

RNS Number: 1249P
Ovoca Gold PLC
29 September 2011

Ovoca Gold plc ("Ovoca" or the "Company")
Interim 2011 results

Ovoca Gold is pleased to announce its interim financial statements and report covering the six month period from 1 January 2011 to 30 June 2011.

Highlights:

- Net income for 1H2011 of US\$10.06 million
- Cash and cash equivalents and available for sale financial assets of US\$54.09 million as at 30 June 2011
- Successful mobilization of exploration at two core projects
- Appointment of Kenneth Kuchling as non-executive director – ex-Senior Mining Engineer for Rio Tinto's Diavik Diamond Mine between 1997 – 2000 and consultant to multiple high profile gold mines globally
- Commencement of share buy back programme
- Maiden Stakhanovsky resource, JORC Inferred 350,000 oz gold at 1.2 g/t (cut-off grade 0.5 g/t gold)
- GLG Asset Management to manage \$10mn of Company's funds

Post period:

- Updated JORC Inferred resource for Olcha of 9.2mn tons to give 650,000 ounces gold at 2.20 g/t and 3.59mn ounces silver at 12.12 g/t (cut-off grade 1.0 g/t gold)
- Appointment of Fairfax I.S. PLC as joint broker
- Continuation of share buy back programme, total share count held in treasury at 1,095,000

CEO's letter

Dear shareholders,

It is my pleasure to report to you our financials and the results of our work for the first half of 2011. We started the year with several tasks. On the exploration front we planned to drill on new targets Podgorniy and Zet, conduct geophysical surveys on Olcha's northeast and southeast flanks, and complete a bulk sampling and drilling program on Stakhanovsky. On the corporate level our plan for the year is to successfully receive a full exploitation license for Olcha, effectively manage our cash and equivalents position to ensure the Company's financial strength, strengthen our board and staff of professionals, review acquisitions and corporate development opportunities and continue to reach out to a wider investor audience about Ovoca's undervalued share price.

Exploration:

Podgorniy – At the end of 2010 Ovoca announced grab sample results as part of a preliminary exploration effort that included soil geochemistry and mapping. Announced grab samples were:

Sample number	Gold grade, g/t	Silver grade, g/t
#49	5	15
#52	21	68
#53	12	64

In 2011 Ovoca plans to complete a drilling programme of 5,000 meters, of which 4,000 meters is already completed. Core samples indicate potentially gold bearing mineralization and we await laboratory analysis. The majority of core samples is now at our base in Magadan or has been prepared and sent to a laboratory.

Zet – At the beginning of 2011 Ovoca announced the results of historical and 2010 trenching work. Zet is 30 kilometers north of Olcha and initial study of the target shows it is a low-sulphidation gold-silver epithermal ore zone similar to Olcha. Ovoca will be drilling on Zet for the first time and the total plan for 2011 was 2,000 meters, of which a total of 2,500 meters has been drilled and the season ended on Zet (additional 500 meters drilled above plan). The focus of the drilling is to establish that surface mineralization (as shown by trench work) extends to depth. There are several examples in and near the Magadan Region of operating gold mines transporting ore up to 100 kilometer distances. One such example is Birkachan-Kubaka-Sopka Kwartsevaya operated by Polymetal, while another example is Dvoynoye-Kupol operated by Kinross. While gold and silver grades are a key issue determining the economic viability of transporting ore, Zet and Olcha could be part of one production complex given their near proximity.

Previously announced trench results

Trench ID number	Target	Length, m	True thickness, m	Gold grade, g/t	Silver grade, g/t
K-8-Z*	Vein #1	3.8	3.71	2.0	12.5
K1-Z*	Vein #1	1.5	1.41	0.7	5.5
K-8	Vein #1	2.5	2.41	3.2	17.2
K-BK-5	Vein #1	0.4	0.38	4.7	0.0
K-BK-2	Vein #1	1.0	1.00	3.4	33.5
K-2	Vein #1	1.9	1.84	2.7	14.2
K-BK-7	Vein #1	0.7	0.70	1.9	0.0
K-BK-5	Vein #2	1.0	0.95	6.2	8.2
TR-1	Vein #2	3.0	2.90	2.6	17.0
K-BK-7	Vein #2	0.5	0.47	20.6	14.0
SP-2	Vein #2	4.0	3.88	10.5	60.5
K-1-Z*	Vein #3	0.6	0.59	6.6	80.6
K-BK-14	Vein #3	0.7	0.69	4.0	12.0
K-BK-5	Vein #3	0.1	0.10	2.0	0.0
K-2-Z*	Vein #3	1.0	0.75	8.0	10.8
K-BK-7	Vein Zone #6	1.2	1.20	3.7	3.4
K-6-Z*	Vein Zone #6	3.7	3.52	4.1	29.9
K-BK-9	Vein Zone #6	3.0	2.99	1.6	15.0
K-BK-11	Vein #8	3.9	3.77	12.5	22.4

