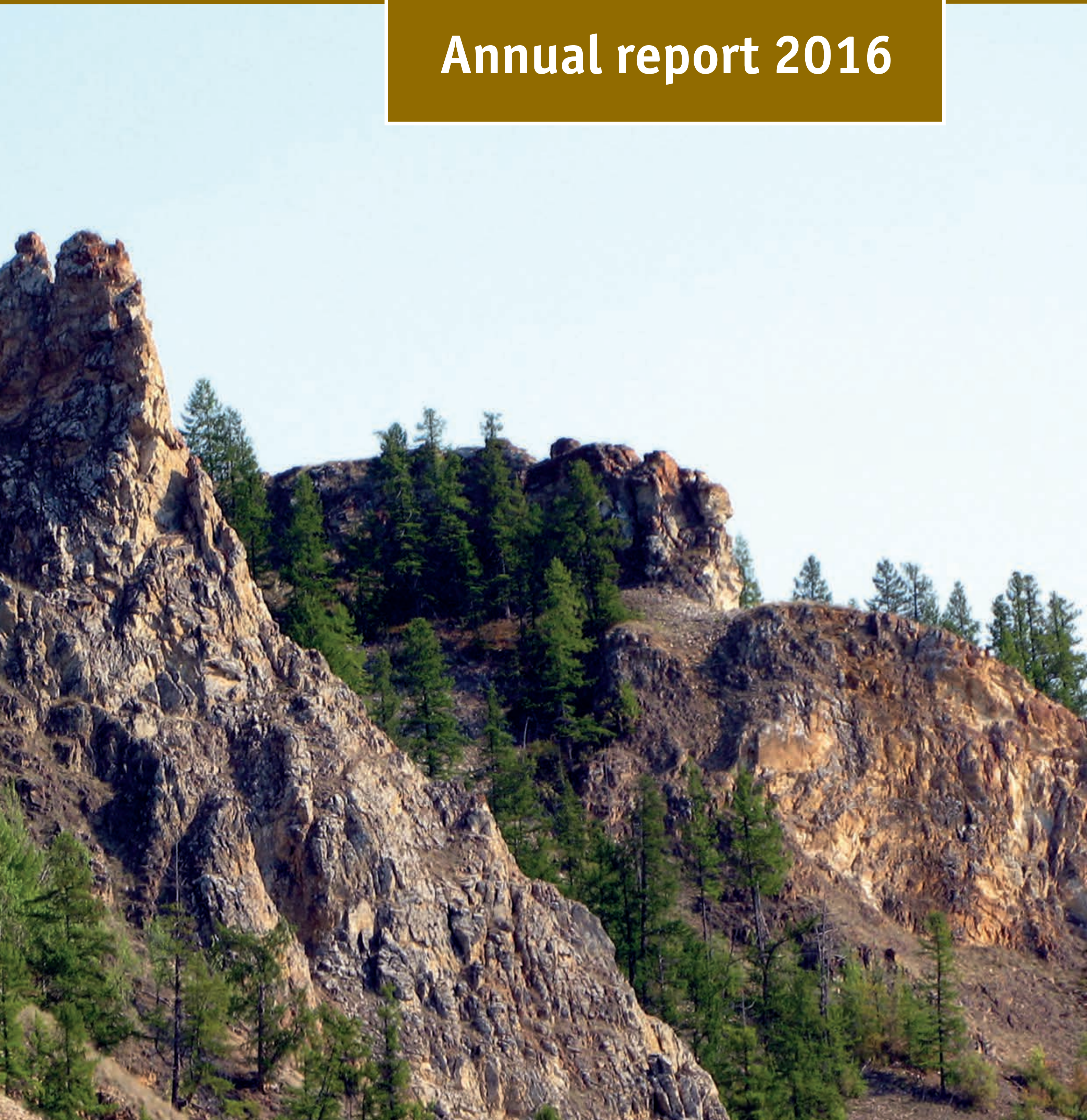
OVOCA GOLD Plc

Annual report 2016



OVOCA GOLD Plc

Annual report 2016

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.

2016 Key Points Corporate

- Ongoing search for new assets and business opportunities.
- Ovoca Gold plc ("Ovoca") continues the litigation process connected to LLC Taymura debt. Taymura has been declared bankrupt; procedure of bankruptcy proceedings has been entered. Ovoca is the main creditor of LLC Taymura.
- At 31 December 2016, Ovoca had net assets of US$25.2 million, which includes cash and cash equivalents of US$7.1 million.
- Ovoca purchased 5,800,000 ordinary shares in the issued share capital of the Company. To date since the beginning of the Company's share buyback programme, Ovoca has acquired 8.45% of its own share capital under the approved share buyback programme. The Company now has a total of 81,563,806 Ordinary Shares in issue excluding treasury shares and 6,895,000, Treasury Shares.

1

CEO's Statement

Dear Shareholders,

I am pleased to report that despite the long time Ovoca has been involved in its legal process with LLC Taymura, the Company believes it is making progress. I more than anyone would like this matter to be over quickly, but the sums involved are significant and so there is no short cut to the process we began.

While our legal case has continued to progress we have sought ways to realize value for our Stakhanovsky gold development project in Magadan, Russia. The gold price has continued to stay high since mid-2016, and so we believe we will find a partner for Stakhanovsky. Additionally, the Federal government of Russia has eased the regulatory and tax burden of working the Far East Region (of which Magadan is a part), which further enhances mining projects' attractiveness in the area.

Additionally, the oil price has recovered during the course of 2016, and our oil asset represents great potential once we get the current legal issues resolved. There is plenty of scope for partnership with the assets of LLC Taymura and the overall East Siberian region has great potential for oil production as the older fields in West Siberia are depleted.

As with last financial year, the Company's management and board of directors examined several projects, and we are working on negotiating favourable deals for Ovoca. We also continue to look at new opportunities.

In conclusion, the end is in sight for our legal issue with LLC Taymura and I am confident there will be corporate news soon regarding Ovoca's next steps. We continue to be in strong financial shape, with a healthy cash balance. I wish all our stakeholders the best for 2017.

Sincerely,
Kirill Golovanov, CEO

2 Chairman's Statement

Dear Stakeholders,

As we enter 2017 I anticipate we will be able to resolve all outstanding matters and have a clean start in the course of the financial year. The Stakhanovsky asset is ready for a sale or partnership, and the activity of other gold mining companies in the region make us optimistic we will be able to create value of shareholders. LLC Taymura has been a difficult road, but given the sums involved, it was right to fight for everything due to Ovoca and to make sure we have every opportunity available to the Company to turn that fight into a positive outcome. We are close. I can also report that the management team and directors have reviewed multiple projects and opportunities and we hope to close in on one that will give Ovoca a fresh start.

One of the great things about business is that it builds civil society across borders, people and groups. No matter one's ethnicity, passport or religion, everyone likes to conduct business, to seek out opportunity and to thrive. It is this aspect of business that drives the whole team at Ovoca and I am confident that the great platform we have in the Company will be put to good use soon.

My sincere wishes to all stakeholders who have been with Ovoca over the years. Let us all hope 2017 is a year of peace as prosperity.

