LIONSGOLD

Lionsgold Limited (formerly Kolar Gold Limited)

Annual Report and Financial Statements

30 June 2017

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Directors, Company Secretary and Advisors

Directors:

Cameron Parry *(Chief Executive Officer – appointed 28 July 2016)*
Luke Cairns *(Executive Director – appointed 28 July 2016 and resigned 23 November 2017)*
M. Hanuma Prasad *(Non-Executive Director – appointed 23 November 2016)*
David Price *(Non-Executive Chairman – appointed 23 November 2017)*
Harvinder Hungin *(Non-Executive Chairman – resigned 30 September 2016)*
Stephen Oke *(Non-Executive Director – resigned 31 December 2016)*
Vaidyanathan Sivakumar (Non-Executive Director – resigned 28 July 2016)

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Company's website www.lionsgold.com

Chief Executive Officer's Report

I am pleased to make my report on the financial year 01 July 2016 to 30 June 2017. This was a period of resetting the Company's operations and strategic direction from the original proposition that the Company's mid-2011 IPO was based upon. Two months into the period under review, on 28 July 2016 there was an injection of new management and funding in the Company (formerly named Kolar Gold Limited), being myself as CEO and Luke Cairns as Executive Director, and £900,000 in gross proceeds raised. The then Chairman and other non-executive director who had held those board positions since the listing of Kolar Gold Limited on AIM in June 2011, stepped down at the end of September 2016 and at the end of December 2016 respectively. Amidst those changes, M. Hanuma Prasad was appointed as a new Non-Executive Director on 23 November 2016.

Following the appointment of the new management and operational review, the Group set about establishing a new three-fold strategy:

- Strengthen the partnership with one of India's leading gold exploration companies, Geomysore Services India Pvt Ltd ("Geomysore");
- Provide a physical gold holding and trading Fintech platform for India and other markets; and
- Achieve jurisdictional diversification through gold exploration and mine development in Finland.

Under this new strategy and following the changes above, the Company was rebranded and on 27 February 2017 commenced trading under the new name Lionsgold Limited with the new TIDM of "LION".

Review of operations for the financial year ended 30 June 2017

The last financial year was one of transition which resulted in the departure of several directors and the contraction of costs and activity to reflect the resources available. From this reduced operational base Lionsgold then proceeded to implement the new strategy of the Group.

The three business divisions of the Company - India Gold, Fintech Gold and Finland Gold – were carried out through the Group's activities and interests in Geomysore Services India Pvt Ltd, the UK incorporated TRAC Technology Limited and Finnish JV company, Kalevala Gold Oy.

Geomysore

Lionsgold has a 21.15% per cent shareholding in Geomysore as at the date of this report. As at 30 June 2017, the Company valued its investment in Geomysore at £2.93 million (30 June 2016: £3.01 million).

During the period under review, Geomysore continued to progress with further exploration drilling, resource modelling and appraisal work to assess the feasibility, scale and timing of constructing a producing gold mine at Jonnagiri, for which Geomysore has been granted a 30 year mining licence to mine 365,000 tonnes of gold ore per year.

Based on data available as at 30 June 2016, Golder Associates Pty Limited estimated a JORC compliant indicated and inferred gold resource of 351,000 ounces in aggregate at the East and West blocks (234,000 and 117,000 ounces respectively) which was a significant increase from the approximate 150,000 ounces previously identified at the East Block and as announced in our interims on 30 March 2016. Full details on this resource increase can be found in the announcement dated 21 October 2016.

The Feasibility Study ("FS") on Jonnagiri was completed post period end. The preliminary FS results were released to market on 15 August 2017 with the final results of the Feasibility Study released on 16 November 2017, demonstrating a robust project that could potentially be developed as India's first privately owned gold mine.

Geomysore holds exploration rights covering in excess of 900km^2 in India including a granted 30-year mining lease at Jonnagiri covering 6km^2. The Jonnagiri Gold Project is situated in the state of Andhra Pradesh. Concurrently with negotiations relating to land acquisition at Jonnagiri, post balance date it was announced on 16 November 2017 that Geomysore has embarked on an internal scoping study on its South Kolar Project ("South Kolar") situated in the Southern part of the Kolar Gold Field also located in the state of Andhra Pradesh. South Kolar is an area covered under two Mining Lease Applications, covering approximately 10km^2 each, and Geomysore has signed a Memorandum of Understanding with the government of Andhra Pradesh to develop the areas into commercially viable mines.

On 31 May 2017, the Company released the findings of the independent valuation of Geomysore's assets. Golder Associates assessed Geomysore's gold exploration assets (excluding Jonnagiri) covering a total area in excess of 900km^2. They comprise 36 Prospecting Licences, Prospecting Licence Applications and Mining Lease Applications that predominantly cover greenstone belt areas in southern and central parts of India, with the main groupings of the licences and applications found in the Kolar and Jagular regions in the states of Andhra Pradesh and Karnataka respectively. Golder determined the total value of the gold exploration assets, excluding Jonnagiri, as follows:

Low Value (US$)	High Value (US$)	Expected Value (US$)
6.54 million	9.45 million	7.95 million

Jonnagiri Gold Mine Feasibility Study Summary

The Jonnagiri Feasibility Study results were released to market post balance date on the 16 November 2017. The findings are NI 43-101 compliant and the Feasibility Study used a domestic market gold price being the three year average of Indian Bullion Jewellers Association ("IBJA") Price, INR2,806 per gram (equivalent of USD$1,301/oz based on USD$1 = INR67.08). Gold recovery has been estimated at 92.4% through a Gravity - CIL (carbon in leach) processing circuit.

The base case production profile is based solely on the 151,020 ounces of Probable Reserve from the Indicated Resource ("Base Case"). In parallel to the Base Case, a total production model was developed where all available ore was processed, being the Probable Reserve, the debris (unclassified material), part of the Inferred Resource and some low grade material to be used in the event the plant was at times underutilised ("Total Production Case").

The Jonnagiri mine will use conventional open pit mining with gold recovered by standard gravity and Carbon In Leach processing to produce a dore on site. Inputs to the feasibility study are presented as per Table 1 below.

Table 1 -Base Case inputs in the Feasibility Study

	Life Of Mine
Ore processed	**2.8Mt**
Ore throughput	**~500kt/a (1.5kt/d)**
Gold grade	**1.68g/t gold**
Expected gold recovery	**92.4%**
Stripping Ratio	**4.6:1**
Gold produced	**139.5koz gold**
Capex to first Production*	**INR2,622m (US$39.1m)**
Operating Cost **	**US$25.2/t ore milled**
Cash Cost (inc. royalty)	**US$571/oz**

**** Includes capitalised operating costs of US$1.8m***

***** Includes: Mining, Plant, Onsite G&A and head office costs***

The key outputs of the Project as reported in the FS Base Case, based on mining only the Probable Reserve of 151,020 ounces of gold, are as per Table 2 below (based on USD$1 = INR67.08).