*Denotes trenches completed by Ovoca Gold in 2010

Olcha – Olcha was a core focus of Ovoca’s exploration program in 2010, as we strived to move forward on the basis of existing information to increase the resources at the site. An updated JORC inferred resource statement was released in July 2011. Additionally, Ovoca has put together a Russian-compliant resource statement, as well as preliminary economic, environmental and metallurgical studies. This documentation has been filed with the necessary regulatory bodies so that Ovoca can receive a full exploitation license for Olcha. The Company expects to have an exploitation license by the end of 2011 or in early 2012. For 2011 Ovoca plans to conduct geophysical work to the northeast and the east of known mineralization zones. Ovoca announced its updated JORC compliant Inferred resource on Olcha in July. Chart below:

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

Stakhanovsky – At the beginning of 2011 Ovoca announced its maiden JORC compliant Inferred resource on Stakhanovsky. Chart below:

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

*Cut-off grade 0.5 g/t gold

In 2010 the Company commissioned a wide-diameter drill programme (RC rig drilling 18cm diameter drill wells), but the contractor did not complete the full work programme (completed was slightly over 50% or 7,100 meters). At the end of 2010 the Company decided to change contractors or shift the focus of the exploration effort to bulk sampling. Bulk sampling done in 2009 yielded encouraging results of 1.9 g/t and 2.0 g/t on two targets with total sample size being 260 tons. Ovoca chose for 2011 to conduct a bulk sampling programme with some drilling to confirm ore body structure (DD rig drilling 7cm diameter drill wells). The initial plan was to process 20,000 tons of ore samples over the 2011 summer and autumn. Unfortunately, a delay in the delivery of the metal frame that houses the conveyor belts and ball mill cost three weeks of the operating season. Despite intense efforts to expedite the assembly process to make up the lost time, the bulk sample processing facility was not ready until late into the operating season. To complicate matters further, this summer has been unusually cold in the Magadan Region, which has frozen up water supplies necessary for the operating of the facility. However, approximately 8,000 tons of ore samples have already been collected, labeled and await processing. The facility has been test-run so that once there is running water again it can be switched on for operation. The Company will be able to immediately start processing ore by the first thaw in the Stakhanovsky area, which normally is at the beginning of May. The result of this delay is a push out of anticipated first gold production to the beginning of 2014 (pending successful exploration and engineering results).

Corporate overview:

Available for sale securities and cash – As at 30 June 2011 Ovoca had circa 0.8 million Polymetal common shares worth US\$15.35 million. Additionally, the Company had approximately US\$28.74 million in cash and US\$10.01 million in a diversified portfolio of gold mining equities. In total, the pro forma total cash and securities position of Ovoca as of 30 June 2011 is US\$54.09 million. Ovoca’s management and Board have decided to change the format of its equity portfolio investment. Part of the investment will now be made in a GLG fund. GLG is one of the world’s largest fund management companies with over \$70bn under management and are based in London. The liquidity provisions of the fund are substantially the same as our previous portfolio, while GLG brings to our investment their superior monitoring, brokerage service terms and risk management skills. In July the Company put US\$10 million under GLG management. The strategy behind Ovoca’s holding of Polymetal shares and the GLG fund investment is to give Ovoca shareholders exposure to the gold price before Ovoca has its own gold production.

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

Director appointment – On 1 March 2011 Ken Kuchling became a non-executive director of the Company. Mr. Kuchling provides mining consulting services with multiple clients globally. He has worked on such projects as Northgate Mining’s Kemess North copper-gold mine in Canada, NovaGold’s Rock Creek project in Canada, Oromin Explorations’ Sabodala gold project in Senegal, as well as having assisted with BHP Billiton’s study of potash projects

globally. Additionally, from 1997 to 2000 Mr. Kuchling was the Senior Mining Engineer for Rio Tinto's Diavik Diamond Mine in Canada playing a key role in completing the feasibility study and permitting of the project.

