

30 March 2016

## Kolar Gold Limited

### Half year results for six months ended 31 December 2015 (Unaudited) & Strategic Review Update

Kolar Gold Limited ("Kolar Gold" or the "Company"), the Indian focussed gold exploration and mine development company, announces its unaudited results for the six months ended 31 December 2015.

The Company recorded a loss after tax for the period of £533,065 (unaudited), (2014: loss after tax of £568,074). The Company had £890,000 in cash and term deposits as at 31 December 2015 (2014: £2.4million).

The Company has, at the date of this report, the following interests:

- a shareholding of 23.4 per cent. in Geomysore Mining Services (India) Private Limited ("GMSI");
- a Right of First Refusal, in association with the Cooperative Societies of Bharat Gold Mines Limited ("BGML") ex-employees, to acquire the BGML mining assets at Kolar through a tender process to be held by the owner, the Government of India;
- cash balances of £623,000; and
- outstanding liabilities in connection with changes to executive management of approximately £92,000.

## Review of operations

### GMSI

Kolar Gold has a 23.4 per cent shareholding in GMSI as at the date of this report.

During the period under review, GMSI continued to progress with further exploration drilling, resource modelling and appraisal work to assess the feasibility, scale and timing of constructing a producing gold mine at Jonnagiri, for which GMSI has been granted a 30 year mining licence to mine 365,000 tonnes of gold ore per year. The concerted drilling campaign undertaken at Jonnagiri, over the Mining lease block including Temple Deep and the East Block, totalled 15,800 metres. The drilling campaign was undertaken in order both to increase the resource base and upgrade its definition, and was completed in December 2015. The Jonnagiri resource is divided into two parts: a prospective shallow open pit mine at the East Block and a potential open pit and underground mine at Temple Deep.

Since the half year end and following the completion of the drilling and assaying programme Golder Associates, the Competent Person for GMSI, has completed a detailed review of the exploration programme which has identified approximately 150,000 ounces of JORC compliant resource (Indicated and Inferred) and a potential mineral exploration target of between 150,000 and 250,000 ounces at East Block at a cut-off grade of 0.5g/t. The ore body has a strike length of some 450 metres, with a potential extension of an additional 100 metres to both the north and south, and has been delineated to at least a depth of 150 metres below surface. Further reverse circulation (RC or non-core) infill drilling is required to define the strike and down dip extensions of the ore body more accurately. In addition GMSI and its technical advisors will compile a feasibility study in order to confirm the economic viability of establishing a shallow open pit mine at East Block. This entire work programme is expected to be completed by September 2016 assuming that GMSI receives the necessary funding of US\$2.2 million from its shareholders including Kolar Gold. The current assumption is that a proposed mine could commence production either in the 4th quarter 2017 or in the 1st quarter of 2018, at a production rate of some 15,000 ounces of gold a year.

The drilling results at Temple Deep have not confirmed or improved the definition or quantum of the resource previously believed to be present and the Competent Person Golder Associates has recommended a re-scoping of the previous competent persons report in order to assess the likely scale of the resource. The

earlier indications of a resource of 520,000 ounces that was previously validated by SRK would need significant further drilling to improve confidence levels and upgrade the mostly inferred resource and also define its potential mineability. GMSI has therefore decided to focus its activities currently at Jonnagiri with the aim of bringing the East Block into production and open the first new gold producing mine in India for decades.

GMSI requires further funding to undertake the additional drilling work and complete the economic feasibility study in relation to the East Block open pit mine and currently is seeking to raise US\$2.2 million from its shareholders at the same per share valuation at which funds were raised last year, that valued GMSI at US\$18.0 million pre new money. Owing to its current cash position Kolar Gold is unable to invest further in GMSI at this point in time and would only be able to contemplate doing so if it was able to raise additional funds. In the absence of Kolar Gold investing additional capital into GMSI as part of the current round of US\$2.2 million its shareholding will be diluted to 21.1 per cent.

In November 2014 Kolar Gold was granted an option to invest a further US\$2 million (£1.34 million) in GMSI within 12 months at the same valuation as the most recent round of funding. As previously disclosed the option expired during November 2015 and has not been extended.