Table 2- NPV calculation - Base Case

	Pre Tax	Post Tax
	US$M	US$M
$NPV_{5\%}$	$39.9	$23.1
$NPV_{8.48\%}$	$28.2	$14.6
$NPV_{10\%}$	$23.9	$11.6
IRR	24.0%	17.8%

In parallel to the Base Case schedule which processed only the Probable Reserve (Indicated Resource), a Total Production Case model was developed where all the available ore was processed, subject to tailings dam capacity. The ore processed will be the Probable Reserve, the debris (unclassified material), part of the Inferred Resource and if the plant was underutilised, the low grade material to 'fill the plant'. The Total Case scenario adds value to the Base Case without spending additional capital for the project. The IRR for the Total Case indicated an even more robust project. The key outputs of the financial analysis for such assumptions are shown in Table 3 below (based on USD$1 = INR67.08).

Table 3- NPV calculation - Total Case Production

	Pre Tax	Post Tax
	US$M	US$M
NPV5%	$47.6	$28.3
NPV8.48%	$34.9	$19.2
NPV10%	$30.3	$15.9
IRR	28.0%	20.9%

Geomysore is currently engaged in negotiations with relevant landowners to purchase approximately 350 acres of land required for the development of the East Block open pit mine and other associated infrastructure, for example: Processing Plant, Tailing Storage Facility, Waste Rock Dumps and Water Reservoir.

Subject to agreement for the relevant land acquisition, and subject to financing, the building of a mine at Jonnagiri could commence as early as Q2 2018. The build is planned to take 24 months and at full production the Jonnagiri mine is forecast to produce around 25,000 oz of gold annually, which would contribute more than a quarter of India's gold production based on current domestic output.

TRAC Technology Limited

On 1 November 2016, the Company announced that it had agreed terms for a joint venture with TRAC Technology Limited ("TRAC") to launch an online gold and silver trading and storage platform for the Indian market (the "JV").

During the financial year the Company's initial shareholding of 27.3% was grown to become 37.7% as announced on the 3 May 2017.

Post balance date Lionsgold's shareholding in TRAC has increased to 55% with the Group CEO, Cameron Parry, co-investing and buying 5% of TRAC directly and becoming Non-Executive Chairman of Lionsgold's fintech subsidiary.

The Group's increased equity position to majority shareholder was completed with the aim of rolling out a suite of alternative-banking gold-based products, including a direct debit card and mobile phone banking-style app, as well as developing a gold-backed currency planned for release during 2018.

Following collaboration between TRAC's CEO and TRAC's Chairman, and working with select digital marketing and technology providers, on 18 October 2017, the vision for the digital gold currency Goldbloc was announced. Goldbloc's aim is to provide the convenience and utility of a fiat currency bank account, but representing direct ownership of physical gold by the Goldbloc holder. Each Goldbloc unit will represent 1/1,000th of a gram of physical gold (approximately £0.03 based on the current gold spot price) and shall be divisible to two decimal places. Goldbloc evolved from TRAC's offering of an online physical gold holding and trading platform to become a physical gold digital currency, in a bank account.

The full commercial version of Goldbloc is currently scheduled to be available, with physical debit card(s) attached to the Goldbloc holder's account, from Q2 2018.

Kalevala Gold Oy

During the financial period, on 13 October 2016, the Company announced that it had entered into a Memorandum of Understanding ("MOU") to establish a Joint Venture ("JV") to develop high grade gold exploration and mining assets within licences in Finland covering an area of approximately 24km^2.

The Finnish JV company was incorporated Kalevala Gold Oy, and the Group CEO joined the board with two representatives from the JV partner's company.

Whilst sampling and drilling was carried out during the financial year, part of the work required to progress development of the assets involves obtaining environmental permitting to carry out a bulk sampling programme at one of the JV projects, Kuikka. The environmental permitting application was submitted in May 2017, following confirmation that all relevant prospecting licences and applications had been transferred to Kalevala. Whilst the exact timeline for approval cannot be known, the Board believes it reasonable to expect that Kalevala may obtain environmental permitting approval in Q2 2018 and depending on timing, this may see gold production from bulk sampling in Q3 of 2018.

In the interim at Kuikka, the results of the confirmation grade drilling program further demonstrate a high grade gold deposit and further delineate the shape and size for the most effective bulk sample cut. With regard to processing the ore, our pilot plant and equipment is in place and awaiting completion of commissioning using a planned 200 tonnes sample.

Post period end, additional exploration targets were identified and new prospecting licence granted, and Kalevala now holds more than 300km^2 under licence representing over 90% of what the board believes to be the highly prospective Suomussalmi Greenstone Belt.

Board changes

On 28 July 2016 Cameron Parry was appointed to the Board as the Chief Executive Officer (CEO), Luke Cairns was appointed to the Board as an executive director and Vaidyanathan Sivakumar resigned from the Board.

On 30 September 2016 Harvinder Hungin resigned as the Chairman and as a non-executive director.

On 23 November 2016 Dr. M. Hanuma Prasad was appointed to the Board as a non-executive director.

Stephen Oke, who was a non-executive director since the June 2011 IPO, resigned from the Board on 31 December 2016.

Post balance date, on 23 November 2017, Luke Cairns stepped down as Executive Director and David Price was appointed as Non-Executive Chairman.

Key financials

The loss after tax for the year was £862,256 compared to £930,778 for the year to June 2016.

As at 30 June 2017, the Group's cash balances were £565,128 (2016: £404,806). During the financial year, the Company undertook a placing of 81,818,182 new ordinary shares at a price of 1.1p per share raising £900,000 before fees and expenses and placing of 50,000,000 new ordinary shares raising £550,000 before fees. Post the financial year end the Company completed a placing of 93,750,000 new ordinary shares raising £750,000 before fees, part of which is subject to approval at AGM.

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

Outlook

Lionsgold has, post balance date, grown in scope and size leading up to the end of the 2017 calendar year. Since October 2017, Lionsgold has released details regarding the development of its digital gold currency, Goldbloc, the granting of an E-Money licence by the FCA (Financial Conduct Authority), the engagement of former Rio Tinto Chief Executive of Energy & Minerals, Mr Alan Davies, as part-time Global Strategy Consultant, the appointment of Mr David Price to the board as Non-Executive Chairman, and announced a financing offered directly to specific high net worth individuals with strategic relevance to the Company, securing the necessary cash for LION to maximise opportunities anticipated in 2018. In addition, Lionsgold announced that its Finland JV company had received permission for its pilot plant testing (200 tonnes), and the final Feasibility Study results were released in regard to the Jonnagiri Project in India as well as releasing the location of the next gold mine targeted from its India partner's portfolio - the South Kolar Project.

It has been a busy time since the change in management at the end of July 2016 and the Lionsgold Board believes we are heading into a very exciting year for the Group.