Sincerely,

Tim McCutcheon
CEO

Ovoca Gold plc
period ended 30 June 2011

CONSOLIDATED INCOME STATEMENT	Unaudited	Unaudited	Unaudited	Unaudited
	6 Months ended	6 Months ended	6 Months ended	6 Months ended
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	€'000	€'000	\$'000	\$'000
Continuing operations				
Exploration costs written off	(166)	(299)	(233)	(398)
Gross loss	(166)	(299)	(233)	(398)
Administration expenses	380	(1 028)	533	(1 368)
Share option expense	(44)	(733)	(62)	(975)
Other gains and losses	7 379	2 355	10 353	3 133
Operating profit	7 549	295	10 591	392
Finance costs	(645)	(16)	(905)	(21)
Finance income	354	647	496	861
Gain for the period before tax	7 258	926	10 182	1 232
Income tax	(88)	6	(123)	8
Gain for the period from continuing operations	7 170	932	10 059	1 240
Discontinued operations				
Loss for the period from discontinued operations		(2 103)		(2 798)
Profit/(loss) for the period	7 170	(1 171)	10 059	(1 558)
Attributable to:				
Owners of the parent	7 170	(1 171)	10 059	(1 558)
	7 170	(1 171)	10 059	(1 558)
Earnings/(loss) per share				
Basic earnings per share from continuing operations	0.08 cents	0.20 cents	0.12 cents	0.26 cents
Basic loss per share from discontinued operations		(0.45) cents		(0.59) cents
Fully diluted earnings per share from continuing operations	0.08 cents	0.21 cents	0.11 cents	0.27 cents
Fully diluted loss per share from discontinued operations		(0.47) cents		(0.62) cents

Ovoca Gold plc
period ended 30 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 Months ended 30.06.2011 €'000	Unaudited 6 Months ended 30.06.2010 €'000	Unaudited 6 Months ended 30.06.2011 S'000	Unaudited 6 Months ended 30.06.2010 S'000
Profit/(loss) for the period	7 170	(1 171)	10 059	(1 558)
Other comprehensive (expense)/income:				
Movement on available for sale financial assets	(8 600)	4 654	(10 516)	4 538
Exchange movement	(2 784)	6 870	(1 402)	357
Total comprehensive (loss)/income for the period	(4 214)	10 353	(1 859)	3 337

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

Ovoca Gold plc
period ended 30 June 2011

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Share based payment reserve	Other reserves	Exchange movement	Retained earnings	Total (attributable to owners of the parent)
	€'000	€'000		€'000	€'000	€'000	€'000	€'000
At 1 January 2011	11 057	48 108	-	1 253	16 729	2 494	(22 893)	56 748
Comprehensive income:								
Loss for the period							7 170	7 170
Other comprehensive income								-
Fair value movement on available for sale financial assets					(8 600)			(8 600)
Realised exchange movement on available for sale assets disposed of during the year						(971)		(971)
Exchange movement						(1 813)		(1 813)
Total comprehensive income	-	-	-	-	(8 600)	(2 784)	7 170	(4 214)
Transactions with owners								
Reduction of share premium		(48 108)					48 108	-
Share based payments				44				44
Share buy back			(20)			15	(40)	(45)
Total transactions with owners	-	(48 108)	(20)	44	-	15	48 068	(1)
At 30 June 2011	11 057	-	(20)	1 297	8 129	(275)	32 345	52 533
At 1 January 2010	11 057	48 108	-	520	6 553	(364)	(19 453)	46 421
Comprehensive income:								
Loss for the period	-	-	-	-	-	-	(1 171)	(1 171)
Other comprehensive income								
Fair value gain on available for sale financial assets	-	-	-	-	4 654	-	-	4 654
Realised exchange movement on available for sale assets disposed of during the year	-	-	-	-	-	-	-	-
Exchange movement						6 870		6 870
Total comprehensive income	-	-	-	-	4 654	6 870	(1 171)	10 353
Transactions with owners								
Share based payments				733				733
Total transactions with owners				733				733
At 30 June 2010	11 057	48 108	-	1 253	11 207	6 506	(20 624)	57 507

