Kolar Gold Limited

Directors' Report and Financial Statements

30 June 2014

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Directors, Company Secretary and Advisors

Directors:
Harvinderpal Singh Hungin *(Non-Executive Chairman)*
Nicholas Taylor Spencer *(Chief Executive Officer)*
Stephen Charles Coe *(Non-Executive Director)*
Stephen Douglas Oke *(Non-Executive Director)*
Vaidyanathan Venkateswaran Sivakumar *(Non-Executive Director)(appointed 14.8.13)*
Shiv Khemka *(Non executive director)(* resigned 14.8.13)

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Chairman's Report

During the last year financial year, Kolar Gold has made some key steps including a restructuring of our partnership with gold explorer GMSI and the subsequent grant of the Jonnagiri gold mining licence to GMSI. The Indian Supreme Court also ruled that the BGML tender sale and mine revival should proceed. The federal elections then took place in May of this year, which slowed all business proceedings. Conditions now do seem to be more conducive for Kolar Gold to achieve its aim of becoming a significant participant in gold mining in India but it is still a difficult environment in which to proceed quickly.

This month, we have taken a major step forward at GMSI with its major shareholders (Kolar Gold holds 25.3%) agreeing to a funding package to support a large drill programme at Jonnagiri and to provide GMSI with working capital. The objective is to upgrade the resource at Jonnagiri to a level where its viability as a producing mine can be established.

Geomysore Services India Private Limited ("GMSI")

The focus of the past year has been on developing Kolar Gold's interest in GMSI and its key gold assets. As previously announced, in August 2013 Kolar Gold revised its arrangements with GMSI, in order to focus on developing prioritised, later stage gold exploration and mining licences. At the same time, measures were taken to reduce costs and conserve cash in Kolar Gold.

In October 2013, GMSI was granted a mining licence at Jonnagiri, the first such grant in India for gold since 2003. Jonnagiri has 710k ounces of JORC Resource and an exploration target of 2-5Moz.

As at 30th June, 2014 Kolar Gold's shareholding in GMSI was 24.2 per cent. Since the year end GMSI's shareholders have funded further exploration and working capital costs through a rights issue, in which Kolar Gold participated slightly in excess of its pro rata entitlement by subscribing INR 17.3 million (£0.18 million), so that Kolar Gold currently holds 25.3 per cent of GMSI.

Subsequently, on 26 November 2014, the four major shareholders in GMSI representing 94 per cent of its equity have entered into a new shareholders' agreement and subscription agreement whereby they intend to subscribe for up to INR 158.2 million (£1.63 million) in new equity to provide GMSI with working capital for its exploration operations over the next nine months, pro rata to their current shareholdings. The INR 158.2 million (£1.63 million) funding will be undertaken in four tranches between November 2014 and May 2015. Additionally, Thriveni Earth Movers Limited ("Thriveni") a Mine Developer & Operator and major shareholder in GMSI has agreed to subscribe for additional equity in GMSI up to a total value of INR 144.7 million (£1.49 million) to support a further 15,800 m of drilling at Jonnagiri. Finally, as part of the new funding arrangements, Kolar Gold has been granted an option for 12 months from now to subscribe for a further INR 128.1 million (£1.32 million) in equity in GMSI. All these transactions will take place at an agreed INR 1,098.0 million (£11.32 million) pre new money valuation for GMSI today.

Kolar Gold intends to subscribe for its pro rata allocation of the INR 158.2 million (£1.63 million) fund raising totalling INR 42.6 million (£0.44 million). If all major GMSI shareholders take up their rights and the drilling contract is executed in full as anticipated, Kolar Gold's interest in GMSI would be 22.9 per cent, and if its INR 128.1 million (£1.32 million) option is exercised in full this would rise to 29.3 per cent. Thriveni has indicated that it is willing to subscribe for up to INR 79.1 million (£0.82 million) and AIR, a 36.7 per cent shareholder in GMSI, also intends to subscribe for its allocation. The subscription will provide GMSI with access to working capital and enable it to take the next steps in determining the viability of the Jonnagiri deposit as a producing mine. KGL believes this deposit has the potential to become one of the first new gold mines in India for 30 years.

GMSI continues its discussions with Deccan Gold Mines Limited ("DGM"), whose shares are listed on the Bombay Stock Exchange ("BSE") about a possible merger of the two companies as one route towards combining gold assets and resources and accessing the Indian capital markets for future funding. The Board of GMSI and its shareholders will continue to work with DGM on this amalgamation but also explore all other routes to a BSE listing and access to appropriate funding.

Bharat Gold Mines Limited ("BGML")

Kolar Gold continues to work with its partner, the united BGML unions, on the proposed acquisition of the BGML assets, a significant and separate opportunity for Kolar Gold, which remains the other leg of the Company's Indian gold strategy.

The BGML ex-employees unions, with Kolar Gold as their technical and financial collaborator, have a right of first refusal ("ROFR") to acquire the BGML mine assets which was confirmed in June 2013 when the Supreme Court of India issued an official court order to proceed with the tender sale and revival of the old BGML mine and community. The Government has appointed an advisor to finalise the tender draft and manage the tender process, which we anticipate will commence in 2015. We and our partners have a preferred position in the tender process, and we are working on financing options.

Summary

Kolar Gold is uniquely positioned to be a key participant in the development of the Indian gold mining sector. We aim to use our cash prudently in order to maximise long-term shareholder returns while taking full advantage of the opportunities we have created. The coming year should be a pivotal one in progressing Kolar Gold's two clear Indian gold strategies, and we look forward to providing a further update on these developments over the months ahead.

Harvinder Hungin
Chairman
Kolar Gold Limited

26 November 2014

Chief Executive Officer's Report

The Company at the balance sheet date had the following key interests:

- an effective interest of 24.2% in Geomysore Services India Private Limited (currently 25.3%);

- a right of first refusal ("ROFR"), in association with the Cooperative Societies of Bharat Gold Mines Limited ("BGML") Ex-employees, to acquire the BGML mining assets through a tender process to be held by the owner, the Government of India; and

- cash balances of £3.4m.

In the last 12 months, we have made some important steps forward following a review of our Indian business and gold exploration strategy, with the implementation of new arrangements with our partner GMSI, who succeeded with their first Mining Lease grant; and Supreme Court ruling success supporting the BGML sale tender. All this is against a backdrop of a federal election in May that delivered a new pro-business government and which we believe should be a more conducive environment for Kolar Gold's mine development plans in India.

Firstly, we have worked to develop a closer relationship with our established partner, GMSI, a Bangalore based exploration group, and to focus on pursuing the most promising gold exploration and mining licences. The initial step was a Heads of Agreement ("HoA") with GMSI that was signed in August 2013, with subsequent funding of the company by shareholders to which Kolar Gold contributed, resulting in Kolar Gold holding an equity stake in GMSI of 24.2% at the financial year end.

GMSI has been active in the delivery of key licence applications which led to the successful grant of a Mining Licence in October 2013 at Jonnagiri in Andhra Pradesh. This is a major step for GMSI becoming a mine developer and gold producer.

Since the year-end the major shareholders in GMSI have entered into a new funding agreement for a significant exploration drilling campaign for up to 15,800m of resource drilling at Jonnagiri. The drilling programme will focus on providing both increased confidence in the current resource base as well as attempting to extend the currently delineated ore bodies, which presently have a 710koz resource and a 2-5Moz exploration target. On the basis of the results of this drilling programme GMSI intends to commence work on scoping and pre feasibility studies to assess the viability of constructing a new gold mine.