On behalf of my fellow directors I would like to thank all shareholders and stakeholders for supporting Lionsgold during this period of transition and transformation whilst welcoming all new shareholders to the register. We look forward with confidence to growing the value of our various interests and the Company.

Cameron Parry
Chief Executive Officer

Board of Directors

Cameron John Parry (aged 42) (*Chief Executive Officer - appointed 28 July 2016)*

Mr Parry is an experienced executive director of quoted public companies in both the mining and fintech sectors. Born in Australia and based in London since 2009, over the past four years he has completed the sale of 51 per cent. of a biopharmaceutical company he founded, to an ASX (Australian Stock Exchange) listed company, created and was the CEO of AIM quoted Metal Tiger Plc (LON:MTR), and as Executive Chairman and co-founder, completed the world's first IPO of a blockchain fintech company, Coinsilium Group Limited (NEX:COIN).

M. David William Price (aged 52) (Non-Executive Chairman - appointed 23 November 2017)

Mr. Price, aged 52, is an experienced public listed company director and technical operator in the global mining industry. David is a qualified geologist with over 30 years' experience and has led companies from grass roots exploration through to mine construction financing. He has relevant porphyry, epithermal, vein-hosted and intrusion related experience working in Australia, Papua New Guinea, China, Fiji and the Philippines. Past appointments include CEO of ASX-listed companies Convergent Minerals Limited and Golden Tiger Mining NL, and Managing Director of Millennium Mining (Fiji) Limited. He has also recently been appointed Chief Executive Officer of AIM quoted Papua Mining plc. He is a Fellow of the Australasian Institute of Mining and Metallurgy.

M. Hanuma Prasad (aged 52) (Non-Executive Director - appointed 23 November 2016)

Dr Hanuma Prasad is the CEO of Australian Indian Resources Ltd ("AIR"), an India focused multi-metals group that in 1994 established Geomysore Services (India) Private Limited ("Geomysore") – a leading India exploration company of which Lionsgold currently owns 20.70% and AIR owns 32%. He has been working with Geomysore since 2001, initially as exploration manager and currently as technical and strategy advisor, overseeing, together with their board, the feasibility study underway at its most advanced project, Jonnagiri. Hanuma has 22 years' experience in geological exploration, feasibility studies and project due diligence, within India as well as on projects in numerous other territories around the world, including the Archaean greenstone belt in Eastern Finland, near Lionsgold's Finnish joint venture.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Lionsgold Limited (the Company) and its subsidiaries for the year ended 30 June 2017 and the auditor's report thereon.

Performance review

The Group made a total comprehensive loss of £865,141 during the year ended 30 June 2017 (2016: total comprehensive loss of £936,757).

Principal activities and future developments

The Group's principal activity during the period under review was the development of gold exploration and mining assets in India, in partnership with its Indian associate, Geomysore Services India Private Limited ('Geomysore'). The Group also has additional exploration assets in Finland and an interest in a physical gold online trading platform through a fintech investment in TRAC Technology Limited ('TRAC').

Subsequent events

Additional funds were raised by Geomysore in July 2017 by the issue of 17,508 new ordinary shares at 1,300 Rupees per share. This was funded by Thriveni Earth Movers Private Limited and Lionsgold, two of the four largest shareholders of Geomysore. By participating in the fundraising the Group's interest has increased proportionately. The Group's shareholding in Geomysore has now increased from 20.70% to 21.15%.

On 12 July 2017 it was announced that the Group has agreed to inject new working capital into TRAC whilst converting some debt owed to equity, seeing the Group's shareholding increase to a 55% ownership position.

Concurrently, the Group's CEO, Cameron Parry agreed to acquire 5% of TRAC and joined the board of TRAC as a Non-Executive Chairman to lead corporate strategy.

During the year the Group committed to a further investment of in Kalevala Gold OY to take its interest to 28.3%. The final tranche of this investment will be made in December 2017. Lionsgold has the option to further increase its stake in Kalevala up to 50%.

On 26 July 2017, the Group completed the liquidation of the previously wholly owned Australian subsidiary, Lionsgold Pty Limited. This has resulted in a more simplified group structure and reduced the cost previously incurred on unnecessary subsidiaries and advisors.

On 7 November 2017, TRAC received approval from the FCA to act as payment or e-money institution under an electronic money licence.

The placement of further shares and warrants completed in November and December 2017 is noted in the going concern section of this report.

Principal risks and uncertainties

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

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. These risks are discussed in detail in Note 12.

Directors' Report (Cont'd)

Accounting policies

The accounting policies of the Group as set out on pages 19 to 40 have been applied consistently during the year.

Dividends

No dividends have been paid and the Directors do not recommend the declaration of a dividend for the year ended 30 June 2017 (2016: nil).

Directors' remuneration and interests

2017

Director	Remuneration			Interests	
	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Cameron Parry (Chief Executive Officer)	85,000	55,000	140,000	10,000,000	10,000,000
Luke Cairns	70,000	-	70,000	Nil	8,000,000
Hanuma Prasad	17,721	-	17,721	Nil	1,800,000
Harvinder Hungin (Chairman)	28,333	-	28,333	Nil	Nil
Stephen Oke	39,470	-	39,470	Nil	Nil
	240,524	55,000	295,524	10,000,000	19,800,000

2016

Director	Remuneration			Interests	
	Cash-based payments	Share-based payments	Totals	Shares	Options
	£	£	£	No.	No.
Harvinder Hungin (Chairman)	51,250	-	51,250	1,700,000[1]	300,000
Nicholas Spencer (Chief Executive Officer)	198,037	-	198,037	Nil	Nil
Stephen Coe	20,417	-	20,417	237,439	Nil
Stephen Oke	46,250	-	46,250	Nil	250,000
Vaidyanathan Sivakumar	15,000	-	15,000	Nil	Nil
	330,954	-	330,954	1,937,439	550,000

1. SG Hambros Trust Company (Channel Islands) Limited held 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. The options held by Harvinder Hungin lapsed on 31 December 2016 under the terms of the Company's option plan, due to Mr Hungin's resignation from the Board on 30 September 2016.
3. The options held by Stephen Oke lapsed during the year under the terms of the Company's option plan, due to Mr Oke's resignation from the Board on 31 December 2016.

19,800,000 options were issued during the year ended 30 June 2017 (2016: nil). These are detailed in note 9.

The above remuneration relates to Lionsgold Limited Directors only. The Key Management Personnel remuneration disclosed in Note 14 to the financial statements has been calculated on a consolidated basis and includes payments to other Key Management Personnel. Mr Hanuma Prasad , non-executive director of the Company, received £22,813 in professional and consultancy fees from Geomysore during the year to 30 June 2017 (2016: nil).

Results for the year and state of affairs at 30 June 2017

The Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position are set out on pages 14 and 15 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 Group and of the profit or loss of the Group 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 group 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 Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 2008, as amended and the AIM rules. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Company is compliant with AIM Rule 26 regarding the Company's website.

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 Group'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 Group's auditor is aware of that information.