GMSI also has a number of other gold licences and applications in India at different stages of development in some very prospective areas including North, East and South Kolar Belt but to progress these GMSI would require further capital.

Merger discussions with Deccan Gold Mines Limited ("DGM") remain on hold though it is Kolar Gold's understanding that this initiative may be reactivated but not before the end of 2016. The logic of the merger, to create India's largest listed gold exploration company, remains strong. Kolar Gold shareholders will be kept fully informed of any further developments. The achievability of obtaining a separate listing for GMSI shares on the Bombay Stock Exchange will only become clearer once the economic feasibility of constructing a mine at Jonnagiri is known.

As at 31 December 2015, the Company valued its investment in GMSI at £3.02 million (30 June 2015: £3.05 million).

## **BGML**

The new MMDR Act that was recently promulgated in India has opened up the possibility of reviving the BGML mine at State level, and in February JMJ Minerals Private Ltd, a company formed by KGL's partners, the United BGML ex-employees Union Society (Union), exchanged an Expression of Interest with the Government of Karnataka (GoK) for a project to exploit the tailings at BGML with GoK's support. Direction from the Central Government and GoK is awaited, and it is not clear whether GoK can progress on the Expression of Interest exclusively with the Union as normal Indian government selection procedures, including for joint ventures, require a tender process. Kolar Gold continues to be in discussions with the Union and the relationship, cultivated over a long period, places us in a good position to participate in this project if commercially and economically viable. The Company will report on any progress over the coming months.

## **Cash Balances**

As at 31 December 2015, the Company's cash balances were £890,000 and at the date of this report were approximately £623,000.

The Company is continuously monitoring the rate of cash usage to ensure a balance between investment and achieving major milestones and having sufficient working capital to remain a going concern.

Allowing for the Company's reduced budgeted cost base and excluding any further investment in GMSI there are sufficient funds to continue operations until mid-2017.

## **Strategic review**

On 8 December 2015 the board of Kolar Gold announced that it was reviewing its strategic options with the intention of considering all available opportunities for maximising value for shareholders.

Kolar Gold has had various discussions with parties who might be interested in investing in Kolar Gold or GMSI following the announcement on 8<sup>th</sup> December.

The board of Kolar Gold has now concluded its review of its strategic options. Having reviewed all strategic options available to the Company, including a sale of the Company or its assets, its key conclusions are as follows:

- Although the board of Kolar Gold remains confident about the future of GMSI it does not consider that Kolar Gold will be able to raise capital with a strategy based solely on its Indian gold interests;
- The board has examined other opportunities which it considers may be attractive and has concluded that diversifying its interests by pursuing complementary opportunities initially focussed in India, including in the fintech sector, would potentially enable the Company to raise further capital.

The strategic review has now been completed and the Company is no longer in an offer period under the Rules of the Takeover Panel and accordingly the requirement to make Rule 8 disclosures has ceased.

Looking ahead the board of Kolar Gold plans to pursue such opportunities that are allied and complementary which it can develop in parallel with its gold exploration and development interests. It will also seek opportunities to raise further capital in order to develop these opportunities in conjunction with its interests in GMSI.

## **Board changes**

During the period under review Nick Spencer, the CEO of Kolar Gold, and the Company reached mutual agreement on the termination of his employment contract and he resigned from the Board of Kolar Gold on 8 December 2015 and is serving out the notice period to the end of May 2016.

Non-executive director Stephen Coe resigned on 31 December 2015. Stephen Oke has replaced Stephen Coe as Chairman of the Audit Committee.

## **Key financials**

The Company had £890,000 in cash deposits at period end.

The loss after tax for the period was £533,065, compared to £568,074 for the six months to 31 December 2014 and £1,254,716 for the year to June 2015.

## **Corporate governance statement**

The Company, being listed on AIM, is not required to comply with the UK Corporate Governance Code ("the Code"). However, the Company has given consideration to the main principles of the Code and the Directors support the objectives of the Code and intend to comply with those aspects that they consider relevant to the Group's size and circumstances.

