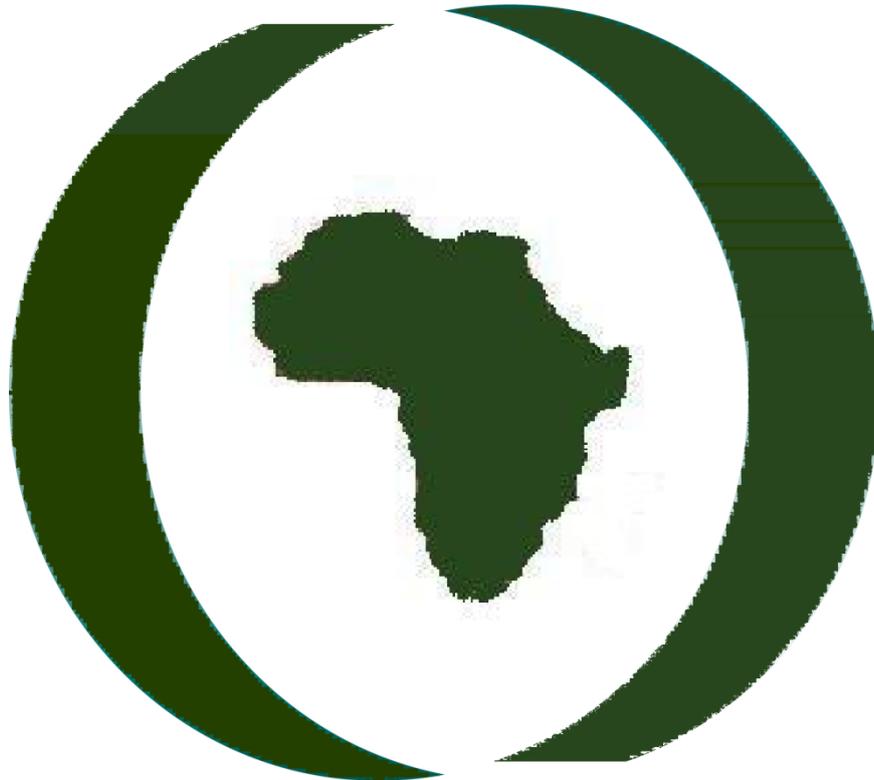


# **OBTALA RESOURCES LIMITED**



**INTERIM FINANCIAL REPORT**

**FOR THE PERIOD ENDED**

**30 JUNE 2015**

**OBTALA RESOURCES LIMITED**  
**DIRECTORS AND OFFICERS**

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**DIRECTORS**

Francesco Scolaro	<i>(Executive Chairman)</i>
Kevin Milne	<i>(Deputy Executive Chairman)</i>
Simon Rollason	<i>(Managing Director)</i>
Philippe Cohen	<i>(Finance Director)</i>
Emma Priestley	<i>(Executive Director)</i>
Jean Du Lac	<i>(Non -executive Director)</i>
Miles Pelham	<i>(Non-executive Director)</i>

**COMPANY SECRETARY**

William Place Secretaries Limited

**COMPANY NUMBER**

52184 (Guernsey)

**REGISTERED OFFICE**

Dixcart House  
Sir William Place  
St Peter Port  
Guernsey GY1 1GX

**NOMINATED ADVISER**

ZAI Corporate Finance Limited  
Staple Court  
11 Staple Inn  
London WC1V 7QH

**BROKER**

Brandon Hill Capital  
1 Tudor Street  
London EC4Y 0AH

**AUDITOR**

Baker Tilly Channel Islands Limited  
Chartered Accountants  
PO BOX 437  
13 Castle Street  
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**LEGAL ADVISER**

Carey Olsen  
Les Banques  
St Peter Port  
Guernsey GY1 4BZ

**REGISTRARS**

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen B63 3DA

**OBTALA RESOURCES LIMITED**  
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## **OBTALA RESOURCES LIMITED**

### **CHAIRMAN'S STATEMENT**

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I am pleased to present the interim report of Obtala Resources Limited (“Obtala” or “Company” and its subsidiaries (the “Group”)) for the six months to 30 June 2015.

Obtala during the half year has continued building a debt free, multi-industry African-focused asset base, which has limited potential political risk by operating across three countries. The regions where we are operating all have highly favourable macro trends and the business fundamentals and growth opportunity are very attractive. Currently the three main pillars to the business we are developing are; agriculture and associated processing, timber and retail.