Directors' Report (Cont'd)

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Directors consider that the Group will have access to adequate resources, as set out below, to meet both operational requirements for at least 12 months from the date of approval of these financial statements as well as the Group's remaining commitments to investments. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 2017 of £766,236 (2016: outflow of £1,043,912). At 30 June 2017, the Group had cash balances and term deposits of £565,128 (2016: £404,806) and a surplus in net working capital (current assets, including cash, less current liabilities) of £491,872 (2016: £289,765).

The Group continues to take steps to manage operational expenditure effectively and to manage the cash required for budgeted activities and working capital for at least 12 months from the date of approval of the financial statements. Cost savings include the winding up of the Australian subsidiary, the freezing of continual financial support to the workers unions at BGML, relocation of the London office, and management changes.

It is anticipated that funds will be generated within the Group by both the Finland gold or Fintech investments, as well as the raising of equity capital. Although discretionary, the opportunities of raising equity capital include:

- receipt of part or all of the £1.8m funds from the exercise of warrants issued with a 2.2p exercise price as part of the first placing in July 2016; and
- £375,000 funds from the exercise of warrants issued with a 1.5p exercise price as part of the second placing in June 2017, which expire on 15 December 2017.

In addition, further placements were completed on 30 November 2017 and 1 December 2017 that will raise gross proceeds of £550,000 and £200,000 respectively. Of the two placements, £220,000 will be issued under existing Directors' authorities, whereas the remaining £530,000 is conditional on shareholder approval at the Company's AGM to be held in December 2017. These placements will comprise the issue of 93,750,000 shares and at the same time 93,750,000 warrants will be issued to the participating shareholders with an exercise price of 1.2p up to and including 31 December 2018. As at the date of signing these financial statements a number of warrants have been exercised which will inject a further £304,000 into the Group by 15 December 2017.

Corporate governance statement

The Group, being quoted on AIM, is not required to comply with the UK Corporate Governance Code ("the Code"). However, the Group 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.

Following the completion of the various management changes during the financial year and since the period end as described in the CEO's statement, the Company continues to assess its Board and management requirements to determine the appropriate committee and governance structures. Cameron Parry replaced Stephen Oke as Chairman of the Audit Committee with effect from 1 January 2017. David William Price replaced Cameron Parry as Chairman of the Audit Committee with effect from 23 November 2017.

On behalf of the Board

Cameron Parry
Director

6 December 2017

Lionsgold Limited and its controlled entities
Consolidated Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	Group 2017 £	Group 2016 £
Continuing operations			
Salaries and wages	14	-	(263,073)
Other administrative expenses		(699,569)	(629,038)
Accretion of investment in associate	6	-	2,994
Loss from operating activities		(699,569)	(889,117)
Finance income		799	5,799
Finance costs		(75,878)	(3,477)
Net financing income		(75,079)	2,322
Share of loss of associate	6	(87,608)	(39,635)
Loss on disposal of fixed assets		-	(4,348)
Loss before tax		(862,256)	(930,778)
Income tax	5	-	-
Loss for the year		(862,256)	(930,778)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation		(2,885)	(5,979)
Total comprehensive loss for the year		(865,141)	(936,757)
Basic and diluted earnings per share (p)	11	(0.44)	(0.88)

The notes on pages 19 to 40 are an integral part of the consolidated financial statements.

Lionsgold Limited and its controlled entities
Consolidated Statement of Financial Position
as at 30 June 2017

	Note	Group 2017 £	2016 £
Non-current assets			
Investment in associate	6	2,926,054	3,013,662
Investments	7	539,945	-
Total non-current assets		3,465,999	3,013,662
Current assets			
Trade and other receivables		3,537	3,736
Prepayments and other assets		831	26,218
Term deposits		71,435	285,648
Cash and cash equivalents		493,693	119,158
Total current assets		569,496	434,760
Total assets		4,035,495	3,448,422
Current liabilities			
Trade and other payables	8	77,624	144,996
Total current liabilities		77,624	144,996
Total net assets		3,957,871	3,303,426
Equity			
Share capital	10	-	7,440,546
Share premium	10	24,588,942	15,690,724
Reserves	10	47,743	17,672
Accumulated losses	10	(20,678,814)	(19,845,516)
Total equity		3,957,871	3,303,426

These financial statements were approved by the Board of Directors on 6 December 2017 and were signed on its behalf by:

Cameron Parry
Director

The notes on pages 19 to 40 are an integral part of the consolidated financial statements.

Lionsgold Limited and its controlled entities
Consolidated Statement of Changes in Equity
for year ended 30 June 2017

	Share capital	Share premium	Share based payment reserve	Foreign exchange translation reserve	Accumulated losses	Total equity
	£	£	£	£	£	£
Balance at 30 June 2015	7,440,546	15,690,724	3,838,027	(5,307)	(22,723,807)	4,240,183
Loss for the year	-	-	-	-	(930,778)	(930,778)
Other comprehensive loss – foreign exchange translation variances	-	-	-	(5,979)	-	(5,979)
Total comprehensive loss for the year	-	-	-	(5,979)	(930,778)	(936,757)
Transfer of expired options	-	-	(3,809,069)	-	3,809,069	-
Total contributions by and distributions to owners	-	-	(3,809,069)	-	3,809,069	-
Balance at 30 June 2016	**7,440,546**	**15,690,724**	**28,958**	**(11,286)**	**(19,845,516)**	**3,303,426**
Loss for the year	-	-	-	-	(862,256)	(862,256)
Other comprehensive loss – foreign exchange translation	-	-	-	(2,885)	-	(2,885)
Total comprehensive loss for the year	-	-	-	(2,885)	(862,256)	(865,141)
Transfer of lapsed options	-	-	(28,958)	-	28,958	-
Issue of shares	-	1,682,600	-	-	-	1,682,600
Cost of issue	-	(163,120)	-	-	-	(163,120)
Issue of warrants	-	(61,808)	61,914	-	-	106
Reallocation of share capital to share premium following designation of shares to nil par value	(7,440,546)	7,440,546	-	-	-	-
Total contributions by and distributions to owners	(7,440,546)	8,898,218	32,956	-	28,958	1,519,586
Balance at 30 June 2017	**-**	**24,588,942**	**61,914**	**(14,171)**	**(20,678,814)**	**3,957,871**

The notes on pages 19 to 40 are an integral part of the consolidated financial statements.