The Company now has completed its Strategic Review and is now assessing its Board and management requirements and finalising the appropriate committee and governance structures.

## Going concern

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to Kolar Gold being a “going concern” which assumes the Company will continue in operation for at least 12 months from the date of these interim financial statements and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The Company currently has no source of operating cash inflow, and has incurred net operating cash outflows for the 6 months ended 31 December 2015 of £527,777. As at 31 December 2015, the Company had cash balances and term deposits of £890,439 and a surplus in net working capital of £673,051.

The Directors have prepared cash flow forecasts for the next 15 months. These are based on the following key assumptions:

- no capital being raised, and no other cash inflow beyond interest income.
- the forecast operating cash outflow is, after allowing for the payment of accrued liabilities in connection with changes to executive management, assumed to be in line with a reduced run rate as a result of a number of recurrent savings currently being implemented.
- no allowance has been made in these forecasts for any further investment in GMSI, or for the funding of any other mining opportunities within or outside India, including BGML, or any funding required to pursue any complementary fintech opportunities.
- as at the date of this report, the group has no commitment to make further investments in GMSI or any other mining opportunity, and any future investment is at the discretion of the Company.

Based on these cash flow forecasts, there are sufficient funds to continue operations until approximately the third quarter of calendar 2017. However, Kolar Gold will have to raise additional funds under any or all of the following scenarios:

- In the event that the Company wished to subscribe to the current GMSI fundraising (i.e. not allow its investment to be diluted) to complete the next phase of drilling and the proposed feasibility study, the potential cash call on Kolar Gold would be in the region of £0.3 million. The potential contribution from Kolar Gold to complete the construction of a mine to the point of production could be in the order of £1.75 million depending on the financing structure available at that time. This contribution would likely be required within 12 months of the signing of these accounts to meet the current assumption that production could commence in the 4th quarter of 2017.
- The initial instruction by the Supreme Court that a global tender be initiated for the revival of the BGML gold mines was made in July 2013. To date, no tender instructions have been issued, and the tender process and timeline is not clear. In light of the possible passing of the control of the sale process to the State Government of Karnataka and the signing of an Expression of Interest with our Union partners it is not clear what funding may be required in order to proceed with this going forward. The Company may have to raise further funds in order to continue to proceed with this process in the coming months.
- In the event that discussions about prospective fintech opportunities are successful and in order to develop the opportunity the Company will have to fund development or acquisition costs.

In the longer term, the Group’s ability to develop and enhance its interests in India, via BGML, if its tender bid is successful, and its stake in GMSI, including bringing the Jonnagiri mining assets to commercial production, will depend upon the ability of the Group and its partners and/or GMSI to obtain further financing through equity financing, debt financing or other means. The Group will also require further funding to execute the fintech strategy resulting from the strategic review.

The Company will in any event require further cash funding by early to mid 2017 and, if this is not forthcoming, the directors may have to put into place an orderly wind down of activities and disposal of assets leading to cessation of the business.

## The Board of Directors

Harvinder Hungin, Chairman of Kolar Gold Limited, commented:

"The news from GMSI in connection with the possibility of building India's first operating mine by the end of 2017 is promising. Commencement of production, if it can be achieved and the required funding can be secured, would be a very significant step in the development of not only GMSI but also for the Indian gold sector. The strategic review has produced some exciting opportunities in the fintech sector that the Board will be pursuing which open up the possibility of raising further capital to meet the Company's overall objectives. The recent uplift in the price of gold is also encouraging. I hope to be able to report positive developments in the near future."