Sincerely,
Mikhail Mogutov, Chairman

3

Company Information and Properties Overview

Stakhanovsky

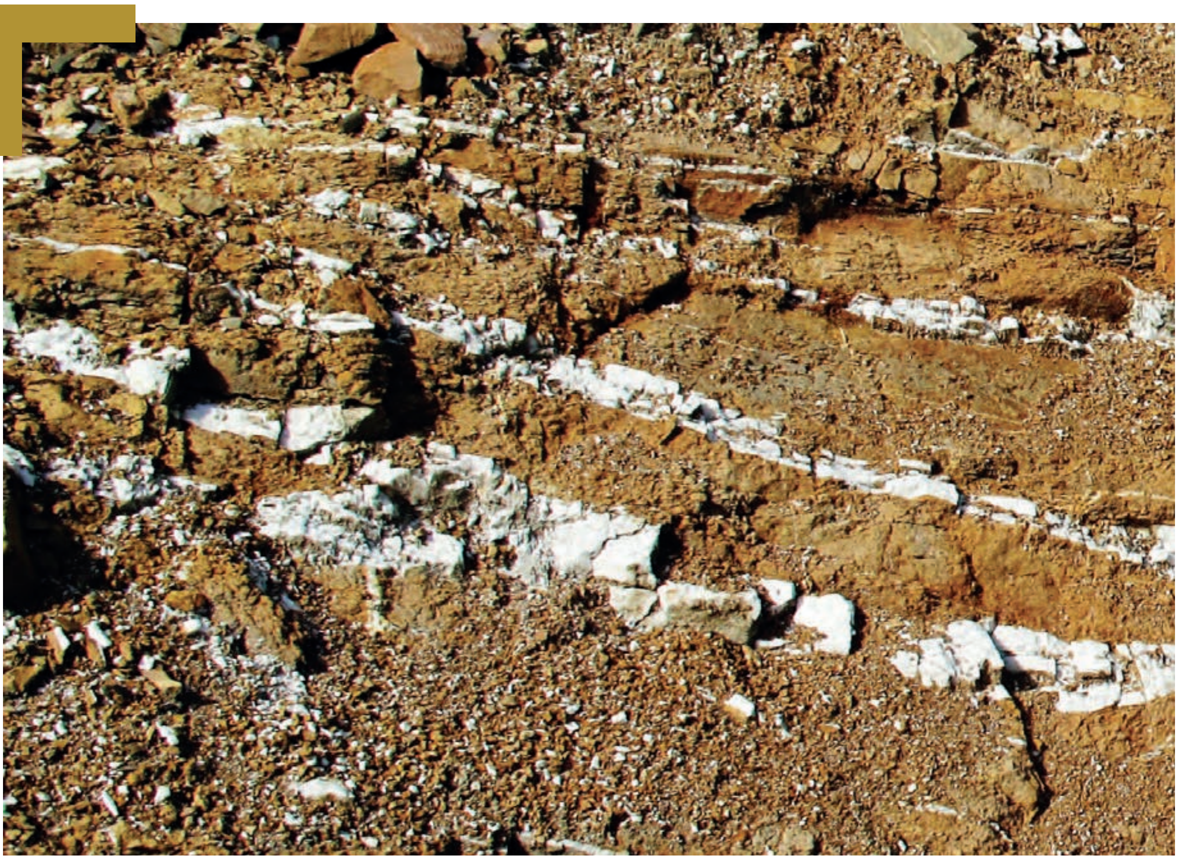
The Stakhanovsky exploitation license is situated in the north-western part of the Magadan Region and covers an area of 73 km^2. The site is 40 km from Susuman, a town with a population of 7,500 and approximately 700 km northwest of Magadan. The Stakhanovsky exploitation license is owned by OOO Magsel,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

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

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

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

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



Gold-Bearing Dykes

Resource Estimation

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

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

Processing plant for bulk samples at Stakhanovsky

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

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

	Number	Samples	Metres
Diamond Drillholes (DD)	103 holes	2,390	7,301
Reverse Circulation Drillholes (RC)	120 holes	1,733	7,110
Trench/Channel (TR/CH)	177 lines	2,658	7,281
Total	**400 units**	**6,781**	**21,692**

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

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

Table 2. Stakhanovsky Mineral Resources by Classification

Resource Category	Tonnes (Mt)	Au Grade (g/t)	Gold (koz)
	Open Pit		
Measured + Indicated	2.8	2.6	231
Inferred	1.6	1.9	96
Total	**4.4**	**4.5**	**327**

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

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

Additional information

Ovoca continues to pursue the recovery of its funds from LLC Taymura. The Company has advanced the legal process and is now in a position via the bankruptcy of LLC Taymura to recover as much as legally possible and bring this matter to an end. Management anticipates a resolution of the LLC Taymura issue by the end of 2017.

Regional office in Magadan

Directors and corporate information

Directors

Mikhail Mogutov
Executive Chairman

Kirill Golovanov
CEO (Executive Director)

Kenneth Kuchling
Non-Executive Director

Yuri Radchenko
Non-Executive Director

Donald Schissel
Non-Executive Director

Leonid Skoptsov
Non-Executive Director

Timothy McCutcheon
Non-Executive Director

Registered Office
c/o McEvoy Partners
27 Hatch Street Lower
Dublin 2
Ireland

Business Address
c/o McEvoy Partners
27 Hatch Street Lower
Dublin 2
Ireland

Other Business Information
Svetlana Radchenko
Chief Financial Officer

Kirill Golovanov
Corporate Secretary

Registration number
105274

Incorporated
15 January 1985

Web site
www.ovocagold.com

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

Auditors
Grant Thornton
Chartered Accountants &
Statutory Audit Firm
Molyneux House
Bride Street
Dublin 8
Ireland

Solicitors
McEvoy Partners
27 Hatch Street Lower
Dublin 2
Ireland

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

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

5

Directors' Report

The Directors present their annual report and audited financial statements for the financial year ended 31 December 2016 of Ovoca Gold plc ("the Company"), a company registered and domiciled in the Republic of Ireland and its subsidiaries (collectively "the Group").

Principal Activity, Business Review and Future Developments

The Group's main activity is the exploration for precious metals and other minerals in Russia. The Directors have reviewed the financial position of the Group and are satisfied that the Group will continue to operate for the foreseeable future.

A detailed business review is included in the Company information and property overview.

Key Performance Indicators

At this stage of the Group's business activities the Directors think it is 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 of the Group are disclosed on page 26 of the financial statements. The directors did 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 Rouble against the US Dollar may have a significant impact on the Company's financial position and results in future.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting date are as follows:

	Financial Assets		Financial Liabilities	
	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 €'000	31/12/2015 €'000
United States Dollar	21,852	21,339	-	-
Russian Rouble	5,398	1,034	678	157

The following table details the Group's sensitivity to a 10% increase and decrease in the Euro against United States Dollar and Russian Rouble. 10% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

	United States Dollar Impact		Russian Rouble Impact	
	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 €'000	31/12/2015 €'000
Profit or loss	2,207	1,973	7	2

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

	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000
Trade and other receivables (Note 19)	34	62	36	68
Loans and receivables (Note 20)	-	678	-	741
Cash and cash equivalents (Note 21)	6,741	7,340	7,102	8,019
Total	**6,775**	**8,080**	**7,138**	**8,828**

The Group continuously monitors defaults of customers and other counterparty, identified either individually or by the Group, and incorporates this information into its credit risk controls. In relation to the credit risk for cash and cash equivalents, the risk is considered to be negligible, since the counterparties are reputable banks with high quality external credit ratings. The Group's management considers that all of the above financial assets are of good credit quality, as the Group's policy is to deal only with creditworthy customers.

> Liquidity Risk; the Group holds its cash in currencies in which it expects to incur expenditure. The Group's reporting currency is the Euro. The most meaningful information relates to the Group's current liquidity – since it is not generating any income from its mineral projects.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 1 year equal to their carrying values as the impact of the discounting is not significant.