Lionsgold Limited and its controlled entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017	2016
		£	£
Cash flows from operating activities			
Loss for the year		(862,256)	(930,778)
Adjustments for:			
Depreciation		-	2,050
Accretion of investment in associate		-	(2,994)
Share based payment		55,107	-
Share of loss of associate		87,608	39,635
Net financing income		(303)	(2,338)
Foreign exchange variances		(4,606)	(6,140)
Operating loss before changes in working capital and provisions		(724,450)	(900,565)
Change in trade and other receivables		199	3,213
Change in other current assets		25,387	(9,576)
Change in trade and other payables		(67,372)	(15,852)
Change in employee benefit liability		-	(121,132)
Net cash used in operating activities		(766,236)	(1,043,912)
Cash flows from investing activities			
Interest received		303	5,138
Funds movement in term deposit account		214,213	646,346
Acquisition of investments		(362,346)	-
Net cash (used in)/from investing activities		(147,830)	651,484
Cash flows from financing activities			
Proceeds from the issue of shares		1,450,000	-
Cost of issue		(163,120)	-
Net cash from financing activities		1,286,880	-
Net increase/(decrease) in cash and cash equivalents		372,814	(392,428)
Foreign exchange gain on cash balances		1,721	5,861
Cash and cash equivalents at 1 July		119,158	505,725
Cash and cash equivalents at 30 June *(Excludes term deposits of £71,435)* (2016: £285,648)		493,693	119,158

The notes on pages 19 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 Lionsgold Limited and its controlled entities (together referred to as the "Group").

As at 30 June 2017, the wholly owned subsidiaries of the Company were:

- Lionsgold Resources Limited (Mauritius); and
- Lionsgold Resources (India) Private 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 item in the statement of financial position and statement of comprehensive income:

- Share-based payments are measured at fair value.
- Investment in associate has been measured using the equity accounting method (see note 1.5).

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

1.3 Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Directors consider that the Group will have access to adequate resources, as set out below, to meet both operational requirements for at least 12 months from the date of approval of these financial statements as well as the Group's remaining commitments to investments. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 2017 of £766,236 (2016: outflow of £1,043,912). At 30 June 2017, the Group had cash balances and term deposits of £565,128 (2016: £404,806) and a surplus in net working capital (current assets, including cash, less current liabilities) of £491,872 (2016: £289,765).

The Group continues to take steps to manage operational expenditure effectively and to manage the cash required for budgeted activities and working capital for at least 12 months from the date of approval of the financial statements. Cost savings include the winding up of the Australian subsidiary, the freezing of continual financial support to the workers unions at BGML, relocation of the London office, and management changes.

It is anticipated that funds will be generated within the Group by both the Finland gold or Fintech investments, as well as the raising of equity capital. Although discretionary, the opportunities of raising equity capital include:

- receipt of part or all of the £1.8m funds from the exercise of warrants issued with a 2.2p exercise price as part of the first placing in July 2016; and
- £375,000 funds from the exercise of warrants issued with a 1.5p exercise price as part of the second placing in June 2017, which expire on 15 December 2017.

1. Accounting policies (Cont'd)

1.3 Going concern (Cont'd)

In addition, further placements were completed on 30 November 2017 and 1 December 2017 that will raise gross proceeds of £550,000 and £200,000 respectively. Of the two placements, £220,000 will be issued under existing Directors' authorities, whereas the remaining £530,000 is conditional on shareholder approval at the Company's AGM to be held in December 2017. These placements will comprise the issue of 93,750,000 shares and at the same time 93,750,000 warrants will be issued to the participating shareholders with an exercise price of 1.2p up to and including 31 December 2018. As at the date of signing these financial statements a number of warrants have been exercised which will inject a further £304,000 into the Group by 15 December 2017.

The Directors are confident of securing the necessary approvals at the Company's AGM. If the approvals are not obtained, the Directors may need to seek additional sources of finance in order to continue as a going concern.

1.4 Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing its power over the investee, the Group takes into consideration its rights through shareholding or other arrangements to direct the activities which significantly affect the investee's returns. 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 subsidiary entities were 100% owned and controlled by the parent entity, Lionsgold Limited.

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

In accordance with 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 investments, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments
Investments are equity investments recognised at cost 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.

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 the consolidated statement of financial position date.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form and integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

1. Accounting policies (Cont'd)

1.8 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 statement of financial position 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 statement of comprehensive income. 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 consolidated statement of financial position 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.

1.9 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").

1. Accounting policies (Cont'd)

1.9 Impairment (Cont'd)

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.

1.10 Share based payment arrangements

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 consolidated statement of financial position 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)

1.11 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.

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 1.8). Financing income comprises 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.

1.12 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 consolidated statement of financial position date, and any adjustment to tax 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 statement of financial position 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.

1.13 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 share options and warrants granted.

1. Accounting policies (Cont'd)

1.14 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.

1.15 Adopted IFRS not yet applied

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2016 are not material to the Group and therefore not applied in preparing these financial statements.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. Given that the Group does not generate any revenue, IFRS 15 is not expected to have a significant impact on the Group.

Standard	Impact on initial application	Effective date
IAS 7 (Amendments)	Disclosure Initiative	* 1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax	* 1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	* 1 January 2019
IFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	* 1 January 2018
Annual Improvements	Annual Improvements to IFRS Standards 2014-2016 Cycle	* 1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	* 1 January 2018
IAS 28	Long-term Interests in Associates and Joint Ventures	* 1 January 2019

The Directors are assessing the potential impact that the adoption of the standards listed above will have on the financial statements in future periods.

* Not yet endorsed by the EU

1.16 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:

Judgements
- Going concern (note 1.3);
- Valuation of investment in associates (note 6); and
- Investments in Kalevala Gold Oy and TRAC (note 7).

Estimates
- Fair value measurement of options and warrants (note 9).

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. As with all investments into India through Mauritius, this is subject to the India Mauritius Double Taxation Avoidance Agreement and withholding taxation arising thereof. There has been a recent amendment to this tax treaty and all investments made after 1 April 2017 will be subject to withholding tax in India on capital gains. While investments prior to this date are 'grandfathered' and will not be subject to withholding tax in India, there can be no guarantee that future amendments to this tax treaty, should there be any, will not bring in a more adverse taxation regime.

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

The Group does not currently generate any 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 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 an interest in various entities constituting investments in associates and a joint venture. Such investments are in Geomysore, TRAC and Kalevala. This exposes the Group to fluctuations in the value of that equity investment. The Group continues to work closely with Geomysore, TRAC and Kalevala to develop its resources.

In addition, the Group's future potential 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 Group is also dependent on key personnel and subject to the actions of third parties, including staff of Geomysore and other contractors and suppliers in relation to the new investments.

The operations of investment entities are also subject to government laws and regulations, particularly environmental regulation. In relation to Geomysore, 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 Geomysore.

Capital management
The Group has no loans or borrowings and has sufficient resources, in the view of the Directors, to meet its working capital requirements for the next 12 months.

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

For the financial year under review the Group had 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	
	2017 £	2016 £	2017 £	2016 £	2017 £	2016 £
Income	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	2,050	-	2,050
Accretion of investment in associate	-	(2,994)	-	-	-	(2,994)
Share of loss of associate	87,608	39,635	-	-	87,608	39,635
Other reportable segment expenses	6,973	76,571	767,675	815,516	774,648	892,087
Segment result before tax	(94,581)	(113,212)	(767,675)	(817,566)	(862,256)	(930,778)
Reportable segment assets	2,807,192	2,492,277	1,228,303	956,146	4,035,495	3,448,423
Investments in associate	2,926,054	3,013,662	-	-	2,926,054	3,013,662
Reportable segment liabilities	(2,504)	(2,629)	(75,120)	(142,365)	(77,624)	(144,994)

The early stage investments in Kalevala Gold Oy and TRAC (note 7) have been allocated to corporate assets as at 30 June 2017.