Lastly, working closely with our partner, the combined BGML Ex-employee Unions Society, we have worked hard on the proposed acquisition of Bharat Gold Mines Limited ("BGML") gold mining assets, which represents a significant and separate opportunity for Kolar Gold and remains the second leg of KG's Indian gold strategy. The tender for the privatisation was expected to be issued just before the recent federal election, following the successful 2013 decision of the Supreme Court of India instructing the Government to proceed with the asset sale and mine revival, but the election delayed this process.

Heads of Agreement (HoA) with GMSI

In August 2013, Kolar Gold entered into a Heads of Agreement with GMSI, which included further investment at that time and myself joining the board of GMSI as a non-executive director. Kolar Gold gained an initial 30% shareholding in GMSI which gave Kolar Gold exposure to GMSI's extensive portfolio of Indian gold licence rights and applications, including a new gold project at Jonnagiri.

Through our partnership with, and investment in GMSI, we will together explore and develop selectively from its portfolio of 49 gold projects. This will enable Kolar Gold to accelerate access to gold operations in India that are nearer production, subject to obtaining sufficient funding, and spread licence risk across a larger portfolio. GMSI's portfolio includes project and first application rights to 11 Reconnaissance Permits, 32 Prospecting Licences (including two granted), and six Mining Leases (including one granted) covering over 11,000 sq km across India with 1.36Moz JORC resources defined.

It was pleasing to report that a significant milestone was achieved, with GMSI being granted a Mining Lease at Jonnagiri, located in Andhra Pradesh, Southern India, in October 2013. The Jonnagiri mining lease has an open pittable deposit of 2.9Mt at an average grade of 2.1g/t Au containing a JORC indicated resource of

190,000ozs Au and an underground deposit of 3.5Mt at an average grade of 4.6g/t Au containing a JORC inferred resource of 520,000ozs Au. There are significant gold intersections in the Temple block of 36.4m grading 2.65g/t Au at a depth of 200m and 29.6m at 3.59g/t Au at a depth of 320m. Our Competent Person, James Lally at Mining Associates, has confirmed there is high potential to increase the size of the deposits through further definition of existing lodes and extensions and exploration of new lodes already identified and has validated a 2-5Moz exploration target.

To assist exploration and fund development of the Jonnagiri deposit, Thriveni Earth Movers Limited ("Thriveni"), a Mine Developer & Operator, subscribed for a stake in GMSI in November 2013. This provided key initial funding for the Jonnagiri drilling programme, diluting Kolar Gold's holding at the year end to 24.2%. Since the year end shareholders have funded further exploration through a rights issue, in which Kolar Gold participated by subscribing INR 17.3 million (£0.18 million) as part of a larger INR 44.4 million (£0.46 million) fund raising. As a result, Kolar Gold's shareholding in GMSI increased slightly to 25.3% due to some shareholders not taking up their rights.

Significantly, this month, Kolar Gold and the other major GMSI shareholders have entered into an agreement for new working capital funding and the extension of the two rig drill programme to drill up to 15,800m at Jonnagiri, over the next nine months. The programme is intended to upgrade and extend the gold resource and to enable feasibility work to begin.

GMSI shareholders intend to subscribe a total of up to INR 158.2 million (£1.63 million) in new equity to fund GMSI and the drilling activities at an agreed pre-money valuation of INR 1,098.0 million (£11.32 million), in four instalments between November 2014 and May 2015. KGL will have a right to subscribe for shares in GMSI alongside other major GMSI shareholders, pro rata to their shareholdings, at this agreed valuation. This will amount to an investment by Kolar Gold of INR 42.6 million (£0.44 million) if all shareholders choose to participate and elect to take up their entitlements in full.

GMSI will undertake up to a further 15,800 m of drilling at Jonnagiri and Thriveni has agreed to subscribe for additional equity in GMSI up to a total value of INR 144.7 million (£1.49 million) at the same pre new money valuation of GMSI today of INR 1,098.0 million (£11.32 million).

Finally, Kolar Gold has an option to subscribe for up to INR 128.1 million (£1.32 million) in new equity at the same valuation during the period of 12 months from entering into the agreement.

Allied to this funding programme, the GMSI board has also agreed to strengthen the GMSI management team with the appointment of a new Mining Engineer and additional geologists to support it's development to become a mine developer then gold producer. The present CEO of the company has tendered his resignation effective December end and GMSI is therefore also going to appoint a new CEO. We look forward to bringing these execution skills and experience into action to develop additional gold deposits from the large gold exploration portfolio held by GMSI.

Discussions continue between GMSI and Deccan Gold Mines Limited ("DGM"), which is listed on the Bombay Stock Exchange ("BSE"), on the previously announced plans to amalgamate these two companies to achieve a listing of the combined group on the BSE. Kolar Gold and GMSI are, in parallel, reviewing all other routes to achieve the necessary future fund raising required to further develop Jonnagiri, as well as other priority gold projects.

Bharat Gold Mines Limited (BGML) Acquisition

Kolar Gold, jointly with its partner, the combined BGML Ex-employee Unions Society, has continued to make progress, albeit slowly, in the pursuit of the acquisition and development of the BGML gold mine assets. The matter was passed to the Supreme Court for final direction on the tender sale process and we were very encouraged with the official court order from the Supreme Court in July 2013 to proceed with the sale and revival of the BGML mine by tender process, giving the right of first/last refusal to the Society and to Kolar Gold as their technical and financial collaborator. This is a significant legal step for both parties and for mine revival.

Subsequently, the Government of India selected an advisor to be responsible for finalising the sale tender documents, managing the tender process and undertaking a revaluation of the BGML tender assets. In May, India held its general election and the BJP formed the new Government. The election has had the effect of delaying the release of the tender but this new government has evidenced more interest in BGML revival and we anticipate the process will commence again in 2015.

Kolar Gold, in conjunction with the BGML ex-employee unions, is preparing its technical and financial proposal and qualification documents in order to submit an acceptable counter offer at the appropriate time to meet the requirements of the tender document.

We believe that our exploration and development of the surrounding Kolar Gold Projects in the last few years at South Kolar, in conjunction with GMSI, which has rights to all adjoining gold licence areas in the Kolar Gold Belt, will demonstrate our commitment to gold exploration in this region and should assist this process.

Conclusion

The next 12 months are expected to be a very busy time for Kolar Gold as we support GMSI in the exploration and development of the Jonnagiri mining licence and proceed with our efforts to consolidate and explore GMSI's large gold portfolio of potential world class gold assets. In particular, GMSI's shareholders have now agreed funding for the next exploration stage of the Jonnagiri Mining Lease area, which presents an excellent opportunity for Kolar Gold to participate in what could become the only private gold mine producer in India.

Kolar Gold has the ability to perform a pivotal role in the emergence and development of the Indian gold mining sector. Getting to this point has been a long, complex and challenging feat, but the opportunity is clear. Kolar Gold will deploy its cash and management resources carefully in the best interests of all its shareholders in order to best utilise these unique quality gold opportunities we now have established access to. 2015 will be a particularly important year in progressing Kolar Gold's two clear gold strategies in India, and we look forward to providing further updates on these developments in the New Year.

Nick Spencer
Chief Executive Officer.
Kolar Gold Limited

26 November 2014

Board of Directors

Harvinder Hungin (aged 54) (Non-Executive Chairman)

Mr. Hungin was an investment banker for 18 years until 2002 at Lazard, Hambros and Société Générale ("SG"). As part of his responsibilities, he oversaw the Indian activities of Hambros, subsequently SG, from 1995 onwards. Since 2003 he has been involved in large scale real estate and infrastructure development in the UK, Europe and latterly India, and has built a portfolio of diversified growth businesses in a number of sectors, operating internationally.