Balances due within 1 year	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000
Trade and other payables (Note 25)	217	269	229	294
Total	**217**	**269**	**229**	**294**

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 21), trade and other receivables (Note 19) and available for sale financial assets (Note 17) 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, Secretary and Their Interests

In accordance with Section 329 of the Companies Act 2014, the interests (all of which are beneficial) of the Directors and Secretary who held office at the date of approval of the annual report and at 31 December 2016 and their families in the share capital of the Company were:

	Ordinary shares of 12.5 cents each			Options over Ordinary shares		
	20/06/17	31/12/16	01/01/16	20/06/17	31/12/16	01/01/16
Mikhail Mogutov	-	-	-	-	-	200,000
Leonid Skoptsov	11,656,203	11,656,203	11,656,203	-	-	200,000
Yuri Radchenko	11,656,202	11,656,202	11,656,202	-	-	200,000
Timothy McCutcheon	-	-	-	-	-	-
Donald Schissel	-	-	-	-	200,000	200,000
Kenneth Kuchling	-	-	-	200,000	200,000	200,000
Kirill Golovanov	16,256,203	16,256,203	16,256,203	-	1,800,000	1,800,000

Further details of the above share options of the directors as at 31 December 2016 are as follows:

	Number of options	Exercise Price	End of exercise period
Kirill Golovanov	1,800,000	£0.25	20 January 2017
Donald Schissel	200,000	£0.30	20 April 2017
Kenneth Kuchling	200,000	£0.36	22 February 2018

Share Price

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

The market price of the Company's shares on ESM at 31 December 2016 was €0.13 (2015: €0.08). During the financial year ended 31 December 2016 the market price of the Company's shares ranged from €0.08 to €0.13 (2015: €0.05 to €0.11).

The market price of the Company's share on AIM at 31 December 2016 was £0.09 (2015: £0.05). During the financial year ended 31 December 2016 the market price of the Company's shares ranged from £0.04 to £0.16 (2015: £0.04 to £0.07).

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 20 June 2017 are as follows:

	Ordinary shares of €1.25c each	% of issued share capital
Euroclear Nominees Limited	17,828,414	21.86%
BBHISL Nominees (HSBC)	7,633,143	9.36%
Citibank Nominees (Ireland)	4,732,033	5.80%
Davy Crest Nominees	4,586,863	5.62%
Redmayne (Nominees) Limited	3,970,834	4.87%
Chase Nominees	3,231,200	3.96%

Group Undertakings

Details of the Company's subsidiary undertakings are set out in note 16 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 26.

Political Donations

The Group made no political donations during the financial year.

Going Concern

The Group has significant liquid resources in the form of cash reserves of €6.7 million and available for sale financial assets of €15.3 million and the Directors are satisfied that there are sufficient levels of funding within the Group to enable them to trade for the foreseeable future, and to explore further investment opportunities if appropriate projects exist.

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

Recoverability of Loans and Receivables

In 2014, the Company entered into a loan agreement with a third party. In return for a US$6.3 million loan, Ovoca Gold plc received an exclusive period to complete due diligence on JSC Evenkiya Fuel and Energy Company (ETEK) and LLC Taymura. The loan was secured by certain receivables of LLC Taymura, non-encumbrance of the assets for the exclusive period, and personal guarantees. In the event that acquisition terms could not be agreed the loan was to be returned with interest to the Company. The loan subsequently went in to default for non repayment.

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

Details of Executive Directors

Mikhail Alexandrovich Mogutov, Executive Chairman

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

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

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

Kirill Golovanov, Chief Executive Officer

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

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

Details of Non-Executive Directors

Tim McCutcheon, Non-Executive Director

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

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

Leonid Pavlovich Skoptsov, Non-Executive Director

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

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

Yuri Ivanovich Radchenko, Non-Executive Director

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

MS Geology, Kazakhstan Polytechnical Institute, Almaty, Kazakhstan.

Donald Schissel, Non-Executive Director

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

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

Kenneth Kuchling, Non-Executive Director

Kenneth Kuchling joined the board of Ovoca in March 2012. Mr. Kuchling provides mining consulting services with multiple clients globally. He has worked on such projects as Northgate Mining's Kemess North copper-gold mine in Canada, NovaGold's Rock Creek project in Canada, Oromin Exploration's Sabodala gold project in Senegal, as well as having assisted with BHP Billiton's study of potash projects globally. Additionally, from 1997 to 2000 Mr. Kuchling was the Senior Mining Engineer for Rio Tinto's Diavik diamond mine in Canada, playing a key role in completing the feasibility study and permitting of the project.

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

Corporate Governance Statement

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 seven directors, comprising two Executive Directors and five Non-Executive Directors. The Board met formally on 5 occasions during 2016. An agenda and supporting documentation was circulated in advance of each meeting. All the Directors bring independent judgment to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experiences in the industry, Non-Executive Directors are not appointed for specific terms. Each Non-Executive Director comes up for re-election every three years and each new Director is subject to election at the next Annual General Meeting following the date of appointment.

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

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

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

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

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

Internal Control

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

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

Remuneration Committee Report

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

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

Accounting Records

The Directors believe that they have complied with the requirement of section 281 to 285 of the Companies Act, 2014, with regard to the keeping of accounting records by employing persons with appropriate expertise and by providing adequate resources to the financial function. The accounting records are held at the Company's business address at c/o McEvoy Partners, 27 Hatch Street Lower, Dublin 2, Ireland.

Compliance Statement

The directors of the Company acknowledge that they are responsible for securing the Company compliance with its relevant obligations, as defined by Section 225 of the Companies Act 2014.

The directors are satisfied that they have the necessary arrangements and structures in place as required by Section 225(b) and that these are regularly reviewed in accordance with Section 225(c) but they have not formally put in place the policy required by Section 225(a).

The reasons for this are:

> the ongoing commitments of the Board who have been involved in the legal proceedings during the year;
> the continued commitment of the board in searching for and evaluating strategic opportunities;
> the relevant arrangements and structures which were in place needed to be constantly reviewed and re-evaluated;
> this did not facilitate the putting in place a formal compliance policy statement as matters were in flux; and
> the board are actively rectifying this at present with the Groups advisors and the policy will be formally in place shortly.

Disclosure of Information to Auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

> so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
> that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Events After Reporting Period

Events subsequent to the financial year are dealt with in note 29 to the financial statements.

Auditors

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

This report was approved by the board on 22 June 2017 and signed on its behalf.

Leonid Skoptsov	Kirill Golovanov
Director	Director

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Group and Company for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU IFRS) and have elected to prepare the Company financial statements in accordance with EU IFRS, as applied in accordance with Irish law and regulations.

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

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

> select suitable accounting policies and then apply them consistently;
> make judgements and accounting estimates that are reasonable and prudent;
> state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The directors are responsible for ensuring that the Group and Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Group and Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved on behalf of the Board on 22 June 2017

Leonid Skoptsov
Director

Kirill Golovanov
Director

Independent Auditors' Report to the Members of Ovoca Gold Plc

We have audited the Group and Parent Company's financial statements of Ovoca Gold plc for the financial year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income/(Loss), the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash flows, the Company Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

> the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the assets, liabilities and financial position as at 31 December 2016 and of its loss for the financial year then ended;

> the Parent Company statement of financial position gives a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the assets, liabilities and financial position as at 31 December 2016; and

> the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 2014.