4. Expenses and auditor's remuneration

	2017	2016
	£	£
Included in loss for the year are the following:		
Depreciation charge	-	2,050
Operating lease expense	48,390	5,112
Auditor's remuneration		
Audit of consolidated financial statements	25,500	25,000
Other	-	-
Total	25,500	25,000

5. Income tax

	2017	2016
	£	£
Current tax		
Current year	-	-
Deferred tax		
Origination and reversal of temporary differences	-	-
Tax in income statement	-	-

Reconciliation of effective tax rate	2017	2017	2016	2016
	%	£	%	£
Loss for the year		(862,256)		(930,778)
Total income tax for the year		-		-
Loss excluding income tax		(862,256)		(930,778)
Income tax using the respective domestic rate for the Group	(11)	(94,848)	(11)	(102,386)
Non-deductible expenses		82,227		14,405
Current year losses for which no deferred tax asset was recognised		12,621		87,981
Total tax		-		-

Deferred tax assets are recognised for losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Due to the liquidation of the Australian subsidiary, there are no longer any unutilised losses in that jurisdiction. In the prior year the Group did not recognise deferred tax assets of approximately £2,853,000 in relation to the Australian subsidiary.

The Group did not recognise deferred tax assets in relation to Indian tax losses of approximately £1,425,000 (2016: £1,416,000) and Mauritian tax losses of approximately £11,000 (2016: £10,000) that can be carried forward against future taxable income.

6. Investment in associate

Geomysore Services India Private Limited ("Geomysore"):

Lionsgold has an equity interest in Geomysore equal to 20.70% (2016: 23.12%). Geomysore is an Indian gold exploration company based in Bangalore with an extensive portfolio of gold projects. The Group's investment in Geomysore remains a key part of its plans to build an Indian gold exploration and mine development company.

Geomysore is accounted for as an associate because, while Lionsgold has significant influence over Geomysore, it does not have control, and it is accounted for on an equity accounting basis.

The share subscriptions by Lionsgold and the other shareholders throughout the duration of the equity holding, subscribed initially by Lionsgold in August 2013, has resulted in the Group's interest in Geomysore fluctuating on a regular basis.

Lionsgold's interest was diluted during the year to a 20.70% equity interest at the reporting date (2016: 23.12%). The Group's interest was diluted due to other shareholders of Geomysore providing fundraising.

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

	2017	2016
	£	£
Investment in associate		
Opening balance	3,013,662	3,050,303
Accretion of investment	-	2,994
Share of loss of associate	(87,608)	(39,635)
Total	2,926,054	3,013,662

The Board has considered the valuation of its investment in Geomysore and determined that its fair value is at least equal to the carrying value of £2,926,054 (2016: £3,013,662) and no impairment loss is warranted. In determining the fair value of this investment, the Board has had regard to the following areas of judgement:

- the financial position of Geomysore,
- the progress made to date with its exploration activities,
- the price of gold and exchange rates at the reporting date,
- the benchmark valuations of junior and early stage miners on world markets, and
- the July 2017 investment by Lionsgold and another existing shareholder, Thriveni Earth Movers, with shares issued at a price of INR 1,300 per share.

The audited financial statements of Geomysore for the year ended 31 March 2017, prepared under Indian GAAP, comprised:

Assets of £12.2m (2016: £9.3m), of which £11.5m (2016: £8.9m) are non-current, £560k are current (2016: £406k) and £54.6k cash (2016: £21k). Liabilities of £409k (all current) (2016: £208k, all current).

Geomysore had no revenue other than interest income, royalty income and profit from the sale of assets. Total income for the year was £14.5k (2016: £18.5k). Geomysore incurred a loss of £40.6k (2016: £20k).

7. Investments

Investment additions during the year totalled £539,945.

Management has assessed the level of influence that the Group has on investees Kalevala Gold Oy and TRAC and determined that, despite in the case of TRAC where the shareholding is above 20%, the Group did not exercise significant influence during the period. The assessment also took into consideration board representation and contractual terms of each arrangement. Consequently, these investments have not been classified as associates.

Kalevala Gold Oy:
Lionsgold currently holds 15.4% of a Finnish operating company called Kalevala Gold Oy ("Kalevala").

Following payment of €150,000 in cash during October 2016 for 150 shares, Lionsgold issued 8,500,000 new ordinary shares to Kalevala's parent undertaking, Mineral Exploration Network (Finland) Limited ("MENF"), in return for a further 150 shares in Kalevala. This resulted in a 15.4% ownership in Kalevala. Kalevala was established to develop the various licences subject to the joint venture with MENF (the "JV").

The Group has invested a further €200,000 in cash by 30 June 2017 as part of an agreed further investment of €350,000 to bring the stake in Kalevala to 28.3% once all monies have been paid.

The value of this investment at the year-end is £445,955, and is carried at cost.

TRAC:
On 1 November 2016, the Group announced the agreed terms for the investment in TRAC Technology Limited ("TRAC") to launch an online gold and silver trading and storage platform for the Indian market (the "JV").

As part of the agreement, the Group acquired 27.3% of the existing shares in TRAC for $100,000, satisfied through US$50,000 in cash and the issue of 2,600,000 new ordinary shares in Lionsgold ("Consideration Shares").

Following the year end the Group has agreed to capitalise a receivable as at 30 June 2017 into shares in TRAC based on approximately the same valuation that Lionsgold acquired its 27.3% interest in TRAC. This increased the investment holding in TRAC to 37.7%.

The value of this investment at the year-end is £93,990, and is carried at cost.

8. Trade and other payables

	2017	2016
	£	£
Trade payables	26,339	55,722
Non-trade payables and accrued expenses	51,285	89,274
	77,624	144,996

9. Share-based payments

a) Options

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

As at 30 June 2017, the following unexpired options were in existence over the shares of Lionsgold Limited:

Name	Date of Grant	Ordinary Shares under option	Expiry Date	Exercise Price £
Cameron Parry	18.01.17	10,000,000	31.12.19	0.022
Luke Cairns	18.01.17	8,000,000	31.12.19	0.022
M Hanuma Prasad	18.01.17	1,800,000	31.12.19	0.022
		19,800,000		

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

250,000 options previously granted to Stephen Oke (125,000 on 31 December 2012 and 125,000 on 25 November 2013) lapsed during the year due to Stephen Oke's resignation from the Board on 31 December 2016 under the terms of the Company's option plan.

300,000 options previously granted to Harvinder Hungin (150,000 on 31 December 2012 and 150,000 on 25 November 2013) lapsed during the year due to his resignation from the Board on 30 September 2016 under the terms of the Company's option plan.