For further information please contact:

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## About Kolar Gold Limited:

*Kolar Gold is a partner and investor in an Indian gold exploration and mine development company in India, GMSI, and is also itself pursuing a gold project in the Kolar region in India, the privatisation of BGML. The company's shares are traded on the AIM market (Ticker: KGLD)*

*GMSI has a significant portfolio of gold permits and rights across India. It has rights to 32 known gold mineralised project areas including 22 granted Reconnaissance Permits, 2 Prospecting Licences and 1 mining lease area covering a total of 12,568 square kilometres in the states of Andhra Pradesh, Karnataka, Madhya Pradesh and Tamil Nadu. GMSI has a gold mining lease at Jonnagiri which was granted in October 2013.*

*Kolar Gold is also jointly pursuing, with the BGML mine employee unions, the acquisition and revival of the historic BGML gold mine in the Kolar Goldfields in Karnataka. The BGML gold mine had produced 25 million ounces of gold over 120 years until its closure in 2001. The Kolar Goldfields is one of the most prospective underdeveloped Archaean Greenstone Belts in the world and is considered comparable to the Archaean Greenstone Belts of South Africa, Canada and Western Australia in geology, structure and style of mineralisation.*

Condensed consolidated statement of comprehensive income (unaudited)  
for the six months ended 31 December

		Six months ended 31 December 2015 (unaudited) £	Six months ended 31 December 2014 (unaudited) £	Year ended 30 June 2015 (audited) £
Administrative expenses		(501,757)	(592,883)	(1,128,032)
Accretion/(Dilution) of investment in associate	7	2,994	86,618	5,952
<b>Loss from operating activities</b>		<b>(498,763)</b>	<b>(506,265)</b>	<b>(1,122,080)</b>
Finance income	6	3,234	12,231	30,128
Finance costs		(3,569)	(63)	(74)
<b>Net finance costs</b>		<b>(335)</b>	<b>12,168</b>	<b>30,054</b>
Share of loss of associate	7	(30,437)	(73,977)	(162,690)
Loss on disposal of fixed assets		(3,530)	-	-
<b>Loss before tax</b>		<b>(533,065)</b>	<b>(568,074)</b>	<b>(1,254,716)</b>
Income tax expense		-	-	-
<b>Loss for the period</b>		<b>(533,065)</b>	<b>(568,074)</b>	<b>(1,254,716)</b>
<b>Other comprehensive income</b>				
Foreign exchange translation gains/(losses)		(5,405)	6,176	(3,971)
<b>Total comprehensive income for the period</b>		<b>(538,470)</b>	<b>(561,898)</b>	<b>(1,258,687)</b>
<b>Basic and diluted loss per share (p)</b>		<b>(0.51)</b>	<b>(0.53)</b>	<b>(1.18)</b>

The condensed notes on pages 10 to 14 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of financial position (unaudited)  
as at 31 December

	Note	31 December 2015 £ (unaudited)	31 December 2014 £ (unaudited)	30 June 2015 £ (audited)
<b>Non-current assets</b>				
Plant and equipment		5,802	11,152	10,549
Investment in associate	7	3,022,860	2,830,412	3,050,303
<b>Total non-current assets</b>		<b>3,028,662</b>	<b>2,841,564</b>	<b>3,060,852</b>
<b>Current assets</b>				
Prepayments and other current assets		12,383	19,377	16,642
Trade and other receivables		16,289	12,037	6,950
Term deposits		434,251	928,765	931,994
Cash and cash equivalents		456,188	1,482,746	505,725
<b>Total current assets</b>		<b>919,111</b>	<b>2,442,925</b>	<b>1,461,311</b>
<b>Total assets</b>		<b>3,947,773</b>	<b>5,284,489</b>	<b>4,522,163</b>
<b>Current liabilities</b>				
Trade and other payables		174,662	230,454	160,848
Employee benefits		71,398	113,199	117,146
<b>Total current liabilities</b>		<b>246,060</b>	<b>343,653</b>	<b>277,994</b>
<b>Non-current liabilities</b>				
Employee benefits		-	3,864	3,986
<b>Total non-current liabilities</b>		<b>-</b>	<b>3,864</b>	<b>3,986</b>
<b>Total liabilities</b>		<b>246,060</b>	<b>347,517</b>	<b>281,980</b>
<b>Net assets</b>		<b>3,701,713</b>	<b>4,936,972</b>	<b>4,240,183</b>
<b>Equity</b>				
Share capital	8	7,440,546	7,440,546	7,440,546
Share premium reserve		15,690,724	15,690,724	15,690,724
Reserves		3,827,315	3,842,867	3,832,720
Accumulated losses		(23,256,872)	(22,037,165)	(22,723,807)
<b>Total equity</b>		<b>3,701,713</b>	<b>4,936,972</b>	<b>4,240,183</b>