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

> We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

> In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.

> The financial statements are in agreement with the accounting records.

> In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matters on which we are required to report by exception

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

STEPHEN MURRAY
For and on behalf of Grant Thornton
Chartered Accountants & Statutory Audit Firm

Molyneux House
Bride Street
Dublin 8

22 June 2017

Financial Statements

Consolidated Income Statement

	Note	2016 €'000	2015 €'000	2016 $'000	2015 $'000
Administration expenses	5	(1,783)	(1,160)	(1,973)	(1,287)
Other gains and losses	7	620	(1,940)	686	(2,153)
Operating loss		**(1,163)**	**(3,100)**	**(1,287)**	**(3,440)**
Finance costs	8	(11)	(10)	(12)	(12)
Finance income	8	215	888	238	986
Loss for the financial year before tax		**(959)**	**(2,222)**	**(1,061)**	**(2,466)**
Income tax	13	-	-	-	-
Loss for the financial year		**(959)**	**(2,222)**	**(1,061)**	**(2,466)**
Attributable to:					
Owners of the parent		(959)	(2,222)	(1,061)	(2,466)
			(2,222)	(1,061)	(2,466)
Loss per share					
Basic loss per share (cents)	14	(1.18)	(2.72)	(1.30)	(3.02)
Fully diluted loss per share (cents)	14	(1.18)	(2.72)	(1.30)	(3.02)

All amounts relates to continuing operations.

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income/(Loss)

	Note	2016 €'000	2015 €'000	2016 $'000	2015 $'000
Loss for the financial year		**(959)**	**(2,222)**	**(1,061)**	**(2,466)**
Other comprehensive income/ (expense):					
Items that may be reclassified subsequently to profit or loss					
Foreign exchange gains/(losses) arising from translations of financial statements of a foreign operation		483	1,761	(352)	(845)
Fair value movement on available for sale financial assets equity instruments during the financial year	**17**	5,600	-	6,198	-
Exchange movement on available for sale financial assets equity instruments during the financial year	**17**	(3,104)	-	(3,434)	-
Other comprehensive income/ (expense) for the financial year		2,979	1,761	2,412	(845)
Total comprehensive income/(loss) for the financial year		**2,020**	**(461)**	**1,351**	**(3,311)**

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

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Consolidated Statement of Changes In Equity

	Share capital €'000	Other reserves €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Retained earnings €'000	Total (attributable to owners of the parent) €'000
At 1 January 2016	**11,057**	**11**	**6,464**	**1,294**	**2,625**	**21,451**
Comprehensive loss:						
Loss for the financial year	-	-	-	-	(959)	(959)
Other comprehensive income/ (expense):						
Fair value movement on available for sale financial assets equity instruments during the financial year	-	5,600	-	-	-	5,600
Exchange movement on available for sale financial assets equity instruments during the financial year	-	(3,104)	-	-	-	(3,104)
Foreign exchange gains/(losses) arising from translations of financial statements of a foreign operations	-	-	483	-	-	483
Total comprehensive income/ (loss)	**-**	**2,496**	**483**	**-**	**(959)**	**2,020**
Balance at 31 December 2016	**11,057**	**2,507**	**6,947**	**1,294**	**1,666**	**23,471**
At 1 January 2015	**11,057**	**11**	**4,703**	**1,294**	**5,394**	**22,459**
Comprehensive loss:						
Loss for the financial year	-	-	-	-	(2,222)	(2,222)
Other comprehensive expense:						
Foreign exchange gains arising from translations of financial statements of a foreign operation	-	-	1,761	-	-	1,761
Total comprehensive loss	**-**	**-**	**1,761**	**-**	**(2,222)**	**(461)**
Transactions with owners:						
Acquisition of own shares	-	-	-	-	(547)	(547)
	-	**-**	**-**	**-**	**(547)**	**(547)**
Balance at 31 December 2015	**11,057**	**11**	**6,464**	**1,294**	**2,625**	**21,451**

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Company Statement of Changes in Equity

	Share capital €'000	Other reserves €'000	Share based payment reserve €'000	Retained earnings €'000	Total (attributable to owners of the parent) €'000
At 1 January 2016	11,057	11	1,294	9,058	21,420
Comprehensive income:					
Profit for the financial year	-	-	-	2,495	2,495
Total comprehensive income	-	-	-	2,495	2,495
At 31 December 2016	11,057	11	1,294	11,553	23,915
At 1 January 2015	11,057	11	1,294	8,387	20,749
Comprehensive income:					
Profit for the financial year	-	-	-	671	671
Total comprehensive income	-	-	-	671	671
At 31 December 2015	11,057	11	1,294	9,058	21,420

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Consolidated Statement of Financial Position

	Note	2016 €'000	2015 €'000	2016 US$'000	2015 US$'000
Assets					
Non-current assets					
Property, plant and equipment	15	1,517	1,331	2,028	1,824
Available for sale financial assets	17	15,340	12,263	16,162	13,398
Total non-current assets		**16,857**	**13,594**	**18,190**	**15,222**
Current assets					
Inventories	18	56	46	59	51
Trade and other receivables	19	34	62	36	68
Loans and receivables	20	-	678	-	741
Cash and cash equivalents	21	6,741	7,340	7,102	8,019
Total current assets		**6,831**	**8,126**	**7,197**	**8,879**
Total assets		**23,688**	**21,720**	**25,387**	**24,101**
Equity and liabilities					
Equity					
Ordinary shares	22	11,057	11,057	15,586	15,586
Treasury shares	22	(547)	(547)	(607)	(607)
Retained earnings	23	2,213	3,172	3,687	4,748
Other reserves	24	2,507	11	2,780	16
Foreign currency translation reserve	24	6,947	6,464	1,953	2,305
Share based payment reserve	24	1,294	1,294	1,759	1,759
		23,471	**21,451**	**25,158**	**23,807**
Current liabilities					
Trade and other payables	25	217	269	229	294
Total current liabilities		**217**	**269**	**229**	**294**
Total equity and liabilities		**23,688**	**21,720**	**25,387**	**24,101**

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Approved on behalf of the Board of Directors on 22 June 2017

Leonid Skoptsov
Director

Kirill Golovanov
Director

Company Statement of Financial Position

	Note	2016 €'000	2015 €'000	2016 US$'000	2015 US$'000
Assets					
Non-current assets					
Property, plant and equipment	15	3	4	4	5
Financial assets	16	27,145	23,780	28,599	25,980
Total non-current assets		**27,148**	**23,784**	**28,603**	**25,985**
Current assets					
Trade and other receivables	19	792	681	834	744
Loans and receivables	20	-	678	-	741
Cash and cash equivalents	21	158	62	166	68
Total current assets		**950**	**1,421**	**1,000**	**1,553**
Total assets		**28,098**	**25,205**	**29,603**	**27,538**
Equity and Liabilities					
Equity					
Ordinary shares	22	11,057	11,057	15,586	15,586
Retained earnings	23	11,553	9,058	17,867	15,106
Other reserves	24	11	11	16	16
Foreign currency translation reserve	24	-	-	(10,037)	(9,069)
Share based payment reserve	24	1,294	1,294	1,764	1,764
		23,915	**21,420**	**25,196**	**23,403**
Current liabilities					
Trade and other payables	25	4,183	3,785	4,407	4,135
Total current liabilities		**4,183**	**3,785**	**4,407**	**4,135**
Total equity and liabilities		**28,098**	**25,205**	**29,603**	**27,538**

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Approved on behalf of the Board of Directors on 22 June 2017