All 19,800,000 options in issue at the reporting date were granted during the year ended 30 June 2017 (2016: nil).

The options have a fair value as at 30 June 2017 of £107 (included in administrative expenses) and have been valued using the Black Scholes Model. Key assumptions made within the Black Scholes Model include the following:

- Risk free interest rate of 0.53%
- No expected dividend yield
- No marketability discount
- Volatility of 15%

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

	Weighted average exercise price £ 2017	Number of options 2017	Weighted average exercise price £ 2016	Number of options 2016
Options issued by Lionsgold Limited				
Outstanding at the beginning of the year	0.0738	550,000	0.2662	1,950,000
Issued during the year	0.0220	19,800,000	-	-
Expired during the year	-	-	0.4000	(1,150,000)
Lapsed during the year	0.0738	(550,000)	0.0738	(250,000)
	0.0220	19,800,000	0.0738	550,000

The weighted average remaining contractual life of the options is 2.5 years (2016 - 0.8 years).

9. Share-based payments (Cont'd)

b) Warrants

The Company undertook two Placings to raise capital during the year. Warrants were issued in addition to the new ordinary shares in each instance.

In addition to the Placing of 81,818,182 new ordinary shares on 28 July 2016, which raised £900,000 before fees and expenses, the Company issued 81,818,182 warrants exercisable at 2.2p. No warrants have been exercised throughout the year to 30 June 2017 and no warrants have expired in this period.

In addition to the Placing of 50,000,000 new ordinary shares on 8 June 2017, which raised £550,000 before fees and expenses, the Company issued 25,000,000 warrants exercisable at 1.5p. No warrants have been exercised throughout the year to 30 June 2017 and no warrants have expired in this period.

As at 30 June 2017, the following warrants were in existence:

Date of Grant	Warrants issued	Expiry Date	Exercise Price £
12.07.2016	81,818,182	27.02.2019	0.022
08.06.2017	25,000,000	15.12.2017	0.015
	106,818,182		

All warrants issued have been fair valued using the Black Scholes Model. During the year, an amount of £61,808, representing the fair value of the warrants, has been recognised in the share based payments reserve against share premium. Key assumptions within the Black Scholes Model used for the calculation of warrants were the same as those used in the calculation of options granted in 2017.

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

Warrants issued by Lionsgold Limited	Weighted average exercise price 2017 £	Number of warrants 2017	Weighted average exercise price 2016 £	Number of warrants 2016
Outstanding at 1 July 2016	-	-	-	-
Issued during the year	0.0204	106,818,182	-	-
		106,818,182		

The weighted average remaining contractual life of the warrants is 1.4 years.

c) Share based payments

On his appointment to the board, Cameron Parry was issued with 5,000,000 new ordinary shares. The issue of these shares occurred simultaneously with the Placing of 81,818,182 shares on 28 July 2016, where the shares were issued at a price of 1.1p. This has been taken as the deemed fair value of the shares issued.

This share-based payment of £55,000 has been recognised in administrative expenses in the Statement of Comprehensive Income.

10. Capital and reserves

	Ordinary Shares no par value (2016: 7p each)
a) Authorised capital	400,000,000

b) Movement in issued and fully paid share capital:

In issue at 1 July 2015 and 2016	106,293,537
Issued	147,918,182
In issue at 30 June 2017	254,211,719

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.

81,818,182 new ordinary shares (the 'Placing Shares') were issued at a price of 1.1p per share (the 'Placing Price') on 28 July 2016. The Placing on 28 July 2016 raised £900,000 before fees and expenses.

The EGM resolutions also included the redesignation of the ordinary shares of 7p in the capital of the Company as ordinary shares of no par value. The date of the EGM was 27 July 2016.

On the same date, the Company also issued 5,000,000 new ordinary shares as part of the remuneration package of Cameron Parry (note 9).

On 13 October 2016 the Company entered into a Memorandum of Understanding ("MOU") with Mineral Exploration Network (Finland) Limited to establish a joint venture ("JV") to develop gold exploration and mining assets in Finland. Under the MOU, the Company issued the equivalent of €150,000 new ordinary shares at an implied price of 1.6p as part of its interest in the JV. This resulted in the issue of 8,500,000 new ordinary shares.

On 1 November 2016 the Company announced the acquisition of 27.3% of TRAC Technology Limited ("TRAC") for $100,000 satisfied through $50,000 in cash and the issue of 2,600,000 new ordinary shares at a price of 1.6p per share.

50,000,000 new ordinary shares (the 'Placing Shares') were issued at a price of 1.1p per share (the 'Placing Price') on 8 June 2017. The Placing on 8 June 2017 raised £550,000 before fees and expenses.

As a result of the above events, the total shares in issue at the date of signing the financial statements is 254,211,719 (2016: 106,293,537).

10. Capital and reserves (Cont'd)

c) Reserves

Share premium reserve
The share premium reserve comprises the excess of consideration received over the par value of the shares issued, plus the nominal value of share capital at the date of redesignation at no par value.

Share based payment reserve
The share based payment reserve comprises the fair value of warrants and options granted, less the fair value of lapsed and expired warrants and options.

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.

Reserves in the Consolidated Statement of Financial Position comprise the share based payment reserve and the translation reserve.

11. Earnings per share

The calculation of basic loss per share at 30 June 2017 was based on the loss of £847,275 (2016: £930,778), and a weighted average number of ordinary shares outstanding of 195,685,990 (2016: 106,293,537), calculated as follows:

	2017	**2016**
	£	**£**
Loss attributable to ordinary shareholders	**862,256**	**930,778**
Weighted average number of ordinary shares		
	'000	**'000**
Issued ordinary shares at 1 July	106,294	106,294
Effect of shares issued during the year	89,392	-
Weighted average number of shares at 30 June	195,686	106,294

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 as the effect of exercise would be non-dilutive. The options have not been included in the determination of the basic loss per share.

	2017 pence per share	***2016 pence per share***
Basic and diluted loss per share	(0.44)	(0.88)

12. 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 consolidated 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 reporting 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 reporting 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 reporting date.

(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 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 £565,128 (2016: £408,543), being the total of the carrying amount of financial assets, shown in the consolidated 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 2017					
Trade and other payables	77,624	77,624	77,624	-	-
30 June 2016					
Trade and other payables	144,996	144,996	144,996	-	-

12. Financial instruments (Cont'd)

(d) Currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount of 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.

	2017 £	2016 £
Cash and cash equivalents - A$	-	19,557
Cash and cash equivalents - INR	23,962	36,952
Trade and other payables – A$	-	(24,407)
Trade and other payables – INR	(54)	(179)
	23,908	31,923

The following significant exchange rates applied during the year:

	Average rate 2017	Reporting date spot rate 2017	Average rate 2016	Reporting date spot rate 2016
GBP:A$	1.68244	1.6914	2.03861	1.805501
GBP:INR	84.1642	84.07	98.18033	90.5786

Sensitivity analysis
A strengthening of the GBP, as indicated below, against the Australian dollar and Indian Rupee at 30 June 2017 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 2017		
INR (10 percent strengthening)	2,161	-
30 June 2016		
INR (10 percent strengthening)	3,343	-
A$ (10 percent strengthening)	441	-

A weakening of the GBP against 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.