Nicholas Spencer (aged 52) (Chief Executive Officer)

Mr. Spencer joined the board of Kolar Gold plc in 2004 and has experience in building businesses in mining, logistics, aerospace and engineering services with multinational companies in Australia, the United Kingdom, Asia and the Middle East. He has 25 years experience in international business including mine build and revival, open pit mining, equipment purchase and mine finance. He was responsible for building a $125 million mine in Egypt and spent more than seven years with BHP managing operations and business development in Australia. Mr. Spencer also spent many years in Asia establishing joint ventures for TNT Limited. He is an engineer with an MBA from Cranfield UK who has held senior executive positions with BHP, TNT, Meggitts Aerospace, Babcock Contractors and co-founded private equity fund manager, Crescent Capital Partners.

Stephen C Coe (FCA, BSc) (aged 48) (Non-Executive Director)

Mr. Coe is self employed and a Chartered Accountant. He acts as a director of a number of listed and unlisted investment funds and offshore companies including Raven Russia Limited, European Real Estate Investment Trust Limited, South African Property Opportunities Limited Trinity Capital PLC, and Weiss Korea Opportunities Fund Limited (and serves as Chairman of the Audit Committee for these companies). He has been involved with offshore companies since 1990 with significant exposure to property, debt, emerging markets and private equity investments.

Stephen Oke (aged 59) (Non-Executive Director)

Stephen Oke holds a BSc Honours degree in Geology from the University of Southampton and an MBA from the University of the Witwatersrand Graduate School of Business Johannesburg. He has over thirty five years' experience in the mining and metals industry of which some twelve years was spent in various operational management positions for the National Coal Board, Anglovaal Ltd, BP Coal and Johannesburg Consolidated Investment Co Ltd. Subsequently he has held senior positions in the investment banking industry for Smith New Court, Merrill Lynch, NM Rothschild and Sons and Standard Bank, specialising in the metals and mining sector where he advised on a number of transactions and equity capital fund raisings worldwide. For the past nine years Stephen has held board positions on a number of listed and private natural resource companies.

Vaidyanathan Venkateswaran Sivakumar (aged 50) (Non-Executive Director)
(Appointed 14 August 2013)

Mr Sivakumar is Managing Director and Head of SUN's New Delhi office. He previously worked in SUN's Moscow office for five years as Head of Research & Investments for SUN Capital Partners, a private equity fund. Prior to SUN, Mr Sivakumar spent several years in equity and credit research in the Indian public markets with Crosby Securities, Peregrine Capital and CRISIL (now S&P India). He also has six years industrial experience with ICI India and holds engineering and management degrees from the Indian Institute of Technology and Indian Institute of Management respectively. He is a member of Confederation of Indian Industry's National Committee on Mining and the Central Asia Sub-Committee.

Directors' Report

The directors present their report together with the consolidated financial statements of the Group comprising Kolar Gold Limited (the Company) and its subsidiaries for the year ended 30 June 2014 and the auditor's report thereon.

Performance review
The Group made a comprehensive loss of £5,631,480 during the year ended 30 June 2014 (2013: loss of £2,199,438).

Principal activities and future developments
The Group's principal activity is the development of gold exploration and mining assets in India, in partnership with its Indian associate, GMSI and securing and reviving the historic gold mines of the Kolar Goldfields of Bharat Gold Mines Limited in that region.

Subsequent event
On 26 November 2014 the major shareholders in GMSI entered into a new shareholders' agreement and subscription agreement whereby they intend to subscribe for up to INR 158.2 million (£1.63 million) in new equity to provide GMSI with working capital for its exploration operations over the next nine months, pro rata to their current shareholdings, at a pre new money valuation for GMSI today of INR 1,098.0 million (£11.32 million). The INR 158.2 million (£1.63 million) funding will be undertaken in four tranches between November 2014 and May 2015. Any shareholder not subscribing in the first tranche can do so later in subsequent tranches and shares not subscribed for can be taken up by major shareholders, Kolar Gold and Thriveni Earth Movers Limited ("Thriveni").

GMSI will execute a two rig drilling contract of up to 15,800m to increase and upgrade the gold resource at the Jonnagiri mining lease area, at a drill cost of up to INR 144.7 million (£1.49 million), to be funded by the subscription by Thriveni for further equity in GMSI, also at the same pre new money valuation for GMSI today of INR 1,098.0 million (£11.32 million), within the next 12 months.

Kolar Gold intends to subscribe for its pro rata allocation of the up to INR 158.2 million (£1.63 million) fund raising totalling up to INR 42.6 million (£0.44 million). If all major GMSI shareholders take up their rights and the drilling contract is executed in full as anticipated, Kolar Gold's interest in GMSI would be 22.9 per cent, and if its INR 128.1 million (£1.32 million) option is exercised in full this would rise to 29.3 per cent. Thriveni has indicated that it is willing to subscribe for up to INR 79.1 million (£0.82 million) and AIR, a 36.7 per cent shareholder in GMSI, also intends to subscribe for its allocation.

Principal risks and uncertainties
The Group is exposed to a variety of financial risks including foreign exchange risk, interest rate risk, liquidity risk and credit risk. These risks are discussed in detail in Note 2.

Note 13 to the financial statements - *Financial instruments and associated risks*

The Board of Directors is committed to effective risk management and is responsible for ensuring that the Group has an appropriate framework in place to identify and effectively manage business risks and to monitor business performance and the Group's financial position. The Board is also responsible for overseeing compliance with regulatory, prudential, legal and ethical standards.

Accounting policies

The accounting policies of the Group as set out on pages 18 to 25 have been applied consistently during the year.

Dividends

No dividends have been paid or declared and the Directors do not recommend the declaration of a dividend for the year ended 30 June 2014 (2013: nil).

The UK Takeover Code

On 30 September 2013, certain changes to the UK Takeover Code came into effect which meant that the Company became subject to the UK Takeover Code on that date. This is due to the Company's incorporation in Guernsey, being one of the relevant jurisdictions now subject to the UK Takeover Code.

Directors' Report (continued)

Directors' remuneration and interests

2014

	Remuneration			Interests	
Director	**Cash-based payments**	**Share-based payments**	**Totals**	**Shares**	**Options**
	£	£	**£**	No.	No.
Harvinder Hungin (Chairman)	45,000	8,147	**53,147**	1,700,000[1]	750,000
Nicholas Spencer (Chief Executive Officer)*Refer Note 17*	252,427	-	**252,427**	1,763,569	Nil
Stephen Coe	35,000	6,788	**41,788**	237,439	600,000
Stephen Oke	40,000	6,788	**46,788**	Nil	600,000
Shiv Khemka (resigned 14.8.13)	5,000	-	**5,000**	Nil	Nil
V Sivakumar (appointed 14.8.13)	25,986	-	**25,986**		
TOTALS	403,413	21,723	**425,136**	**3,701,008**	**1,950,000**

2013

	Remuneration			Interests	
Director	**Cash-based payments**	**Share-based payments**	**Totals**	**Shares**	**Options**
	£	£	**£**	No.	No.
Harvinder Hungin (Chairman)	45,000	8,119	**53,119**	1,700,000[1]	600,000
Nicholas Spencer (Chief Executive Officer) *Refer Note 17*	258,752	12,588	**271,340**	1,763,569	1,850,000
Richard Johnson (Resigned 7.12.12) *Refer Note 16*	235,124	-	**235,124**		
Stephen Coe[2]	27,708	14,057	**41,765**	237,439	475,000
Stephen Oke	40,000	6,765	**46,765**	Nil	475,000
Shiv Khemka	30,000	-	**30,000**	Nil	Nil
TOTALS	636,584	41,529	**678,113**	3,701,008	3,400,000

[1] SG Hambros Trust Company (Channel Islands) Limited hold 1,700,000 Ordinary Shares and 200,000 options, as trustee of the Carlyle Settlement, in which Harvinder Hungin and his family have an interest.