Leonid Skoptsov
Director

Kirill Golovanov
Director

Consolidated Statement of Cash Flows

	Note	2016 €'000	2015 €'000	2016 US$'000	2015 US$'000
Cash flows from operating activities					
Continuing operations					
Loss for the year before tax		(959)	(2,222)	(1,061)	(2,466)
Foreign currency movements		(98)	1,761	(352)	(845)
Impairment and exchange movement on available for sale assets		-	(728)	-	622
(Reversal of impairment)/Impairment of tangible assets	15	(229)	1,569	(253)	2,130
Treasury shares	22	-	(547)	-	(607)
Impairment of and exchange movement on loans and receivables	20	-	201	-	326
Depreciation	15	44	46	51	51
Net finance income	8	204	878	226	974
Decrease/(increase) in inventories		(10)	8	(8)	15
Decrease/(increase) in trade and other receivables		28	(13)	32	(9)
Decrease in loan and other receivables		678	-	741	-
Decrease in trade and other payables		(52)	(29)	(65)	(64)
Net cash (used in)/generated from operating activities		**(394)**	**924**	**(689)**	**127**
Cash flows from financing activities					
Net interest received and dividend income	8	(204)	(878)	(226)	(974)
Net cash used in financing activities		**(204)**	**(878)**	**(226)**	**(974)**
Cash flows from investing activities					
Net purchases of property, plant and equipment	15	(1)	-	(2)	-
Net cash used in investing activities		**(1)**	**-**	**(2)**	**-**
Net (decrease)/increase in cash and cash equivalents		(599)	46	(917)	(847)
Cash and cash equivalents at the beginning of financial year	21	7,340	7,294	8,019	8,866
Cash and cash equivalents at the end of financial year	**21**	**6,741**	**7,340**	**7,102**	**8,019**

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Company Statement of Cash Flows

	Note	2016 €'000	2015 €'000	2016 US$'000	2015 US$'000
Cash flows from operating activities					
Net income for the year before tax		2,495	671	2,761	745
Foreign currency movements		-	-	(968)	(2,562)
Depreciation	15	2	4	3	5
Net finance income		(6)	(3)	(7)	(3)
(Increase)/decrease in trade and other receivables		567	(87)	651	(21)
Increase in trade and other payables		398	797	272	503
Impairment and exchange movement on loans and receivables	20	-	201	-	326
(Reversal of impairment)/Impairment of financial assets	16	(3,365)	(1,548)	(2,619)	1,043
Net cash generated from operating activities		**91**	**35**	**93**	**36**
Cash flows from financing activities					
Net interest received		6	3	7	3
Net cash generated from financing activities		**6**	**3**	**7**	**3**
Cash flows from investing activities					
Net purchases of property, plant and equipment	15	(1)	-	(2)	-
Net cash used in investing activities		**(1)**	**-**	**(2)**	**-**
Net increase in cash and cash equivalents		96	38	98	39
Cash and cash equivalents at the beginning of financial year	21	62	24	68	29
Cash and cash equivalents at the end of financial year	**21**	**158**	**62**	**166**	**68**

The accompanying notes on pages 34 to 53 form an integral part of these financial statements.

Notes
To The Financial Statements

1 General Information

Ovoca Gold Plc ("the Company") is a public limited company incorporated in Ireland on 15 January 1985. The address of its registered office and principal place of business is c/o McEvoy Partners, 27 Hatch Street Lower, Dublin 2, Ireland.

These financial statements for the financial year ended 31 December 2016 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as 'the Group').

The Group's main activity is the exploration for precious metals and other minerals in Russia.

On 21 April 1987, the Company's shares were admitted to trading on the Irish Stock Exchange Enterprise Securities Market (ESM) and on 30 June 2005 to the London Stock Exchange's Alternative Investment Market (AIM).

2 Statement of Accounting Policies

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

Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and Irish Statute comprising the Companies Act, 2014.

The Company has availed of the exemption in Section 304(2) of the Companies Act, 2014 not to present its individual Income Statement and related notes that form part of the approved Company financial statements.

The Company has also availed of the exemption from filing its individual Income statement with the Registrar of Companies as permitted by Section 304(2)(c) of the Companies Act, 2014.

The IFRSs adopted by the EU as applied by the Company and the Group in the preparation of these financial statements are those that were effective at 31 December 2016.

Application of New and Revised IFRSs

The following standards and interpretations became effective for the 2016 financial statements but these were either not relevant to or did not have a material impact on the Group's financial statements:

- IAS 16 / 38 (amendment) – Property, Plant and Equipment / Intangible Assets; Clarification of acceptable methods of depreciation and amortisation;
- IAS 16 / 41 (amendment) – Agriculture: Bearer Plants;
- Annual improvements to IFRSs 2012 – 2014 Cycle – various standards;
- IAS 27 (amendment) – Equity Method in Separate Financial Statements;
- IFRS 11 (amendment) – Accounting for Acquisitions of Interests in Joint Operations;
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 10, IFRS 12, IAS 28 (amendment) – Investment Entities: Applying the Consolidation Exception;
- IFRS 10, IAS 28 (amendment) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IAS 1 (amendment) – Disclosure Initiative.

2 Statement of Accounting Policies (continued)

Application of New and Revised IFRSs (continued)

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after January 1, 2016, majority of which have not yet been adopted by the EU. The following standards and interpretations have yet to be adopted by the Group:

	Standards	Effective date
IFRS 9	Financial Instruments	January 1, 2018 (adopted by the EU with effectivity date of January 1, 2018)
IFRS 15	Revenue from Contracts with Customers	January 1, 2018 (adopted by the EU with effectivity date of January 1, 2018)
IFRS 16	Leases	January 1, 2019 (not yet adopted by the EU)
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payment Transactions	January 1, 2018 (not yet adopted by the EU)
IAS 7	Statement of Cash Flows (Amendment) – Disclosure Initiative	January 1, 2017 (not yet adopted by the EU)
IAS 12	Income Taxes (Amendment) – Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017 (not yet adopted by the EU)

The Group has not anticipated that there will be a material impact on the adoption of these standards and interpretations on its financial statements on initial adoption.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ovoca Gold plc and its subsidiaries for the financial year ended 31 December 2016.

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

> Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
> Exposure, or rights, to variable returns from its involvement with the investee; and
> The ability to use its power over the investee to affect its returns.

Generally, when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

> The contractual arrangement(s) with the other vote holders of the investee;
> Rights arising from other contractual arrangements; and
> The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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.

2 Statement of Accounting Policies (continued)

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.

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. Exchange differences are dealt with through the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

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.

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.

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.

Operating leases

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

Inventories

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

2 Statement of Accounting Policies (continued)

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.

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

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.

Intangible assets (deferred exploration costs)

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

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

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

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

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

Property, plant and equipment and depreciation

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

Mining equipment	- 20% Straight line
Office furniture and equipment	- 10% Straight line
Fixtures and Fittings	- 20% Straight line
Buildings	- 2% Straight line

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

2 Statement of Accounting Policies (continued)

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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

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.

Assets held for sale

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

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.

Equity and reserves

Ordinary shares represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Treasury shares are recognised at cost and deducted from equity.

Other reserves comprise of the gains and losses including its foreign exchange movement relating to available for sale financial assets equity instruments.

Foreign currency translation reserve comprises translation differences arising from the translation of the financial statements of the Group's foreign entities into euro.

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

2 Statement of Accounting Policies (continued)

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 28 of the consolidated financial statements.

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

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.