12. Financial instruments (Cont'd)

(e) Interest rate risk

Profile
At the reporting date the interest rate profile of interest-bearing financial instruments was:

	Carrying amount	
	2017	**2016**
	£	**£**
Variable rate instruments		
Cash and cash equivalents	493,693	119,158
Term deposits	71,435	285,648
	565,128	404,806

Cash flow sensitivity analysis for variable rate instruments
The Group's interest bearing assets at the reporting date were invested with financial institutions with a minimum rating (S&P long term rating) of A for 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 2016.

	2017		**2016**	
	Profit or loss		**Profit or loss**	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	5,651	(5,651)	4,048	(4,048)

13. Group entities

	Country of incorporation	Ownership interest 2017	2016
Lionsgold Resources Limited	Mauritius	100%	100%
Lionsgold Resources (India) Private Limited	India	100%	100%
Lionsgold Pty Ltd (liquidated 26 July 2017)	Australia	n/a	100%

14. Related parties

Key management personnel

	2017	**2016**
Key management personnel remuneration	**£**	**£**
Cash-settled transactions	-	263,073
	-	263,073

As at the year end, there are no key management personnel employed by the Group in addition to the Directors. All three key management personnel whose remuneration is reflected above left employment during the year ended 30 June 2016.

14. Related parties (Cont'd)

Directors' remuneration and interests

2017	**Remuneration**			**Interests**	
Director	**Cash-based payments £**	**Share-based payments £**	**Totals £**	**Shares No.**	**Options No.**
Cameron Parry (Chief Executive Officer)	85,000	55,000	140,000	10,000,000	10,000,000
Luke Cairns	70,000	-	70,000	-	8,000,000
Hanuma Prasad	17,721	-	17,721	-	1,800,000
Harvinder Hungin (Chairman)	28,333	-	28,333	-	-
Stephen Oke	39,470	-	39,470	-	-
	240,524	55,000	295,524	10,000,000	19,800,000

2016	**Remuneration**			**Interests**	
	Cash-based payments £	**Share-based payments £**	**Totals £**	**Shares No.**	**Options No.**
Harvinder Hungin (Chairman)	51,250	-	51,250	1,700,000[1]	300,000
Nicholas Spencer (Chief Executive Officer)					
Salary and termination payments	183,560	-	183,560	-	-
Superannuation	14,477	-	14,477	-	-
Total	198,037	-	198,037	-	-
Stephen Coe	20,417	-	20,417	237,439	-
Stephen Oke	46,250	-	46,250	-	250,000
Vaidyanathan Sivakumar	15,000	-	15,000	-	-
TOTALS	330,954	-	330,954	1,937,439	550,000

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

The amount owing to Directors at 30 June 2017 was nil (2016: nil).

Geomysore is a related party, as the Group holds a 20.70% equity investment in this entity (2016: 23.12%) (see note 6) as at the reporting date. There were no amounts outstanding as at 30 June 2017 (2016: nil).

Weighbridge Trust Limited ('WTL') is a related party as Luke Cairns is a director of WTL. Total fees of £32,917 were paid to WTL during the year to 30 June 2017 (2016: nil). No amounts were outstanding at the year end (2016: nil).

15. Subsequent events

In July 2017, the Group agreed a transaction to increase its India Gold interest through subscribing for an additional 10,567 new ordinary shares in Geomysore resulting in a holding of 21.15% of the shares issued in Geomysore.

On 26 July 2017, the Group completed the liquidation of the previously wholly owned Australian subsidiary, Lionsgold Pty Limited. This has resulted in a more simplified group structure and reduced the cost previously incurred on unnecessary subsidiaries and advisors.

Following the year-end, the Group has agreed to inject new working capital into TRAC whilst converting some debt owed to equity, seeing the Group's shareholding increase to a 55% ownership. The additional working capital will be provided against agreed milestones to develop a gold related FinTech banking solution. Concurrently, the Group's CEO, Cameron Parry agreed to acquire 5% of TRAC and joined the board of TRAC as a Non-Executive Chairman to lead corporate strategy.

During the year the Group committed to a further investment in Kalevala Gold OY to take its interest to 28.3%. The final tranche of this investment will be made in December 2017. Lionsgold has the option to further increase its stake in Kalevala up to 50% under the terms of the joint venture agreement.

The placement of further shares and warrants completed in November and December 2017 is noted in the going concern section in note 1.3.

Independent auditor's report to the members of Lionsgold Limited

Opinion

We have audited the consolidated financial statements of Lionsgold Limited for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 30 June 2017 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality

The materiality applied to the Group financial statements was £39,000 (2016: £35,000), based on 1% of net assets. The performance materiality was £24,500 (2016: £16,000).

Scope of our audit

As part of designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Scope of our audit (Cont'd)

The accounting records of all subsidiary undertakings are centrally located and audited by us based upon Group materiality or risk to the Group. The associate prepares audited financial statements in its local jurisdiction which are reviewed by us and adjusted by management, where applicable, to ensure consistency with EU endorsed IFRSs. The equity method is checked as correctly applied to the IFRS adjusted balances.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters and have set out our findings:

Key audit matter	How our audit addressed the key audit matter
Accuracy and valuation of the investment in Geomsyore Mining Services (India) Private Limited (GMSI), in accordance with the equity method.	We reviewed the share certificates and share registers of GMSI to check the percentage ownership of the Group and good title to its investment. We reviewed the audited financial statements of GMSI for the year ended 31 March 2017, together with the adjustments to achieve coterminous results to the Group. In addition, we checked the adjustments by management to align the Indian GAAP financial statements to those of the Group. We reperformed the calculation of the Group's share of the associate's loss for the year. We assessed the recoverability of the carrying value of the associate by reference to competent persons' reports, resource estimates, estimated commercial feasibility and the price per share of additional investment by unrelated investors.
Accuracy, accounting treatment and valuation of the investment in Kalevala Gold Oy and TRAC Technologies Limited.	We reviewed the agreements with both investees to understand the key terms and conditions therein. We assessed and discussed with management the level of influence exercised by the Group during the year, taking into consideration percentage shareholding, board representation and the contractual terms of the arrangements. We undertook substantive tests on the amounts invested. We assessed the recoverability of the carrying value of the investments by reference to independently prepared reports, discussions with management and progress in the underlying businesses.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies (Guernsey) Law 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the chief executive officer's report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the chief executive officer's report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the chief executive officer's report or the directors' report.

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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit report only.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for. This description forms part of our auditor’s report.

David Thompson (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

6 December 2017