The Morogoro horticultural and food processing project remains the focus for the agribusiness. We were awarded Global G.A.P certification, the internationally recognized standard for farm production in July 2015 and we continue to invest and work towards gaining BRC Global Standards; a leading safety and quality certification programme and now a fundamental requirement of many retailers.

In Mozambique, the timber operations started slowly as a result of the exceptional rainfall experienced in the region over the first 4 months of the year. Additional concessions totalling 35,000 hectares are currently under application. We plan to evaluate and develop other product opportunities to expand the timber goods range for the local and regional markets.

In late 2014 the Group acquired a chain of retail outlets in Lesotho. This provides an additional route to market for our products and presents an ideal opportunity to roll-out an African Home Stores concept in other countries in the Southern and East African region where Obtala has expertise.

We believe that the equity markets have not yet recognised the value of the Company’s assets or growth opportunity, which is true of many diversified companies. However, the business we are building is based on medium to long-term investment programmes, which will provide a platform to deliver sustainable future growth, generating stronger revenues with a focus on strong margins. Over the reporting period we have made substantial capital investments into the projects using our own funds without any dilution to shareholders.

#### **Financial results**

The Group generated revenues of £2.26 million (\$3.6 million) (H1 2014: £1.16 million) during the six month period, across the group.

The six month period generated a net profit of £3.02 million (\$4.7 million) (H1 2014: loss £0.2 million), which includes the independent valuation of new land assets.

Group net assets remained broadly in line with the prior year end at £95.8 million (\$149 million) (December 2014 £93.5 million) with a net cash and equivalent position of £1.41 million (\$2.2 million) (December 2014: £3.3 million). Proceeds from the sale of shares in Paragon Diamonds generated £2.24 million (\$3.5 million) in the period.

With the increase of activity in our main agriculture and forestry divisions along with our new divisions coming on line we anticipate revenues will increase for the remainder of 2015.

#### **Montara Continental**

Montara continues to make steady progress developing its sustainable agricultural and timber operations in Tanzania and Mozambique, respectively. Our vertically integrated “Farm to Fork” model is focused on food production and processing, supplied by our own farms and contracted farmers. The asset platform which has been built is ready to deliver sustainable revenues from high quality produce with strong margins which will enhance the underlying Group value. The business model facilitates control of the value chain and positions the Group to produce value added commodities, branded under our Mama Jo’s label, bringing

**OBTALA RESOURCES LIMITED**  
**CHAIRMAN'S STATEMENT (CONTINUED)**

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greater returns with better margins. To complete the final step for the vertical integration, the Group acquired a chain of retail outlets in Lesotho to provide additional routes to market.

**Agriculture and Processing**

The focus during the first half 2015 has been the continued development of the Morogoro farm and processing facility in Tanzania, with the emphasis acquiring internationally recognised farm and food standards.

Whilst the audit and BRC certification process continues we have developed a fresh fruit and vegetable business opportunity with sales of over 20 varieties of fresh produce commencing locally in Tanzania. The farm is ideally located, being only 180km from the large local market and export port facilities in Dar es Salaam ensuring overnight deliveries of quality goods to the market. The Group is currently supplying three distribution companies, a number of hotels, restaurants and shops in Dar es Salaam. Our target objective for the fresh sales, depending on demand, is to supply c200 tonnes per month into Dar es Salaam.

Global GAP certification, an internationally recognized standard for farm production, was awarded in late July 2015 with efforts and significant capital investment now focused on achieving BRC Global Standards accreditation for the processing unit. BRC is a leading safety and quality certification program, used by over 20,000 certificated suppliers in 90 countries. The Standards guarantee the standardisation of quality, safety and operational criteria and ensure that manufacturers fulfil their legal obligations and provide protection for the end consumer. This approval will significantly increase our revenue potential and elevate the whole company to a stronger platform from which to grow.

The Group continues to seek out the value added opportunities within the agri-sector and to support this objective an Export Processing Zone ("EPZ") Certificate has been granted for a 10 year period by the Government of Tanzania, which provides a range of fiscal incentives which will ultimately improve margins. Under this award, 80% of produce from the processing unit needs to be exported which is linked to gaining BRC certification.

During this period the cannery in Lesotho continued to trial and produce a sample range of canned products which vary from chopped tomato blends, pasta & pesto sauces, and mixed fruit. These products are being marketed whilst the certification upgrade process funded by Lesotho National Development Corporation is being completed.