Fair values

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

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

Available-for-sale financial assets are measured at Level 1. There were no transfers between Levels in 2016 and 2015.

Provisions, contingent liabilities and contingent assets

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

Significant management judgment in applying accounting policies and estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could differ from these estimates, and the effect of any change in estimates will be adjusted in the financial statements when they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under these circumstances.

2 Statement of Accounting Policies (continued)

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of Group's functional currency

The determination of a company's functional currency often requires significant judgement where the primary economic environment on which it operates may not be clear. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Euro. The Euro is the currency of the primary economic environment in which the Company operates.

Determining classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Estimating allowance for impairment on inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Estimating allowance for trade, loans and other receivables

Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that loans and receivables may be impaired. The Directors use all available information to them to assess if loans and receivables may be impaired. The amount of any provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original rate of interest if applicable.

Useful lives of depreciable assets

The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The directors annually review these asset lives and adjust them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned. Changes in asset lives can have significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis, as asset lives are individually determined, and there are a significant number of asset lives in use. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted.

Impairment of non-financial assets

Determining whether non-financial assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment may arise.

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.

2 Statement of Accounting Policies (continued)

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.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3 Going concern

The Directors have reviewed the current state of the Group's finances, taking into account resources currently available. The Directors are satisfied that sufficient funding will be available to the Group to enable it to trade for the foreseeable future. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis. The Directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. The financial statements do not include any adjustments that would result if the Director's plans were not successful.

4 Segmental reporting|
(a) Primary reporting format – business segments

At 31 December 2016, the Group had two business segments, exploration activities and investment. Exploration activities are primarily carried out by subsidiary companies, Comtrans, Bulun and Magsel which are carried out in the Russian Federation. Investing activities are carried out by another subsidiary company, Silver Star Limited, a company located in Bermuda. Administrative activities represent group administration costs, primarily incurred in Ireland and the Russian Federation.

Continuing Operations – 31 December 2016

	Exploration activities €'000	Investment €'000	Administrative €'000	Total €'000	Exploration activities US$'000	Investment US$'000	Administrative US$'000	Total US$'000
Administration expenses	(147)	(751)	(885)	(1,783)	(163)	(831)	(979)	(1,973)
Other gains/(losses)	177	579	(136)	620	196	(3,084)	3,574	686
Operating gain/(loss)	**30**	**(172)**	**(1,021)**	**(1,163)**	**33**	**(3,915)**	**2,595**	**(1,287)**
Finance costs	-	(5)	(6)	(11)	-	(6)	(6)	(12)
Finance income	-	215	-	215	-	238	-	238
Gain/(loss) before tax	**30**	**38**	**(1,027)**	**(959)**	**33**	**(3,683)**	**2,589**	**(1,061)**
Income tax	-	-	-	-	-	-	-	-
Gain/(loss) after tax	**30**	**38**	**(1,027)**	**(959)**	**33**	**(3,683)**	**2,589**	**(1,061)**
Segment assets	1,587	21,856	245	23,688	2,102	23,027	258	25,387
Segment liabilities	(8)	-	(209)	(217)	(8)	-	(221)	(229)
Net assets	**1,579**	**21,856**	**36**	**23,471**	**2,094**	**23,027**	**37**	**25,158**

Continuing Operations – 31 December 2015

	Exploration activities €'000	Investment €'000	Administrative €'000	Total €'000	Exploration activities US$'000	Investment US$'000	Administrative US$'000	Total US$'000
Administration expenses	(142)	(482)	(536)	(1,160)	(157)	(535)	(595)	(1,287)
Other (losses)/gains	(783)	(2,101)	944	(1,940)	(869)	(2,332)	1,048	(2,153)
Operating (loss)/gain	**(925)**	**(2,583)**	**408**	**(3,100)**	**(1,026)**	**(2,867)**	**453**	**(3,440)**
Finance costs	(2)	(5)	(3)	(10)	(2)	(6)	(4)	(12)
Finance income	-	888	-	888	-	986	-	986
(Loss)/gain before tax	**(927)**	**(1,700)**	**405**	**(2,222)**	**(1,028)**	**(1,887)**	**449**	**(2,466)**
Income tax	-	-	-	-	-	-	-	-
(Loss)/gain after tax	**(927)**	**(1,700)**	**405**	**(2,222)**	**(1,028)**	**(1,887)**	**449**	**(2,466)**
Segment assets	1,427	19,532	761	21,720	1,929	21,339	833	24,101
Segment liabilities	(4)	-	(265)	(269)	(4)	-	(290)	(294)
Net assets	**1,423**	**19,532**	**496**	**21,451**	**1,925**	**21,339**	**543**	**23,807**

5	Loss on ordinary activities before taxation on continuing operations	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
	Administration expenses				
	Employee expense (Note 10)	(247)	(177)	(272)	(195)
	Directors remuneration (Note 11)	(483)	(381)	(536)	(424)
	Depreciation (Note 15)	(44)	(46)	(51)	(51)
	Services provided by the Group's auditors (Note 6)	(50)	(57)	(55)	(63)
	Operating lease rentals – property (Note 30)	(11)	(9)	(12)	(10)
	Other administration expenses	(948)	(490)	(1,047)	(544)
	Total administration expenses	**(1,783)**	**(1,160)**	**(1,973)**	**(1,287)**

6	Services provided by the auditor	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
	Audit services – group audit	36	36	39	40
	Audit services – statutory entities	6	13	7	14
	Tax advisory services	8	8	9	9
	Total auditors remuneration	**50**	**57**	**55**	**63**

7	Other gains and losses	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
	Reversal/(Impairment) of fixed assets	229	(783)	253	(869)
	Bad debts written off	-	(3)	-	(4)
	Impairment of available for sale financial assets (Note 17)	-	(23)	-	(25)
	Impairment of loans and receivables (Note 20)	-	(96)	-	(107)
	Realised foreign exchange gains/(losses)	391	(1,035)	433	(1,148)
	Total other gains and losses	**620**	**(1,940)**	**686**	**(2,153)**

8	Finance costs and finance income	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
	Finance costs				
	Bank interest and charges	(11)	(10)	(12)	(12)
	Total finance costs	**(11)**	**(10)**	**(12)**	**(12)**
	Finance income				
	Dividends received	215	888	238	986
	Total finance income	**215**	**888**	**238**	**986**

9	Employees	31/12/2016 Number	31/12/2015 Number
	The average monthly number of employees of the group during the financial year was (excluding directors):		
	Administration and operational staff	6	8

10 Employment costs	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
Staff costs (inclusive of directors) during the financial year were as follows:				
Wages and salaries	727	551	805	611
Social insurance costs	3	7	3	8
Total employment costs	**730**	**558**	**808**	**619**

The above employment costs relate to short term benefits only.

11 Directors' remuneration	Share-based benefits		Short-term benefits			
	2016	2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	Number of options		€'000	€'000	US$'000	US$'000
Mikhail Mogutov	-	200,000	108	108	120	120
Timothy McCutcheon	-	-	16	21	18	23
Yuri Radchenko	-	200,000	16	16	18	18
Donald Schissel	200,000	200,000	16	16	18	18
Leonid Skoptsov	-	200,000	75	34	83	38
Kenneth Kuchling	200,000	200,000	16	16	18	18
Kirill Golovanov	1,800,000	1,800,000	236	170	261	189
Directors remuneration	**2,200,000**	**2,800,000**	**483**	**381**	**536**	**424**

The share based benefits relate to the number of exercisable share options held by directors at the year end. Please refer to note 28 for details on share options granted in the year and the expense recognised. There were no options exercised during the year. In 2016, 600,000 share options were expired during the year.