These financial statements were approved by the Board of Directors on 30 March 2016 and were signed on its behalf by:

**Harvinder Hungin**  
Chairman

The condensed notes on pages 10 to 14 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (unaudited)  
for the six months ended 31 December

	Share capital	Share premium reserve	Options reserves	Foreign currency translati on reserve	Accumulated losses	Total equity
(Unaudited)	£	£	£	£	£	£
Balance at 1 July 2015	7,440,546	15,690,724	3,838,027	(5,307)	(22,723,807)	4,240,183
<i>Total comprehensive income for the period</i>						
Loss for the period	-	-	-	-	(533,065)	(533,065)
Other comprehensive income - foreign exchange translation variances	-	-	-	(5,405)	-	(5,405)
<i>Total comprehensive income for the period:</i>	-	-	-	(5,405)	(533,065)	(538,470)
<i>Contributions by and distributions to owners:</i>						
Issue of ordinary shares	-	-	-	-	-	-
Equity-settled transactions for the period	-	-	-	-	-	-
<i>Total contributions by and distributions to owners:</i>	-	-	-	-	-	-
Balance at 31 December 2015	7,440,546	15,690,724	3,838,027	(10,712)	(23,256,872)	3,701,713
(Audited)						
Balance at 1 July 2014	7,440,546	15,690,724	3,838,027	(1,336)	(21,469,091)	5,498,870
<i>Total comprehensive loss for the year</i>						
Loss for the year	-	-	-	-	(1,254,716)	(1,254,716)
Other comprehensive income - foreign exchange translation variances	-	-	-	(3,971)	-	(3,971)
<i>Total comprehensive loss for the period:</i>	-	-	-	(3,971)	(1,254,716)	(1,258,687)
<i>Contributions by and distributions to owners:</i>						
Equity-settled transactions for the period	-	-	-	-	-	-
<i>Total contributions by and distributions to owners:</i>	-	-	-	-	-	-
Balance at 30 June 2015	7,440,546	15,690,724	3,838,027	(5,307)	(22,723,807)	4,240,183

The condensed notes on pages 10 to 14 are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated Statement of Cash Flows (unaudited)  
for the six months ended 31 December

	Six months ended 31 December 2015 (unaudited)	Six months ended 31 December 2014 (unaudited)	Year ended 30 June 2015 (audited)
	£	£	£
<b>Cash flows from operating activities</b>			
Loss for the period	(533,065)	(568,074)	(1,254,716)
<i>Adjustments for:</i>			
Depreciation	792	2,251	2,854
Share of loss of associate	30,437	73,977	162,690
(Accretion)/Dilution of investment in associate	(2,994)	(86,618)	(5,952)
Net finance costs/(income)	(3,234)	(10,619)	(30,054)
Unrealised foreign exchange (gains)/losses	17,757	8,234	15,431
Loss on disposal of assets	3,530	-	-
<i>Operating loss before changes in working capital and provisions</i>	<i>(486,777)</i>	<i>(580,849)</i>	<i>(1,109,747)</i>
Change in trade and other receivables	(9,339)	(2,802)	2,285
Change in other current assets	4,259	5,330	8,065
Change in trade and other payables	13,814	(105,586)	(175,192)
Change in employee benefits	(49,734)	(28,806)	(24,737)
<b>Cash used in operating activities</b>	<b>(527,777)</b>	<b>(712,713)</b>	<b>(1,299,326)</b>
Interest and finance costs paid	-	(63)	(74)
<b>Net cash used in operating activities</b>	<b>(527,777)</b>	<b>(712,776)</b>	<b>(1,299,400)</b>
 <b>Cash flows from investing activities</b>			
Interest received	3,234	10,682	16,074
Proceeds from disposal of fixed assets	1,297	-	-
Funds (placed on)/taken off term deposit	497,743	1,131,471	1,128,242
Payments for investment in associate	-	(314,754)	(704,024)
Payments for plant and equipment	(873)	-	-
<b>Net cash used in investing activities</b>	<b>501,401</b>	<b>827,399</b>	<b>440,292</b>
 <b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities	-	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(26,376)</b>	<b>114,623</b>	<b>(859,108)</b>
Foreign exchange gain/(loss) on closing cash balances	(23,161)	(2,058)	(5,348)
<b>Cash and cash equivalents at 1 July</b>	<b>505,725</b>	<b>1,370,181</b>	<b>1,370,181</b>
<b>Cash and cash equivalents at 31 December</b>	<b>456,188</b>	<b>1,482,746</b>	<b>505,725</b>