[2] Portion paid by the issue of shares

The above remuneration relates to Kolar Gold Limited directors only. The Key Management Personnel remuneration disclosed in Note 17 to the financial statements has been calculated on a consolidated basis and includes payments to other Key Management Personnel. No director or member of management of the Company receives any remuneration from GMSI.

Directors' Report (continued)

Results for the year and state of affairs at 30 June 2014

The Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position are set out on pages 13 and 14 of the financial statements.

Accounting records

The Directors believe that they have complied with the requirements of Section 244 of the Companies (Guernsey) Law 2008, as amended with regards to the financial statements by employing appropriate expertise and providing adequate resources to the financial function within the Group.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Companies (Guernsey) Law 2008, as amended and AIM rules require the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 2008, as amended and AIM rules. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' confirmation

The Directors confirm that they have complied with the requirements in preparation of the financial statements as at the date of approval of this report. So far as the Directors who held office at the date of approval of this Directors' Report are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

After making enquiries, and considering the current level of activity, financial arrangements made and for the reasons disclosed in note 1.3 of the financial statements, the Directors consider that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Report (continued)

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. Details of these are set out below.

The Board of Directors

The Board currently comprises one Executive and four Non-Executive Directors, two of which are independent. The Board formally meets approximately every three months and is responsible for setting and monitoring Group strategy, reviewing budgets and financial performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the Shareholders.

Internal Financial Control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors are conscious of the need to keep effective internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Group.

The Audit Committee

An Audit Committee has been established which comprises three Non-Executive Directors — Stephen Coe (who chairs the Committee), Stephen Oke and Harvinderpal Hungin all of whom are considered to have recent and relevant financial experience. The Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for meeting the Auditor and reviewing the reports from the Auditor relating to accounts and internal controls. The Committee also reviews the Group's annual and interim financial statements before submission to the Board for approval. The role of the Audit Committee is also to consider the appointment of the Auditor, audit fees, scope of audit work and any resultant findings.

The Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors — Stephen Oke (who chairs the Committee), Stephen Coe and Harvinderpal Hungin. It is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Group. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, based on a review of the current practices in other similar companies.

On behalf of the Board

Harvinder Hungin
Chairman

26 November 2014

Kolar Gold Limited and its controlled entities
Consolidated Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	Group 2014 £	Group 2013 £
Other income		-	267
SUN Mining warrants expensed for services	10	-	(77,542)
Options issued to Directors	10	(21,723)	(21,649)
Salaries and wages		(380,566)	(551,049)
Advisory and due diligence – GMSI and other prospective gold assets		(52,963)	(741,671)
Other administrative expenses		(900,884)	(887,201)
Dilution of investment in associate	6	(1,326,888)	-
Impairment of investment in associate	6	(2,865,325)	-
Loss from operating activities		(5,548,349)	(2,278,845)
Finance income		54,250	99,188
Finance costs		(501)	(14,271)
Net financing income/(expense)		53,749	84,917
Share of loss of associate	6	(126,938)	-
Loss before tax		(5,621,538)	(2,193,928)
Income tax expense	5	-	-
Loss for the year		(5,621,538)	(2,193,928)
Other comprehensive loss *Items that are or may be reclassified subsequently to profit or loss*			
Foreign exchange translation variances		(9,942)	(5,510)
Total comprehensive loss for the year		(5,631,480)	(2,199,438)
Basic and diluted loss per share (p)	12	5.29	2.14

All results are derived from continuing activities.

The notes on pages 18 to 40 are an integral part of the consolidated financial statements.

Kolar Gold Limited and its controlled entities
Consolidated Statement of Financial Position
as at 30 June 2014

	Note	Group 2014 £	2013 £
Non-current assets			
Plant and equipment		13,403	19,674
Investment in associate	6	2,503,017	-
Exploration and evaluation assets	7	-	6,122,168
Total non-current assets		2,516,420	6,141,842
Current assets			
Trade and other receivables		9,235	29,544
Prepayments and other assets		24,707	27,506
Term deposits		2,060,236	4,671,734
Cash and cash equivalents		1,370,181	698,817
Total current assets		3,464,359	5,427,601
Total assets		5,980,779	11,569,443
Current liabilities			
Trade and other payables	8	336,040	321,450
Employee benefits	9	142,325	134,760
Total current liabilities		478,365	456,210
Non-current liabilities			
Employee benefits	9	3,544	4,606
Total non-current liabilities		3,544	4,606
Total liabilities		481,909	460,816
Total net assets		5,498,870	11,108,627
Equity			
Share capital		7,440,546	7,440,546
Share premium		15,690,724	15,690,724
Reserves		3,836,691	3,824,910
Accumulated losses		(21,469,091)	(15,847,553)
Total equity		5,498,870	11,108,627

These financial statements were approved by the Board of Directors on 26 November 2014 and were signed on its behalf by:

Harvinder Hungin
Chairman

The notes on pages 18 to 40 are an integral part of the consolidated financial statements.

Kolar Gold Limited and its controlled entities
Consolidated Statement of Changes in Equity
for year ended 30 June 2014

	Share capital	Share premium	Share based payment reserve	Foreign exchange translation reserve	Accumulated losses	Total equity
	£	£	£	£	£	£
Balance at 30 June 2012	7,010,625	15,700,535	4,081,682	14,116	(13,653,625)	13,153,333
Loss for the year	-	-	-	-	(2,193,928)	(2,193,928)
Other comprehensive loss - foreign exchange translation variances	-	-	-	(5,510)	-	(5,510)
Total comprehensive loss for the year	-	-	-	(5,510)	(2,193,928)	(2,199,438)
Exercise of SUN warrants	408,318	(43,749)	(364,569)	-	-	-
Other issues of ordinary shares	21,603	33,938	-	-	-	55,541
Equity-settled transactions	-	-	99,191	-	-	99,191
Total contributions by and distributions to owners	429,921	(9,811)	(265,378)	-	-	154,732
Balance at 30 June 2013	7,440,546	15,690,724	3,816,304	8,606	(15,847,553)	11,108,627
Loss for the year	-	-	-	-	(5,621,538)	(5,621,538)
Other comprehensive loss - foreign exchange translation variances	-	-	-	(9,942)	-	(9,942)
Total comprehensive loss for the year	-	-	-	(9,942)	(5,621,538)	(5,631,480)
Other issues of ordinary shares	-	-	-	-	-	-
Equity-settled transactions	-	-	21,723	-	-	21,723
Total contributions by and distributions to owners	-	-	21,723	-	-	21,723
Balance at 30 June 2014	7,440,546	15,690,724	3,838,027	(1,336)	(21,469,091)	5,498,870

The notes on pages 18 to 40 are an integral part of the consolidated financial statements.