**Timber**

The timber portfolio has steadily grown over the past few years with selective concession acquisitions to provide a critical mass of permitted annual quotas of harvestable timber. The quality of timber concessions which have been independently audited indicate our standing stocks can supply high quality hardwood timber for many years to come.

Timber operations experienced a challenging start to the period. Exceptionally heavy rainfall in northern Mozambique at the start of the year resulted in some damage to local infrastructure with a consequential delay in the 2015 field season. The Company has moved away from wooden railway sleeper production and is concentrating on supplying cut timber into the local Mozambican market place targeting the construction industry. A number of discussions have been held with an international timber company with a view to exporting timber to the Middle Eastern market.

The Company is, subject to Government approval, completing the acquisition of 50 year leases for two new timber concessions totaling 35,000 hectares in Mozambique to bring the total forestry area to 314,965 hectares.

We are currently assessing the opportunity to increase the operational productivity and improve on-site capability to produce value-added end products. The supply of these products will provide additional value

**OBTALA RESOURCES LIMITED**  
**CHAIRMAN'S STATEMENT (CONTINUED)**

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uplift to the revenues generated from the concessions and will provide for additional employment and training for the local population.

Our timber business is committed to working with high levels of sustainability within the local legal framework.

**Retail - African Home Stores**

African Home Stores (“AHS”) was acquired to provide an outlet to the retail market for our products. We assumed control of Lifes' Comfort Solutions (Pty) Limited (“LCS”), a private Lesotho registered company, in October 2014 when we acquired a controlling 72.69% shareholding. LCS operated five departmental home solution retail outlets within Lesotho.

We have since opened a new branch in Semonkong with other outlet opportunities being evaluated. A catalogue retailing concept is being introduced to offer the full range of products throughout all the branches and this is supported by better buying out of Asia. A strategic plan for the shops has been developed which will see an improved balance sheet and increased sales densities with improved margins. LCS has strong brand awareness and recognition in Lesotho with the additional outlets providing a country wide footprint to what is already considered a well-known and trusted Basotho retailer. We have invested to reduce the overdraft of LCS to zero and bring the business more in line with our cash flow expectations

During the period sales have been slower than expected. The national parliamentary elections and substantive renovation works and remodelling of the shopping complex hosting the main outlet in Maseru have impacted sales. However the long term forecast remains positive as a number of mines in the highlands continue with development plans and the initiation of the Lesotho Highlands Water Project – Phase 2. The African Growth and Opportunity Act (“AGOA”) which provides trade preference for quota and duty-free entry into the United States has been renewed, which is key to the local economy as Lesotho has a strong textile industry which exports to USA under AGOA.

**Corporate Social Responsibility**

During the reporting period we have continued to support Sentebale, a Lesotho children's charity founded in 2006 by His Royal Highness Prince Harry of Wales and Prince Seeiso Bereng Seeiso.

A post reporting period event was our successful application for membership of the Social Stock Exchange (“SSX”). The SSX was launched in June 2013 by the UK Prime Minister at the first G8 Social Impact Investment Forum in London. In January 2015, the SSX and ICAP Securities & Derivatives Exchange Limited announced their collaboration to launch a new market segment for Social Impact businesses, providing a central venue for impact opportunities in the UK and beyond. Member companies articulate and evidence their social and environmental credentials through the production of an independently assessed Impact Report, which is then ratified by an admissions panel comprised of finance and social sector experts.

**Outlook**

The Directors are optimistic for the outlook of the group. We are very clear about our vision, keeping our business model simple, focusing on execution, micromanaging our costs whilst increasing our revenues. Cost management is the key business discipline in the current equity and commodity markets. We expect our asset base and sales to continue to grow during the second half of the year as our product range develops and certification is awarded.

The GLOBALG.A.P certification is a key milestone in the development of the agricultural division in Tanzania and once BRC is achieved the market opportunity grows considerably. We have had the BRC site audit and anticipate certification approval within the next month or so. We believe there are strong growth opportunities with our agriculture and food processing business through own branded “Mama Jo's” range and also the own label market. The Mama Jo's branded dried fruit pouches have had strong interest from buyers and we will be working to secure large scale orders once BRC is granted. Fresh product sales

**OBTALA RESOURCES LIMITED**  
**CHAIRMAN'S STATEMENT (CONTINUED)**

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provide an additional revenue stream and we are currently evaluating the opportunity to export to the Middle East and Asia in addition to building up the order book in Dar es Salaam and the surrounding region. Longer term, we see a significant export opportunity.