The condensed notes on pages 10 to 14 are an integral part of the condensed consolidated interim financial statements.

**Kolar Gold Limited**  
**Notes to the condensed consolidated interim financial statements**  
**for the six months ended 31 December 2015**

**1 Reporting entity**

Kolar Gold Limited (the 'Company') is a company incorporated and registered in Guernsey and its shares are traded on AIM in London. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the exploration and development of mining assets in the Kolar Belt with GMSI, its Indian partner, and the potential acquisition of the mining assets of BGML from the Gol.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2015 is available upon request from the Company's registered office at Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT

**2 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2015.

These condensed interim consolidated financial statements were approved by the Board of Directors on 30 March 2016.

**3 Significant accounting policies**

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2015.

**4 Going concern**

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to Kolar Gold being a "going concern" which assumes the Group will continue in operation for at least 12 months from the date of these interim financial statements and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The Group currently has no source of operating cash inflow, and has incurred net operating cash outflows for the 6 months ended 31 December 2015 of £527,777. As at 31 December 2015, the Group had cash balances and term deposits of £890,439 and a surplus in net working capital of £673,051.

The Directors have prepared cash flow forecasts for the next 15 months. These are based on the following key assumptions:

- no capital being raised, and no other cash inflow beyond interest income.
- the forecast operating cash outflow is, after allowing for the payment of accrued liabilities in connection with changes to executive management, assumed to be in line with a reduced run rate as a result of a number of recurrent savings currently being implemented.
- no allowance has been made in these forecasts for any further investment in GMSI, or for the funding of any other mining opportunities within or outside India, including BGML, or any funding required to pursue any complementary fintech opportunities.

- as at the date of this report, the group has no commitment to make further investments in GMSI or any other mining opportunity, and any future investment is at the discretion of the Company.

Based on these cash flow forecasts, there are sufficient funds to continue operations until approximately the third quarter of calendar 2017. However, Kolar Gold will have to raise additional funds under any or all of the following scenarios:

- In the event that the Company wished to subscribe to the current GMSI fundraising (i.e. not allow its investment to be diluted) to complete the next phase of drilling and the proposed feasibility study, the potential cash call on Kolar Gold would be in the region of £0.3 million. The potential contribution from Kolar Gold to complete the construction of a mine to the point of production could be in the order of £1.75 million depending on the financing structure available at that time. This contribution would likely be required within 12 months of the signing of these accounts to meet the current assumption that production could commence in the 4th quarter of 2017.
- The initial instruction by the Supreme Court that a global tender be initiated for the revival of the BGML gold mines was made in July 2013. To date, no tender instructions have been issued, and the tender process and timeline is not clear. In light of the possible passing of the control of the sale process to the State Government of Karnataka and the signing of an Expression of Interest with our Union partners it is not clear what funding may be required in order to proceed with this going forward. The Company may have to raise further funds in order to continue to proceed with this process in the coming months.
- In the event that discussions about prospective fintech opportunities are successful and in order to develop the opportunity the Company will have to fund development or acquisition costs.

In the longer term, the Group's ability to develop and enhance its interests in India, via BGML, if its tender bid is successful, and its stake in GMSI, including bringing the Jonnagiri mining assets to commercial production, will depend upon the ability of the Group and its partners and/or GMSI to obtain further financing through equity financing, debt financing or other means. The Group will also require further funding to execute the fintech strategy resulting from the strategic review.