Kolar Gold Limited and its controlled entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014	2013
		£	£
Cash flows from operating activities			
Loss for the year		(5,621,538)	(2,193,928)
Adjustments for:			
Depreciation		8,299	6,410
Dilution of investment in associate		1,326,888	-
Impairment of investment in associate		2,865,325	-
Share of loss of associate		126,938	-
Net financing (income)/expense		(53,749)	(84,917)
Foreign exchange variances		21,718	14,716
Equity-settled transactions	10	21,723	99,191
Operating loss before changes in working capital and provisions		(1,304,396)	(2,158,528)
Change in trade and other receivables		4,582	21,021
Change in other current assets		2,799	23,181
Change in trade and other payables		14,590	(51,755)
Change in employee benefits		6,503	(42,582)
Cash used in operating activities		(1,275,922)	(2,208,663)
Interest and finance costs paid		(501)	(14,271)
Net cash used in operating activities		(1,276,423)	(2,222,934)
Cash flows from investing activities			
Interest received		61,479	103,447
Funds placed on / withdrawn from term deposit		2,611,498	(4,671,734)
Payments for investments		(700,000)	-
Payments for exploration and evaluation assets		-	(676,323)
Payments for plant and equipment		(2,028)	(846)
Net cash used in investing activities		1,970,949	(5,245,456)
Cash flows from financing activities			
Proceeds from other share issues		-	55,541
Net cash from financing activities		-	55,541
Net increase/(decrease) in cash and cash equivalents		694,526	(7,412,849)
Foreign exchange gain/(loss) on cash balances		(23,162)	(20,226)
Cash and cash equivalents at 1 July		698,817	8,131,892
Cash and cash equivalents at 30 June *(Excludes term deposits of £2,060,*236 (2013: £4,671,734))		1,370,181	698,817

The notes on pages 18 to 40 are an integral part of the consolidated financial statements

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1. Accounting policies

1.1 Reporting entity

The group financial statements consolidate those of Kolar Gold Limited and its controlled entities (together referred to as the "Group").

As at 30 June 2014, the wholly owned subsidiaries of the Company are:

- Kolar Gold Resources Limited (Mauritius);
- Kolar Gold Resources (India) Private Limited; and
- Kolar Gold Pty Limited

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The financial statements comply with the Companies (Guernsey) Law, 2008 as amended and give a true and fair view of the state of affairs of the Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis, except for the following material item in the statement of financial position and statement of comprehensive income:

- Share-based payments are measured at fair value.

The financial statements are presented in Great British Pounds (GBP).

1.3 Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern" which assumes the Group will continue in operation for the foreseeable future 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 inflows, other than interest income, and has incurred net operating cash outflows for the year ended 30 June 2014 of £1,276,423 (2013: £2,222,934). At 30 June 2014, the Group had cash balances and term deposits of £3,430,417 (2013: £5,370,551) and a surplus in net working capital (current assets, including cash, less current liabilities) of £2,985,994 (2013: £4,971,391).

The Directors have assessed cash requirements, including further investment in GMSI under the agreements announced on 26 November 2014, and these forecasts indicate that KGL has sufficient cash to meet its operating needs until early 2016. The Group has the option to invest a further £1.3m in GMSI, but there is no commitment to do so.

1. Accounting policies (Cont'd)

1.3 Going concern (Cont'd)

In the longer term, the Group's ability to develop and enhance its interests in India, via BGML, if its tender bid is successful, via the right of first refusal 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 only sources of future funds presently available to the Group are the raising of equity capital by the Company or the sale of its interest in GMSI either in whole or in part. The ability of the Group to arrange such funding in the future will depend in part upon the prevailing market conditions as well as the business performance of the Group. There can be no guarantee that the Group will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Group. If adequate financing is not available, the Group may be required to reduce its investments and related activities.

1.4 Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All entities were 100% owned and controlled by the parent entity, Kolar Gold Limited during the period they were members of the Group.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.5 Investment in associates

The cost of acquiring equity investments in entities over which the Group is considered to have significant influence is capitalised and classified as an investment in associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

The investment in associates is accounted for using the equity method. Under this method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's share of the investee's profit or loss is recognised in the Group's profit or loss. The carrying amount is also adjusted for changes in the Group's proportionate interest in the investee.

After application of the equity method, including recognising the associate's losses, the Group applies the requirements of *IAS 39 Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. If any indication of impairment is noted under IAS 39, the impairment testing will follow the principals of *IAS 36 Impairment of Assets*.

1. Accounting policies (Cont'd)

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Term deposits
Term deposits comprise bank deposits with maturity dates of between 3 and 12 months from balance date.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. 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.

1. Accounting policies (Cont'd)

1.8 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 2.5 to 5 years; and
- fixtures and fittings 2.5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9 Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations
The assets and liabilities of foreign operations are translated to the Group's presentation currency, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control is lost, the entire accumulated amount in the translation reserve, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

1.10 Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

1. Accounting policies (Cont'd)

1.10 Exploration and evaluation expenditure (Cont'd)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity related. The cash-generating unit shall not be larger than the area of interest or the operating segment as disclosed in Note 3.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and development.

1.11 Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The carrying amounts of the Group's non-financial 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.

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 risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generated units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. Accounting policies (Cont'd)

1.12 Employee benefits and other share based payment arrangements

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Long-term benefits
The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of the related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefit is expected to be paid.

Share-based payment transactions
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

Share-based transactions, other than those with employees, are measured at the value of goods or services received where this can be reliably measured. Where the services received are not identifiable, their fair value is determined by reference to the grant date fair value of the equity instruments provided. Should it not be possible to measure reliably the fair value of identifiable goods and services received, their fair value shall be determined by reference to the fair value of the equity instruments provided measured over the period of time that the goods and services are received.

The expense is recognised in profit or loss (or capitalised as part of an asset) when the goods are received or as services are provided, with a corresponding increase in equity.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to recipients is recognised as an expense, with a corresponding increase in liabilities, over the period in which the recipients become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

1. Accounting policies (Cont'd)

1.13 Expenses

Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Due diligence – GMSI and other prospective gold assets
These expenses relate to technical, legal and financial advisory costs with respect to the agreements with GMSI and the assessment of other prospective gold assets.

Financing income and expenses
Financing expenses comprise interest payable and finance charges on shares classified as liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy note 1.5). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.15 Earnings per share

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

1. Accounting policies (Cont'd)

1.16 Operating segments

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment, and intangible assets other than goodwill.

1.17 Adopted IFRS not yet applied

The following accounting standards

- IFRS 10 Consolidated financial statements (plus subsequent amendments)
- IFRS 11 Joint arrangements (plus subsequent amendments)
- IFRS 12 Disclosure of interests in other entities
- IFRIC 21 Accounting for levies

and amendments to the following accounting standards:

- IAS 27 Separate financial statements
- IAS 28 Investment in associates
- IAS 32 Financial Instruments
- IAS 36 Impairment of assets
- IAS 39 Financial Instruments: Recognition and Measurement
-

Have not yet been applied by the Group and wouldn't have had a material effect in these financial statements.

1.18 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are described in the following notes:

- going concern (note 1.3), and
- Valuation of investment in associate (note 6).

2. Risk management

Overview
The Group has exposure to the following risks:

- Credit risk;
- Liquidity risk;
- Tax risk;
- Currency risk;
- Market risk; and
- Operational risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and developing and monitoring the Group's risk management policies. Key risk areas have been identified and the Group's risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits and receivables. The risk of non-collection is considered to be low.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Tax risk
The Company holds its investments in India through Kolar Gold Resources Limited, a wholly owned Mauritian subsidiary.

A Tax Information Exchange Agreement is in place between Guernsey and India.

The Group does not currently generate significant income in India and its investment is capital in nature. Future tax liabilities may be subject to how Indian tax law changes and how the relevant double tax treaties are interpreted from time to time.