Ovoca Gold plc
period ended 30 June 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited	Unaudited	Audited
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	€'000	€'000	\$'000	\$'000
Assets				
Current assets				
Inventories	129	35	186	46
Trade and other receivables	1 384	4 918	1 992	6 517
Cash and cash equivalents	19 973	8 394	28 740	11 123
	21 486	13 347	30 919	17 686
Non current assets				
Property, plant and equipment	1 433	750	2 062	1 024
Intangible assets	24 751	23 413	35 616	33 252
Available for sale financial assets	17 616	32 473	25 349	43 029
	43 800	56 636	63 027	77 305
Total assets	65 286	69 983	93 946	94 991
Liabilities				
Current liabilities				
Trade and other payables	1 032	1 153	1 485	1 528
Provisions for other liabilities and charges	8 697	2 092	12 515	2 771
	9 729	3 245	14 000	4 299
Non current liabilities				
Contingent provisions	3 024	9 990	4 351	13 239
Total liabilities	12 753	13 235	18 351	17 538
Net assets	52 533	56 748	75 595	77 453
Equity				
Ordinary shares	11 057	11 057	15 586	15 586
Share premium accounts		48 108		67 809
Treasury shares	(20)	-	(29)	-
Other reserves	8 129	16 729	11 698	22 214
Foreign currency translation reserve	(275)	2 494	(70)	3 402
Share based payment reserve	1 297	1 253	1 866	1 706
Profit and loss account	32 345	(22 893)	46 543	(33 264)
	52 533	56 748	75 594	77 453

Ovoca Gold plc
period ended 30 June 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 30.06.2011	Audited 31.12.2010	Unaudited 30.06.2011	Audited 31.12.2010
	€'000	€'000	\$'000	\$'000
Cash flows from operating activities				
Net profit for the period/year before tax	7 258	936	10 182	1 254
Foreign currency reserve movement	(2 767)	2 858	(3 263)	1 909
Depreciation	43	116	60	154
Share option expense	44	733	62	973
Net finance costs	304	(170)	427	(232)
Exploration costs written off	166	297	233	394
Increase in inventories	(94)	(28)	(135)	(36)
Decrease/(increase) in trade and other receivables	3 534	(921)	5 085	(789)
Decrease in trade and other payables	(121)	(686)	(175)	(1 108)
Decrease in provisions	(361)	-	(519)	-
Net cash flow from continuing operations	8 005	3 135	11 956	2 519
Discontinued Operations				
Net loss for the year before tax	-	(4 376)	-	(5 811)
Exploration costs written off	-	3 779	-	5 377
Net finance costs	-	(89)	-	(112)
Net cash flow from discontinued operations	-	(686)	-	(546)
Net cash flow from operating activities	8 005	2 449	11 956	1 973
Cash flow from financing activities				
Net interest received	304	259	437	344
Net cash flow from financing activities	304	259	437	344
Cash flows from investing activities				
Net purchases of property, plant & equipment	(683)	(67)	(982)	(57)
Acquisitions of subsidiary/intangibles	-	(7 264)	-	(11 882)
Purchase of available for sale assets	(14 857)	-	(20 860)	-
Proceeds from disposal of AFS assets	20 314	(1 616)	29 232	(768)
Expenditure on exploration activities	(1 504)	(5 121)	(2 165)	(6 800)
Net cash flow from investing activities	3 270	(14 068)	5 225	(19 507)
Net increase/(decrease) in cash and cash equivalents	11 579	(11 360)	17 618	(17 190)
Cash and cash equivalents at the beginning of period/year	8 394	19 754	11 123	28 313
Cash and cash equivalents at the end of period/year	19 973	8 394	28 741	11 123

Ovoca Gold plc
period ended 30 June 2011

1 Basis of Preparation

The interim consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2010

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010

2 Accounting Policies

The accounting policies are consistent with those in the annual report for the financial year ended 31 December 2010.

The following new standards, amendments and interpretations became effective in 2011, however, they either do not have an effect on the Group financial statements or they are not currently relevant for the Group:

Classification of Rights Issues (Amendment to IAS 32)

*IAS 24, Related Party Disclosure
(Revised)*

Amendments to IFRIC 14, Prepayments of a Minimum Funding Requirement

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

In addition, a number of annual improvements to the IFRSs are effective for 2011, however, none of these had or is expected to have a material effect on the Group financial statements.

3 Segmental reporting

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

At 30 June 2011, the Group had two business segments, exploration activities and investment. Exploration activities are primarily carried out by number of subsidiary companies based in Russia. Investing activities are carried out by another subsidiary company located in Bermuda. Unallocated costs represent group administration costs, primarily incurred in Ireland.