The Company will in any event require further cash funding by early to mid 2017 and, if this is not forthcoming, the directors may have to put into place an orderly wind down of activities and disposal of assets leading to cessation of the business.

## 5 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

## 6 Net finance income

	Six months ended 31 December 2015 (unaudited) £	Six months ended 31 December 2014 (unaudited) £	)Year ended 30 June 2015 (audited) £
Interest income	3,234	10,682	30,128
Net gain on financial instruments designated as fair value		-	
	<hr/> 3,234	<hr/> 10,682	<hr/> 30,128

## 7 Investment in associates

As at 30 June 2015 the Company held a 24.7% equity interest in GMSI, with a carrying value of £3,050,303. The Company made no additional investment in GMSI during the reporting period and held a 24.6% interest in GMSI at the half year balance sheet date which reduced to 23.4% following the final share issues resulting from the earlier funding. In November 2014 Kolar Gold was granted an option to invest US\$ 2 million in GMSI within 12 months. This option was not exercised and has now lapsed.

GMSI now needs to raise further funds of US\$ 2.2 million in order to undertake the next phase of required drilling at Jonnagiri, prepare mining feasibility studies for the East Block and manage ongoing operations. If GMSI fails to raise such funds then the value of our investment in GMSI could be adversely affected.

The Board has reviewed the impact of the above factors on the carrying value of this investment and resolved that there has been no impairment to this investment during the period.

GMSI will continue to be accounted for as an associate because, while the Group has significant influence over GMSI, it does not have control, and it will be accounted for on an equity accounting basis.

*The carrying value of the investment in an associate is determined as follows:*

Investment in an associate	£
Carrying value as at 30 June 2015	3,050,303
Accretion of investment	2,994
Share of loss of associate	(30,437)
Carrying value as at 31 December 2014	<hr/> 3,022,860

## 8 Share capital

	Ordinary shares (Nominal value 7p per share)	
	Six months ended 31 December 2015 (unaudited) '000	Year ended 30 June 2015 (audited) '000
Opening balance	106,294	106,294
Issued during the year	-	-
<b>Closing balance</b>	<b>106,294</b>	<b>106,294</b>

No shares were issued during the period.

All shares issued by the Company are 'ordinary' shares and rank equally in all respects, including for dividends, shareholder attendance and voter rights at meetings, on a return of capital and in a winding-up.

### Dividends

No dividends were declared nor paid during the six months ended 31 December 2015 (2014: nil).

## 9 Share-based payments

### a) Options

The Company has issued options to directors to compensate them for services rendered and incentivise them to add value to the Group's longer term share value.

No options were issued and no options expired during the reporting period.

The following unexpired options existed as at 31 December 2015.

Name	Date of Grant	Ordinary Shares under option	Expiry Date	Exercise Price £
Harvinder Hungin	10.6.11	450,000	10.06.16	0.40
Stephen Coe*	10.6.11	350,000	10.06.16	0.40
Stephen Oke	10.6.11	350,000	10.06.16	0.40
Harvinder Hungin	31.12.12	150,000	31.12.17	0.0838
Stephen Coe*	31.12.12	125,000	31.12.17	0.0838
Stephen Oke	31.12.12	125,000	31.12.17	0.0838
Harvinder Hungin	27.11.13	150,000	27.11.18	0.0638
Stephen Coe*	27.11.13	125,000	27.11.18	0.0638
Stephen Oke	27.11.13	125,000	27.11.18	0.0638
		<u>1,950,000</u>		

\* Options granted to Stephen Coe will lapse on 31 March 2016 under the terms of the Company's option plan

### b) Warrants

No warrants were issued during the period.

There were no unexercised warrants existed as at 31 December 2015 (2014: nil).

## **10 Operating segments**

The Group currently has one operating segment, being the exploration for gold in India.

## **11 Subsequent events**

There have been no other significant events subsequent to the balance sheet date to report that would alter the financial statements as at 31 December 2015 or require disclosure.