Currency risk
The Group is exposed to currency risk on cash and cash equivalents, receivables and payables that are denominated in a currency other than the functional currency of the each of the Group entities. In order to reduce currency risk, each entity holds most of its funds in the same currency as its functional currency in sufficient amounts to cover expected future outgoings for several months. The Group does not use derivatives to hedge its foreign currency exposures.

2. Risk management (Cont'd)

Market risk
The Group has acquired an interest in GMSI. This exposes the Group to fluctuation in the value of that equity investment. The Group is entitled to nominate one director to the board of GMSI and will continue to work closely with GMSI to develop its resources.

In addition, the Group's future revenues from product sales will be affected by changes in the market price of gold and could also be subject to exchange controls or similar restrictions.

Operational risk
The Group's business is at an early stage and is subject to several operational risks. These risks include exploration and mining risks, delays in approvals to undertake exploration activities, actual resources differing from estimates, operational delays and the availability of equipment, personnel and infrastructure. The significantly larger portfolio of projects resulting from the new agreements with GMSI will spread the risk and impact of delays in licence approvals. In addition, the Group has business and liability insurance policies in place to mitigate some of these risks.

The Group is also dependent on key personnel and subject to the actions of third parties, including staff of GMSI and other contractors and suppliers.

The Group's operations are also subject to government laws and regulations, particularly environmental regulation. The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act was passed in India in 2013. This legislation put in place a requirement for rehabilitation and resettlement programmes for those affected by mining activities/ environmental damage. This does not have any direct impact on the Group at present, but it may impact on its investment in GMSI.

Capital management
The Company has no loans or borrowings and has sufficient resources, in the view of the Directors, to meet its working capital requirements until early calendar year 2016.

The Group manages its capital through the preparation of detailed forecasts, and tracks actual receipts and outlays against the forecasts on a regular basis, to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity comprising, capital, reserves and accumulated losses.

3. Operating segments

The Group has one reportable segment, being Indian Exploration – Investment in gold exploration activities and administration in the Kolar Gold Fields region in Karnataka State, India.

The Group also has corporate administrative functions outside India which generate corporate expenses that have not been allocated to a segment.

The Group's Chief Executive Officer reviews internal management reports for this segment on a monthly basis.

Information regarding the results of the reportable segment is included below. The Group has no revenue at this stage of its development and performance is measured based on expenses incurred and exploration activity levels in the Indian segment.

	Indian Exploration		Corporate		Total	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Income		-		267		267
Depreciation and amortisation	5,385	1,936	2,914	4,474	8,299	6,410
Share-based payments	-	-	21,723	99,191	21,723	99,191
Dilution of investment in associate	1,326,888	-	-	-	1,326,888	-
Impairment of investment in associate	2,865,325	-	-	-	2,865,325	-
Share of loss of associate	126,938	-	-	-	126,938	-
Other reportable segment expenses	216,947	46,748	1,055,418	2,041,846	1,272,365	2,088,594
Segment result before tax	(4,541,483)	(48,684)	(1,080,055)	(2,145,244)	(5,621,538)	(2,193,928)
Reportable segment assets	2,517,496	6,240,220	3,463,283	5,329,223	5,980,779	11,569,443
Exploration and evaluation expenditure capitalised	-	6,122,168		-	-	6,122,168
Investments in associate	2,503,017	-	-	-	2,503,017	-
Other capital expenditure	-	846	2,028	-	2,028	846
Reportable segment liabilities	(20,740)	(667)	(461,169)	(460,149)	(481,909)	(460,816)

4. Expenses and auditors' remuneration

	2014 £	2013 £
Included in loss for the year are the following:		
Depreciation charge	8,299	6,410
Operating lease expense	26,947	24,723
Auditors' remuneration		
Audit of financial statements	53,941	79,883
Other	10,000	6,209
Auditors' remuneration	63,941	86,092

5. Income tax expense

	2014 £	2013 £
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Tax expense in income statement	-	-

Reconciliation of effective tax rate	**2014 %**	**2014 £**	**2013 %**	**2013 £**
Loss for the year		(5,621,538)		(2,193,928)
Total income tax for the year		-		-
Loss excluding income tax		(5,621,538)		(2,193,928)
Income tax using the Company's domestic rate	(0.0)	-	(0.0)	-
Effect of tax rates in foreign jurisdictions		(209,325)		(271,071)
Non-deductible expenses		19,793		54,852
Current year losses for which no deferred tax asset was recognised		189,532		216,219
Total current tax benefit		-		-

A deferred tax asset of £3,512,847 (2013: £3,323,315) has not been recognised in respect of losses, as there is currently uncertainty surrounding the recoverability of such assets.

6 Investment in associate

In 2010 the Group entered into a contract to acquire the rights to gold assets in the North Kolar, South Kolar and East Kolar permit areas of India. The mining assets comprised mineral exploration rights in these permit areas. The Group was committed, but not obligated, to acquire the rights when, and only when, they had been approved by the Government of India. At 30 June 2013, a commitment, but not an obligation, existed in relation to this acquisition of £4,716,981.

In August 2013 the Group entered into a Heads of Agreement with GMSI to dissolve the above contract and return all rights in the Kolar Gold Projects to GMSI. In consideration for the return of all tenement rights to GMSI, the cancellation of a £300,000 advance from KGL to GMSI last year (which was accounted for as an Exploration and evaluation asset last year), and a cash consideration of £700,000, the Group acquired a 30% equity interest in GMSI.

GMSI is accounted for as an associate because, while the Group has influence over GMSI, it does not have control, and it is accounted for on an equity accounting basis. The fair value of the investment in GMSI at the time of the acquisition was equivalent to the cost and fair value of the assets surrendered of £6,822,168, and this amount has been determined to be the acquisition cost of the investment in the associate.

In November 2013 GMSI issued shares to a third party amounting to 20% of GMSI's issued share capital, in exchange for the provision of services. As a result of this transaction and the purchase arrangements, the Group's equity holding of GMSI fell to an effective interest of 26%. Subsequent share issues have diluted the Group further to 24.15%. Based on the above, between the date of acquisition and 30 June 2014, the Group suffered a loss on dilution in its investment totalling £1,326,888.

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

	2014 £	2013 £
Investment in an associate		-
Acquisition cost	6,822,168	-
Dilution of investment	(1,326,888)	-
Impairment of investment	(2,865,325)	
Share of loss of associate	(126,938)	-
Total	2,503,017	-

The Board has considered the valuation of its investment in GMSI and has recognised an impairment loss of £2,865,325. In determining the impairment loss the Board has had regard to the financial position of GMSI, the price of gold and exchange rates at the reporting date, the valuations of junior and early stage miners on world markets, discussions that have taken place with third parties and with shareholders of GMSI concerning fund raising for future activities. This has resulted in the fair value of this the Group investment in GMSI as at balance date to be £2,503,017, resulting in the Impairment.

The audited financial statements of GMSI for the year ended 31 March 2014, after adjusting to IFRS, show that GMSI had no revenue, other than interest income of less than £5k, assets of £2.4m (including £314k current) and liabilities of £132k (all current).

On 26 November 2014 the major shareholders in GMSI entered into a new shareholders' agreement and a subscription agreement whereby they intend to subscribe for up to INR 158.2 million (£1.63 million) in new equity to provide GMSI with working capital for its exploration operations over the next nine months, pro rata to their current shareholdings, at a pre new money valuation for GMSI today of INR 1,098.0 million (£11.32 million) – see Note 18 Subsequent events.