12 Retirement benefit costs

The Group does not operate a pension scheme.

13 Income tax (Group) Analysis of tax charge for the year	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
Income tax	-	-	-	-
Reconciliation of factors affecting the income tax charge for the year				
Loss on ordinary activities before tax	(959)	(2,222)	(1,061)	(2,466)
Corporation tax at standard rate 2016: 12.5% (2015: 12.5%)	(120)	(278)	(133)	(308)
Effects of				
Ineligible costs and losses carried forward to future periods	120	278	133	308
Total income tax	-	-	-	-

A deferred tax asset has not been recognised at the reporting date in respect of trading tax losses. Due to the history of past losses, the Company has not recognised any deferred tax asset in respect of tax losses to be carried forward which are approximately €8.8 million at 31 December 2016 (2015: €8.8 million).

14 Loss per share

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

Diluted loss per share is calculated by adjusting the weighted average number of share in issue to assume conversion of all potential ordinary shares. For the purpose of calculating diluted loss per share for both 2016 and 2015, the potentially exercisable instruments in issue would have the effect of being antidilutive and, as such, the diluted loss per share is the same as the basic loss per share for both years.

Basic loss per share	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
Loss after taxation from continuing operations	(959)	(2,222)	(1,061)	(2,466)
Weighted average number of ordinary shares (**thousands**)	81,564	81,564	81,564	81,564
Basic loss per share	**(1.18)c**	**(2.72)c**	**(1.30)c**	**(3.02)c**
Diluted loss per share				
Weighted average number of ordinary shares (all measures) (thousands)	81,564	81,564	81,564	81,564
Fully diluted loss per share	**(1.18)c**	**(2.72)c**	**(1.30)c**	**(3.02)c**

Weighted average number of ordinary shares excludes 6,895,000 (2015: 6,895,000) ordinary shares which are held within the Group as treasury shares.

15 Property, plant and equipment Group

15 Property, plant and equipment Group	Mining equip. €'000	Office furniture & equip. €'000	Land and buildings €'000	Total €'000	Mining equip. $'000	Office furniture & equip. $'000	Land and buildings $'000	Total $'000
Cost								
At 1 January 2016	581	69	1,131	1,781	757	109	1,526	2,392
Additions	-	1	-	1	-	2	-	2
Reversal of impairment	229	-	-	229	253	-	-	253
At 31 December 2016	**810**	**70**	**1,131**	**2,011**	**1,010**	**111**	**1,526**	**2,647**
Depreciation								
At 1 January 2016	195	69	186	450	220	98	250	568
Charge for year	8	1	35	44	10	7	34	51
At 31 December 2016	**203**	**70**	**221**	**494**	**230**	**105**	**284**	**619**
Net book values								
At 31 December 2016	**607**	**-**	**910**	**1,517**	**780**	**6**	**1,242**	**2,028**
At 31 December 2015	**386**	**-**	**945**	**1,331**	**537**	**11**	**1,276**	**1,824**

15 Property, plant and equipment (continued)

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

In 2015, the Company impaired its property plant and equipment related to mining by €'000 1,569 (US$'000 2,130). The Company then decided to sell its mining equipment subsequently in 2017. As the initial conditions reversed from when the initial decision was taken to impair the property, plant and equipment, the impairment was reversed in 2016 amounted to €'000 229 (US$'000 253).

Group

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

Company

	31/12/2016				31/12/2015			
	Office furniture and equipment €'000	Total €'000	Office furniture and equipment $'000	Total $'000	Office furniture and equipment €'000	Total €'000	Office furniture and equipment $'000	Total $'000
Cost								
At 1 January 2016	49	49	66	66	49	49	66	66
Additions	1	1	2	2	-	-	-	-
At 31 December 2016	**50**	**50**	**68**	**68**	**49**	**49**	**66**	**66**
Depreciation								
At 1 January 2016	45	45	61	61	41	41	56	56
Charge for year	2	2	3	3	4	4	5	5
At 31 December 2016	**47**	**47**	**64**	**64**	**45**	**45**	**61**	**61**
Net book value	**3**	**3**	**4**	**4**	**4**	**4**	**5**	**5**

16 Financial assets – company

	01/01/2016 €'000	Impairment during year €'000	31/12/2016 €'000	01/01/2016 US$'000	Impairment during year US$'000	31/12/2016 US$'000
Silver Star Limited	23,780	3,365	27,145	25,980	2,619	28,599
Investment in subsidiaries at cost	**23,780**	**3,365**	**27,145**	**25,980**	**2,619**	**28,599**

	01/01/2015 €'000	Impairment during year €'000	31/12/2015 €'000	01/01/2015 US$'000	Impairment during year US$'000	31/12/2015 US$'000
Silver Star Limited	22,232	1,548	23,780	27,023	(1,043)	25,980
Investment in subsidiaries at cost	**22,232**	**1,548**	**23,780**	**27,023**	**(1,043)**	**25,980**

In the opinion of the directors, the fair value of financial assets in the Company statement of financial position at 31 December 2016 was equal to the carrying value at that date.

At 31 December 2016 the Company had the following direct and indirect subsidiary undertakings:

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

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

17 Available for sale financial assets – Group

	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
At 1 January	12,263	11,535	13,398	14,020
Fair value movement	5,600	-	6,198	-
Foreign exchange movement	(3,104)	-	(3,434)	(597)
Impairment	-	(23)	-	(25)
Translation adjustment	581	751	-	-
At 31 December	**15,340**	**12,263**	**16,162**	**13,398**

17	Available for sale financial assets – Group (continued)				
	Available for sale financial assets include the following:				
	Quoted securities	**15,340**	**12,263**	**16,162**	**13,398**
	Polymetal International plc	14,028	11,144	14,780	12,175
	Asset managed fund	1,289	1,110	1,358	1,213
	Other	23	9	24	10
		15,340	**12,263**	**16,162**	**13,398**

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

The above securities are denominated in the following currencies:

	€'000	€'000	US$'000	US$'000
Sterling	14,028	11,144	14,780	12,175
US Dollar	1,289	1,110	1,358	1,213
AUS Dollar	23	9	24	10
	15,340	**12,263**	**16,162**	**13,398**

At 31 December 2016, 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 €'000 767/US$'000 808 higher/lower (2015: €'000 577/US$'000 701 higher/lower), mainly as a result of changes in fair values. All items listed are valued using Level 1 inputs. Valuation methods for Levels 1, 2 and 3 are described in the "fair value hierarchy" section of the accounting policies.

18	Inventories	31/12/2016 €'000	31/12/2015 €'000	31/12/2016 US$'000	31/12/2015 US$'000
	Inventories	**56**	**46**	**59**	**51**

The Group has not recognised an inventory write down during the year (2015: €nil).

19 Trade and other receivables	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Company 31/12/2016 €'000	Company 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000	Company 31/12/2016 US$'000	Company 31/12/2015 US$'000
Tax and social welfare	34	62	4	4	36	68	4	4
Amounts owed by Group undertakings	-	-	788	677	-	-	830	740
	34	62	792	681	36	68	834	744

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.