Period ended 30 June 2011	Exploration activities	Investment	Unallocated	Total	Exploration activities	Investment	Unallocated	Total
	€'000	€'000	€'000	€'000	US\$'000	US\$'000	US\$'000	US\$'000
Exploration costs written off	(98)	-	(68)	(166)	(137)	-	(95)	(232)
Administration expenses	267	2 146	(2 077)	336	375	3 010	(2 914)	471
Other gains and losses	121	7 259	(1)	7 379	170	10 185	(1)	10 354
Operating profit	290	9 405	(2 146)	7 549	407	13 195	(3 011)	10 591
Finance costs	(94)	(598)	47	(645)	(132)	(839)	66	(905)
Finance income	161	192	1	354	226	269	1	496
Loss/Profit before tax	357	8 999	(2 098)	7 258	501	12 625	(2 943)	10 183
Segment assets	16 148	49 004	136	65 288	23 236	70 514	196	93 946
Segment liabilities	(763)	(11 721)	(269)	(12 753)	(1 098)	(16 866)	(387)	(18 351)
Net assets	15 385	37 283	(134)	52 535	22 138	53 648	(192)	75 595

Period ended 30 June 2010	Exploration activities	Investment	Unallocated	Total	Exploration activities	Investment	Unallocated	Total
	€'000	€'000	€'000	€'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	-	-	-	-	-	-	-	-
Other gains and losses	(277)	2 021	611	2 355	(369)	2 689	813	3 133
Operating profit	(3 960)	1 850	2 405	295	(531)	2 461	(540)	1 390
Finance costs	(16)	-	-	(16)	(21)	-	-	(21)
Finance income	454	-	193	647	604	-	257	861
Loss/Profit before tax	(3 522)	1 850	2 598	926	52	2 461	(283)	2 230
Segment assets	11 882	46 167	5 677	63 726	14 502	56 346	6 929	77 777
Segment liabilities	(1 224)	(4 560)	(435)	(6 219)	(1 494)	(5 565)	(531)	(7 590)
Net assets	10 658	41 607	5 242	57 507	13 008	50 781	6 398	70 187

Secondary reporting format - geographical segments

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

4 Financial assets available for sale

Financial assets available for sale are held at their fair value and consist of both quoted securities and shares in Polymetal listed on the Russian Stock Exchange. They have provided a steady income stream throughout the period. There was a fall in the price of Polymetal shares during the period but their overall performance remains strong, the decrease of the total value of the financial assets being caused by both the disposal of shares for cash and re-investment of a significant portion from quoted securities into a high yield deposit facility. The latter is reflected in the increased cash and cash equivalents balance.

5 Provisions

The change in the provisions is due to the timing of the deferred consideration payable on the previous year's acquisition of the 3 Russian subsidiaries, with the bulk of the conditional payment now falling due within the next 12 months.

6 Transactions in own shares

By the end of the period the group had acquired 160,000 of its own shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares net of commissions was €59,674 (\$85,619). At the start of the period Ovoca Gold Plc obtained High Court permission to reduce its share premium account to facilitate the share buy back process. The shares are held as treasury shares and the company has the right to re-issue these shares at a later date.

7 Events after the reporting period

There have been no significant events affecting the Group since the interim period.

8 Approval of the financial statements

The interim report was approved by the Board of Directors on September 27, 2011 and is included on the Company's website, www.ovocagold.com.

Notes to Editors

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

Stakhanovsky is located approximately 40 kilometres north of Susuman, the second largest city in the Magadan region. It is accessible by year-round road and there is power infrastructure on site. Stakhanovsky's initial independently established resource was announced in an RNS on 2 February 2011 and is available on the Company's website. The Company intends to put Stakhanovsky into production by 2013.

Rassoshinskaya is in the North Eastern part of the Magadan Region about 200 kilometres from the town of Seimchan. There is no nearby infrastructure. Rassoshinskaya hosts an epithermal gold deposit named Olcha, which is the focus of Ovoca's exploration program. Olcha and nearby satellite deposits have the potential to host a high grade multi-million ounce gold resource. Olcha's latest independently established resource was announced in an RNS on 07 July 2010 and is available on the Company's website. Rassoshinskaya also hosts several gold targets, including Podgorniy and Zet.

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

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