7. Exploration and evaluation expenditure

	2014	2013
	£	£
Balance at beginning of year	6,122,168	5,496,153
Geological services	-	106,481
Salaries & wages	-	194,454
Advances to GMSI	-	300,000
Other expenses capitalised	-	25,080
Transferred to investment in an associate	(6,122,168)	-
Balance at end of year	-	6,122,168

8. Trade and other payables

	2014	2013
	£	£
Trade and other payables due to related parties	16,098	-
Other trade payables	139,894	161,966
Non-trade payables and accrued expenses	180,048	159,484
	336,040	321,450

9. Employee benefits

	2014	2013
	£	£
Current		
Liability for annual leave	48,203	66,175
Liability for long service leave	94,122	68,585
	142,325	134,760
Non-current		
Liability for long service leave	3,544	4,606
	145,869	139,366

10. Share-based payments

a) Options

As at 30 June 2014, the following unexpired options were in existence over the shares of Kolar Gold Limited:

Name	Date of Grant	Ordinary Shares under option	Expiry Date	Exercise Price £
Harvinder Hungin [1]	10.6.11	450,000	10.06.16	0.40
Stephen Coe [1]	10.6.11	350,000	10.06.16	0.40
Stephen Oke [1]	10.6.11	350,000	10.06.16	0.40
Harvinder Hungin [2]	31.12.12	150,000	28.12.17	0.0838
Stephen Coe [2]	31.12.12	125,000	28.12.17	0.0838
Stephen Oke [2]	31.12.12	125,000	28.12.17	0.0838
Harvinder Hungin [3]	25.11.13	150,000	25.11.18	0.0638
Stephen Coe [3]	25.11.13	125,000	25.11.18	0.0638
Stephen Oke [3]	25.11.13	125,000	25.11.18	0.0638
		1,950,000		

Each option entitles the holder to subscribe for one ordinary share in Kolar Gold Limited. Options do not confer any voting rights on the holder.

[1] The above options were granted by Kolar Gold Limited on 10 June 2011 to directors. The options vested on grant date with no vesting conditions.

[2] The above options were granted by Kolar Gold Limited on 31 December 2012 to directors. The options vested on grant date with no vesting conditions.

[3] The above options were granted by Kolar Gold Limited on 25 November 2013 to directors. The options vested on grant date with no vesting conditions.

850,000 options expired on 1 December 2013 and 2,700,000 options expired on 17 June 2014.

No other options were issued during the year ended 30 June 2014.

Inputs for measurement of grant date fair values

The grant date fair values of all options issued was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

	Additional options Kolar Gold Ltd 2014 £
Fair value at grant date	0. 0543
Share price at grant date	0.0638
Exercise price	0.0638
Expected volatility	126.9%
Option life	5.0 years
Expected dividend	nil

10. Share-based payments (Cont'd)

The number and weighted average exercise price of the options are as follows:

	Weighted average exercise price £ 2014	Number of options 2014	Weighted average exercise price £ 2013	Number of options 2013
Options issued by Kolar Gold Limited				
Outstanding at the beginning of the year	0.3533	5,100,000	0.372	5,350,000
Granted during the year	0.0638	400,000	0.0838	400,000
Expired during the year	0.3761	(3,550,000)	0.30	(650,000)
	0.2662	1,950,000	0.3533	5,100,000

The weighted average remaining contractual life of the options is 2.8 years (2013 1.6 years).

b) Warrants

There were no unexercised warrants as at 30 June 2014.

On 17 June 2014 1,300,000 Broker warrants Series 1 and 1,500,000 Broker warrants Series 2 expired.

c) Share-based payment expense recognised in the income statement

	2014 £	2013 £
SUN Mining Initial warrants Series 2	-	77,542
Options issued to non-executive directors	21,723	21,649
Total share-based payment expense	**21,723**	**99,191**

11. Capital and reserves

Issued capital - Kolar Gold Limited

	Ordinary Shares (7p each)
a) Authorised capital	400,000,000

b) ***Movement in issued and fully paid share capital:***

In issue at 1 July 2012	100,151,796
Issued to staff and consultants for services	308,623
Issued to SUN Mining on exercise of warrants	5,833,118
In issue at 30 June 2013	106,293,537
In issue at 1 July 2013	106,293,537
Issued	-
In issue at 30 June 2014	106,293,537

c) Reconciliation to cash flows statement	2014		2013	
	No.	**£**	**No.**	**£**
Shares issued by Kolar Gold Limited in lieu of cash for provision of services at 16.07p per share	-	-	40,961	6,583
Shares issued by Kolar Gold Limited in lieu of cash for provision of services at 9.84p per share	-	-	192,662	18,958
Shares issued by Kolar Gold Limited in lieu of cash for provision of services at 40p per share	-	-	75,000	30,000
			308,623	**55,541**

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.

d) Reserves

Share premium reserve
The share premium reserve comprises the excess of consideration received over the par value of the shares issued.

Share based payments reserve
The options reserve comprises the equity value of share based payments issued by the Group.

Translation reserve
The translation reserve contains all foreign currency differences arising from the translation of the financial statements of foreign operations. Changes arising from monetary items that are considered to be part of the net investment are also included in the translation reserve.

12. Loss per share

The calculation of basic loss per share at 30 June 2014 was based on the loss of £5,621,538 (2013: £2,193,928), and a weighted average number of ordinary shares outstanding of 106,293,537 (2013: 102,462,294), calculated as follows:

	2014	2013
	£	£
Loss attributable to ordinary shareholders	**5,621,538**	**2,193,928**
Weighted average number of ordinary shares		
	'000	**'000**
Issued ordinary shares at 1 July	106,294	100,152
Effect of shares issued during the year	-	2,310
Weighted average number of shares at 30 June	106,294	102,462

Diluted loss per share
Options and warrants granted to the Directors, staff and external consultants are considered to be potential ordinary shares and have not been included in the determination of diluted loss per share because they are not considered to be dilutive. The options have not been included in the determination of the basic loss per share.

	2014 pence per share	*2013 pence per share*
Basic and diluted loss per share	5.29	2.14

13. Financial instruments

(a) Fair values of financial instruments

The fair values of all financial assets and financial liabilities are equal to their carrying amounts shown in the statement of financial position.

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables
The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents
The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

13. Financial instruments (Cont'd)

(b) Credit risk

Financial risk management
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash and cash equivalents. The carrying amount of cash, cash equivalents and term deposits represents the maximum credit exposure on those assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated at least A for Australian and UK banks, and BBB for Indian banks, based on rating agency Standard and Poor's ratings.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was £3,439,652 (2013: £5,400,095), being the total of the carrying amount of financial assets, shown in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Financial liabilities	**Carrying amount £**	**Contractual cash flows £**	**6 months or less £**	**6-12 months £**	**1 -2 years £**
30 June 2014					
Trade and other payables	**336,040**	**336,040**	**238,890**	**-**	**97,150**
30 June 2013					
Trade and other payables	**321,450**	**321,450**	**304,563**	**1,959**	**14,928**

(d) Currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments which are held in a currency that differs from that entity's functional currency, except derivatives when it is based on notional amounts.