20 Loans and receivables

	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Company 31/12/2016 €'000	Company 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000	Company 31/12/2016 US$'000	Company 31/12/2015 US$'000
Advanced during the year	678	879	678	879	741	1,067	741	1,067
Collected during the year	(678)	-	(678)	-	(741)	-	(741)	-
Exchange movement	-	(105)	-	(105)	-	(219)	-	(219)
Amounts impaired	-	(96)	-	(96)	-	(107)	-	(107)
Loans receivable	**-**	**678**	**-**	**678**	**-**	**741**	**-**	**741**

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

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

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

It is intended to rigorously pursue all available options to recover the loans and the Company has already taken steps to pursue the personal guarantees which were used to secure loan. The Directors believe that substantially the entire loan will be recovered, however there can be no certainty in that regard. However, the remaining portion of the total loan receivable was collected during the year.

21 Cash and cash equivalents

	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Company 31/12/2016 €'000	Company 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000	Company 31/12/2016 US$'000	Company 31/12/2015 US$'000
Cash at bank and in hand	6,027	6,218	158	62	6,350	7,374	166	68
Short term deposits	714	1,122	-	-	752	645	-	-
	6,741	**7,340**	**158**	**62**	**7,102**	**8,019**	**166**	**68**

22 Share capital

Group and Company	31/12/2016 €	31/12/2015 €	31/12/2016 US$	31/12/2015 US$
Authorised equity				
120,000,000 Ordinary shares of 12.5 cent each	15,000,000	15,000,000	21,000,000	21,000,000
	15,000,000	**15,000,000**	**21,000,000**	**21,000,000**

Group and Company Issued, called up and fully paid	Number of ordinary shares	Share capital €'000	Share capital US$'000
At 1 January 2016	**88,458,806**	**11,057**	**15,586**
At 31 December 2016	**88,458,806**	**11,057**	**15,586**

On 28 April 2015, Ovoca Gold plc purchased 5,800,000 ordinary shares of nominal value €0.125 each of the issued share capital of the Company at a price of GBP 6.8p. Ovoca Gold plc intends to hold these shares as treasury stock. As of year-end 2016, the Company has a total of 81,563,806 Ordinary Shares in issue excluding treasury shares of 6,895,000. The purchase was made pursuant to the authority granted by shareholders at an Extraordinary General Meeting of the Company held on 17 October 2014. To date, Ovoca has acquired 7.8% (2015: 6.6%) of its own share capital under this approved share buyback programme.

23 Retained earnings

	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Company 31/12/2016 €'000	Company 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000	Company 31/12/2016 US$'000	Company 31/12/2015 US$'000
Surplus at 1 January	3,172	5,394	9,058	8,387	4,748	7,214	15,106	14,361
Profit/(Loss) for the year	(959)	(2,222)	2,495	671	(1,061)	(2,466)	2,761	745
Surplus at 31 December	**2,213**	**3,172**	**11,553**	**9,058**	**3,687**	**4,748**	**17,867**	**15,106**

In accordance with the provisions of the Companies Act 2015, Section 304(2), the Company has not presented an income statement. An income for the year of €'000 2,495 (2015: loss of €'000 671) has been recognised in the income statement of the Company.

24 Other reserves

Group	Other reserves €'000	Foreign currency reserve €'000	Share based payment reserve €'000	Total €'000	Other reserves US$'000	Foreign currency reserve US$'000	Share based payment reserve US$'000	Total US$'000
At 1 January 2016	11	6,464	1,294	7,769	16	2,305	1,759	4,080
Fair value movement on available for sale financial assets equity instruments during the year	5,600	-	-	5,600	6,198	-	-	6,198
Foreign exchange movement on available for sale financial assets equity instruments during the year	(3,104)	-	-	(3,104)	(3,434)	-	-	(3,434)
Foreign exchange gains/ (losses) arising from translations of financial statements of a foreign operations	-	483	-	483	-	(352)	-	(352)
At 31 December 2016	**2,507**	**6,947**	**1,294**	**10,748**	**2,780**	**1,953**	**1,759**	**6,492**
At 1 January 2015	11	4,703	1,294	6,008	16	3,150	1,759	4,925
Foreign exchange gains/ (losses) arising from translations of financial statements of a foreign operations	-	1,761	-	1,761	-	(845)	-	(845)
At 31 December 2015	**11**	**6,464**	**1,294**	**7,769**	**16**	**2,305**	**1,759**	**4,080**

Company	Other reserves €'000	Foreign currency reserve €'000	Share based payment reserve €'000	Total €'000	Other reserves US$'000	Foreign currency reserve US$'000	Share based payment reserve US$'000	Total US$'000
At 1 January 2016	11	-	1,294	1,305	16	(9,069)	1,764	(7,289)
Exchange movements	-	-	-	-	-	(968)	-	(968)
At 31 December 2016	**11**	**-**	**1,294**	**1,305**	**16**	**(10,037)**	**1,764**	**8,257**
At 1 January 2015	11	-	1,294	1,305	16	(6,507)	1,764	(4,727)
Exchange movements	-	-	-	-	-	(2,562)	-	(2,562)
At 31 December 2015	**11**	**-**	**1,294**	**1,305**	**16**	**(9,069)**	**1,764**	**(7,289)**

25 Trade and other payables

	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Company 31/12/2016 €'000	Company 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000	Company 31/12/2016 US$'000	Company 31/12/2015 US$'000
Trade payables	171	223	153	215	180	244	161	235
Amounts owed to Group undertakings	-	-	3,984	3,524	-	-	4,197	3,850
Accruals	46	46	46	46	49	50	49	50
	217	**269**	**4,183**	**3,785**	**229**	**294**	**4,407**	**4,135**

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

26 Related party transactions

Details of subsidiary undertakings are shown in note 16. 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 €'000 750 (2015:€'000 677) due from Comtrans and €'000 38 (2015: €'000 0) due from Magsel.

Included in amounts due to group undertakings of the Company is an amount of €'000 3,983 (2015: €'000 3,524) due to Silver Star Limited.

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in Note 11 of the consolidated financial statements.

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

27 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 11.

The carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables financial assets and liabilities is considered a reasonable approximation of its fair values while available-for-sale financial assets are determined by reference to quoted market bid prices at the close of business on the reporting date since these are actively traded.

28 Share based payments – Group and Company

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

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

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

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

28 Share based payments – Group and Company – continued	Number of options	2016 Weighted average exercise price (€ cent per share)	Number of options	2015 Weighted average exercise price (€ cent per share)
Outstanding at 1 January 2016	3,800,000	39	3,800,000	39
Expired during the year	600,000	-	-	-
Outstanding at 31 December 2016	3,200,000	39	3,800,000	39
Of which:				
Exercisable at 31 December 2016	3,200,000	39	3,800,000	39

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

Number of options	Exercise price	Date of expiry
2,800,000	£0.25p	20/01/2017
200,000	£0.30p	20/04/2017
200,000	£0.36p	22/02/2018
3,200,000		

29 Events after the reporting period

There were no other significant events after the year end date except as disclosed in note 15.

30 Commitments

Operating leases

	Group 31/12/2016 €'000	Group 31/12/2015 €'000	Company 31/12/2016 €'000	Company 31/12/2015 €'000	Group 31/12/2016 US$'000	Group 31/12/2015 US$'000	Company 31/12/2016 US$'000	Company 31/12/2015 US$'000
No later than one year	14	10	-	10	15	12	-	12
Total	**14**	**10**	**-**	**10**	**15**	**12**	**-**	**12**

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 5 of the consolidated financial statements.

31 Reclassification of accounts

Certain accounts have been reclassified to conform to current year presentation.

32 Approval of the financial statements

These financial statements were approved by the Board of Directors on 22 June 2017.

Notes

www.ovocagold.com