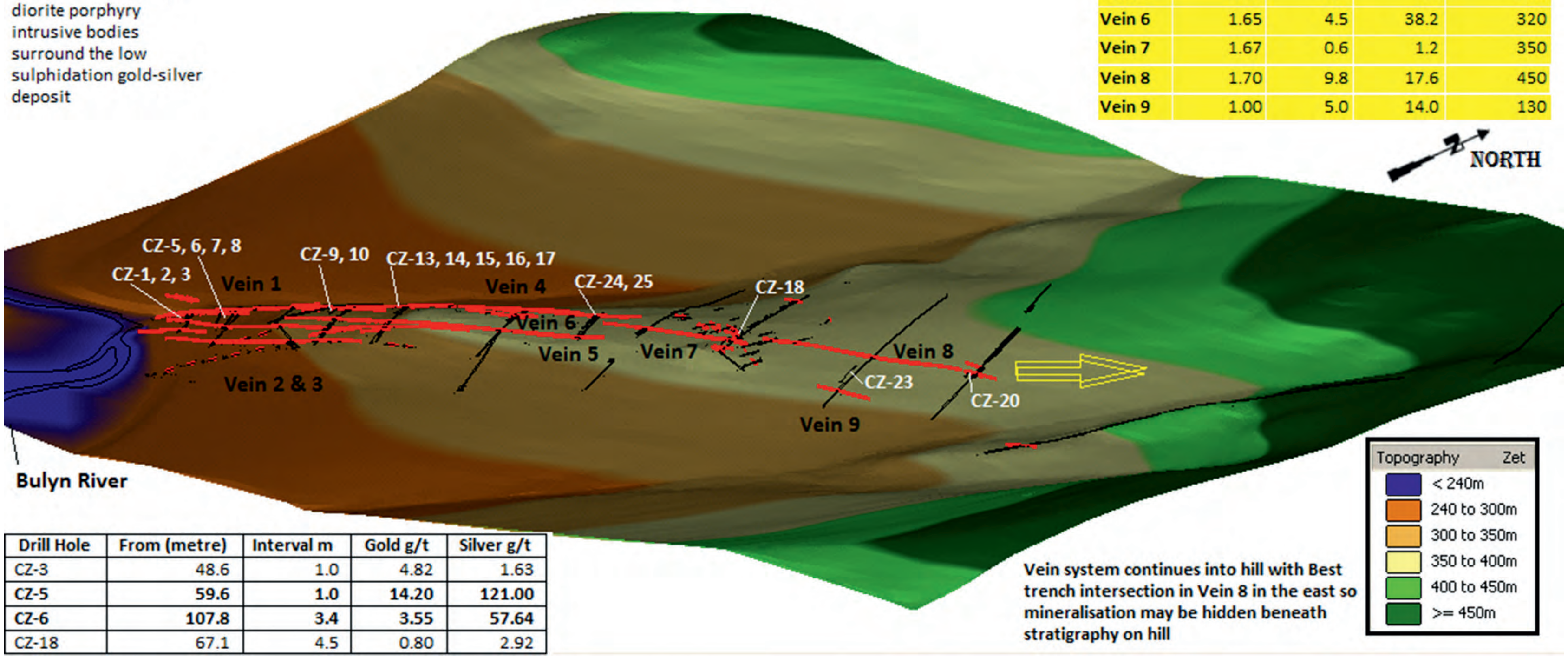
Middle-Late Devonian diorite porphyry intrusive bodies surround the low sulphidation gold-silver deposit

Zet Prospect
northwest and above

Scale = 500m

Trench Samples Average Intersections

Vein	Interval m	Gold g/t	Silver g/t	Length m
Vein 1	1.92	2.6	13.8	450
Vein 2	0.50	3.1	10.1	250
Vein 3	0.76	4.1	21.6	750
Vein 4	0.80	1.9	5.5	500
Vein 5	0.80	2.7	4.4	800
Vein 6	1.65	4.5	38.2	320
Vein 7	1.67	0.6	1.2	350
Vein 8	1.70	9.8	17.6	450
Vein 9	1.00	5.0	14.0	130



Drill Hole	From (metre)	Interval m	Gold g/t	Silver g/t
CZ-3	48.6	1.0	4.82	1.63
CZ-5	**59.6**	**1.0**	**14.20**	**121.00**
CZ-6	**107.8**	**3.4**	**3.55**	**57.64**
CZ-18	67.1	4.5	0.80	2.92

Vein system continues into hill with Best trench intersection in Vein 8 in the east so mineralisation may be hidden beneath stratigraphy on hill

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