	2014 £	**2013 £**
Cash and cash equivalents – A$ and INR	**56,370**	**129,415**
Trade and other payables – US$	**(10,959)**	**(46,540)**
	45,411	**82,875**

The following significant exchange rates applied during the year:

	Average rate 2014	**Reporting date spot rate 2014**	**Average rate 2013**	**Reporting date spot rate 2013**
GBP:A$	1.7714	1.8039	1.5301	1.66287
GBP:INR	99.6019	102.065	85.85	90.6375
GBP:US$	1.6259	1.70276	1.5687	1.52084

13. Financial instruments (Cont'd)

Sensitivity analysis
A strengthening of the GBP, as indicated below, against the Australian dollar and Indian Rupee at 30 June 2014 would have decreased equity by the amount shown below. This analysis is on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity £	Profit or loss £
30 June 2014		
A$ (10 percent strengthening)	5,637	-
US$ (10 percent strengthening)	(1,096)	-
30 June 2013		
A$ (10 percent strengthening)	12,942	-
US$ (10 percent strengthening)	(4,654)	-

A weakening of the GBP against the Australian dollar and Indian Rupee at 30 June would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(e) Interest rate risk
Profile
At the reporting date the interest rate profile of interest-bearing financial instruments was:

	Carrying amount 2014 £	2013 £
Variable rate instruments		
Cash and cash equivalents	**1,370,181**	**698,817**
Term deposits	**2,060,236**	**4,671,734**
	3,430,417	**5,370,551**

Cash flow sensitivity analysis for variable rate instruments
The Group's interest bearing assets at balance date were invested with financial institutions with a minimum rating (S&P long term rating) of A for Australian and UK banks, and BBB for Indian banks and comprised solely bank accounts.

A change in interest rates would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2014.

	2014		**2013**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	34,304	(34,304)	53,706	(53,706)

14. Operating leases

Non-cancellable operating lease rentals are payable as follows:	2014 £	2013 £
Less than one year	21,427	23,692
Between one and five years	19,140	44,902
	40,567	68,594

15. Contingencies and commitments

In 2011 the Group entered into a contract with Geomysore Services (India) Pvt Ltd ('GMSI') to purchase outstanding options over, and undertake exploration activity in relation to certain mineral exploration tenements in the Kolar Gold Fields region in India. This contract entitled the Group to purchase these options at a total cost of £4.4 million, once all governmental and regulatory approvals have been obtained.

On 16 August 2013 the Group entered into agreements in which the Group waived these option rights in exchange for an equity interest in GMSI.

16. Group entities

		Country of incorporation	Ownership interest 2014	2013
Kolar Gold Resources Limited	(i)	Mauritius	100%	100%
Kolar Gold Resources (India) Private Limited	(ii)	India	100%	100%
Kolar Gold Pty Ltd		Australia	100%	100%

(i) Incorporated on 3 March 2011
(ii) Incorporated on 24 March 2011

17. Related parties

Key management personnel

Key management personnel remuneration	2014 £	2013 £
Cash-settled transactions	553,182	838,746
Share-based payments	21,723	48,958
	574,905	887,704

In addition to their salaries and fees, key management personnel participate in the Group's share option programme (see Note 10).

17. Related parties (Cont'd)

Directors' remuneration and interests

2014	Remuneration			Interests	
	Cash-based payments £	**Share-based payments £**	Totals £	**Shares No.**	**Options No.**
Harvinder Hungin (Chairman)	45,000	8,147	**53,147**	1,700,000[1]	750,000[1]
Nicholas Spencer (Chief Executive Officer)					
- Salary	237,785	-	**237,785**	-	-
- Superannuation	14,642	-	**14,642**	-	-
Total	252,427	-	**252,427**	1,763,569	-
Stephen Coe	35,000	6,788	**41,788**	237,439	600,000
Stephen Oke	40,000	6,788	**46,788**	Nil	600,000
V Sivakumar	25,986	-	**25,986**	Nil	Nil
Shiv Khemka	5,000	-	**5,000**	Nil	Nil
TOTALS	403,413	21,723	**425,136**	**3,701,008**	**1,950,000**

2013	Remuneration			Interests	
	Cash-based payments £	**Share-based payments £**	Totals £	**Shares No.**	**Options No.**
Harvinder Hungin (Chairman)	45,000	8,119	**53,119**	1,700,000[1]	600,000[1]
Nicholas Spencer (Chief Executive Officer)		-			
- Salary	236,621	12,588	**249,209**	n/a	n/a
- Superannuation	22,131	-	**22,131**	n/a	n/a
Total	258,752	12,588	**271,340**	1,763,569	1,850,000
Richard Johnson (Chief Operating Officer)					
- Salary	95,885	-	**95,885**	n/a	n/a
- Superannuation	29,239	-	**29,239**	n/a	n/a
- Termination pay	110,000	-	**110,000**	n/a	n/a
Total	235,124	-	**235,124**		
Stephen Coe [2]	27,708	14,057	**41,765**	237,439	475,000
Stephen Oke	40,000	6,765	**46,765**	Nil	475,000
Shiv Khemka	30,000	-	**30,000**	Nil	Nil
TOTALS	636,584	41,529	**678,113**	**3,701,008**	**3,400,000**

17. Related parties (Cont'd)

Directors' remuneration and interests (Cont'd)

[1.] SG Hambros Trust Company (Channel Islands) Limited hold 1,700,000 Ordinary Shares, as trustee of the Carlyle Settlement, in which Harvinder Hungin and his family have an interest.

[2.] 50% of Stephen Coe's Director's fees was paid by the issue of shares until December 2012.

Amounts owing to directors at 30 June 2014 were £16,098 (2013: Nil).

GMSI is a related party, as the Company held a 24.15% equity investment in this entity (see Note 6) as at balance date. There were no amounts outstanding as at 30 June 2014.

SUN Mining is a related party, as Shiv Khemka, Vice Chairman of SUN Group was a director until 14th August 2013, when he was replaced by Vaidyanathan Sivakumar, a director of SUN Group.

SUN Group holds 11,666,237 (2013: 11,666,237) shares in the Company. There were no transactions between the Group and SUN and there were no amounts outstanding as at 30 June 2014.

18. Subsequent events

On 26 November 2014 the major shareholders in GMSI entered into a new shareholders' agreement and subscription agreement whereby they intend to subscribe for up to INR 158.2 million (£1.63 million) in new equity to provide GMSI with working capital for its exploration operations over the next nine months, pro rata to their current shareholdings, at a pre new money valuation for GMSI today of INR 1,098.0 million (£11.32 million). The INR 158.2 million (£1.63 million) funding will be undertaken in four tranches between November 2014 and May 2015. Any shareholder not subscribing in the first tranche can do so later in subsequent tranches and shares not subscribed for can be taken up by major shareholders, Kolar Gold and Thriveni Earth Movers Limited ("Thriveni").

GMSI will execute a two rig drilling contract of up to 15,800m to increase and upgrade the gold resource at the Jonnagiri mining lease area, at a drill cost of up to INR 144.7 million (£1.49 million), to be funded by the subscription by Thriveni for further equity in GMSI, also at the same pre new money valuation for GMSI today of INR 1,098.0 million (£11.32 million), within the next 12 months.

Kolar Gold intends to subscribe for its pro rata allocation of the up to INR 158.2 million (£1.63 million) fund raising totalling up to INR 42.6 million (£0.44 million). If all major GMSI shareholders take up their rights and the drilling contract is executed in full as anticipated, Kolar Gold's interest in GMSI would be 22.9 per cent, and if its INR 128.1 million (£1.32 million) option is exercised in full this would rise to 29.3 per cent. Thriveni has indicated that it is willing to subscribe for up to INR 79.1 million (£0.82 million) and AIR, a 36.7 per cent shareholder in GMSI, also intends to subscribe for its allocation.

Independent auditor's report to the members of Kolar Gold Limited

We have audited the Group financial statements (the "financial statements") of Kolar Gold Limited (the "Company") for the year ended 30 June 2014 which comprise the consolidated statements of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of 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. 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 financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of its loss for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Lynton Richmond
For and on behalf of KPMG LLP
Chartered Accounts and Recognised Auditors
15, Canada Square
London
E14 5GL
26 November 2014