The timber business represents a substantial asset which, we believe, is not reflected in the company's share price. We have previously stated our intention to re-organise and divest the forestry division to recognise its true value and to grow the business in Mozambique more expeditiously. We are currently progressing this option, and given market conditions, will be focussed on maximising value. We have also received a commitment for seed funding from private international investors. The Board has also taken the decision not to bring in a strategic timber partner as previously evaluated to avoid value dilution. On the ground the plan is to diversify the product range with on-site processing to capture additional value and are analysing the feasibility of opening up a timber yard in Maputo.

The group objective for African Home Stores is to manage the cost structure and improve sales volumes by better buying and introducing new product lines. An option being evaluated is to franchise the business in Lesotho. This will reduce the cost base substantially and lead to improved sales volumes through the opening of additional outlets in the smaller towns and rural areas of the country.

We have commenced a realisation of non-core assets within the group and it is the intention of the Board to reinvest the proceeds back into the Company.

During the period, Board level appointments have strengthen the operational and decision making capability of the group. Emma Priestley joined as Executive Director, and in August, Kevin Milne and Miles Pelham were appointed Executive Deputy Chairman and Non-executive director, respectively.

The enlarged senior executive management is focussed on accelerating operational delivery from the investments that have been made in each business activity. This will involve improvement to every aspect of our operations in terms of efficiencies, cost controls, sales growth, margin management and value enhancement.

Our objective is on creating value, working closely with market demand, growing sales whilst maintaining high margins. We shall continue to report on the group's progress with updates to our shareholders. The business fundamentals of the group remain highly attractive in exciting and growing sectors. We live in a challenging world generally and the first six months have been positive, productive and, even with all the hurdles, we remain confident of the success of the company.

I would like to thank our shareholders for their continued support and also all of our employees across the group for their hard work and commitment during the period.

**Francesco Scolaro**  
*Executive Chairman*  
29 September 2015

**OBTALA RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six month period to 30 June 2015**

		Six months to 30 June 2015 (Unaudited) £'000	Six months to 30 June 2014 (Unaudited) £'000	Year to 31 December 2014 (Audited) £'000
<b>Continuing operations</b>				
Turnover		2,257	1,157	1,690
Cost of Sales		(1,585)		(855)
Gross profit		672		835
Operating costs		(584)	(320)	(1,191)
Administrative expenses		(1,220)	(759)	(2,616)
Gain/(loss) on investments	3	(1,601)	235	(-)
Gain/(loss) Loss on derivative financial instruments		45	-	(736)
Depreciation		(100)	(-)	(294)
<b>Operating profit/(loss)</b>		(2,788)	253	(4,002)
Revaluation of Biological asset		8,600	-	-
Loss on disposal of associate		-	-	(20,987)
Gain on Fair Value of Investment		-	-	749
Finance income/(costs)		(44)	30	109
<b>Profit/(loss) before tax</b>		5,768	283	(24,131)
Taxation	5	(2,752)	-	10,198
<b>Profit/(loss) for the period/year from continuing operations</b>		3,016	283	(13,933)
<b>Discontinued operations</b>				
Loss for the year from discontinued operations		-	(502)	-
<b>Total profit/loss for the period/year</b>		<b>3,016</b>	<b>(219)</b>	<b>(13,933)</b>
Attributable to:				
Owners of the parent		1,707	(239)	(13,392)
Non-controlling interests		1,309	20	(541)
		3,016	(219)	(13,933)
Other comprehensive income:				
Exchange differences of re-translation of foreign operations		(513)	(1,807)	(752)
<b>Total comprehensive income for the period:</b>		2,503	(2,026)	(14,685)
Attributable to:				
Owners of the parent		1,194	(1,630)	(14,144)
Non-controlling interests		1,309	(396)	(541)
		2,503	(2,026)	(14,685)
<b>Earnings/(loss) per share</b>				
From continuing and discontinued operations				
Basic and diluted (pence)	6	0.65	(0.09)	(5.09)

**OBTALA RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the period from 1 January 2015 to 30 June 2015**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Share based payment reserve £'000	Revenue reserve/ (deficit) £'000	Total £'000	Non- controlli ng interests £'000	Total equity £'000
<b>At 1 January 2014</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>439</b>	<b>1,898</b>	<b>35,918</b>	<b>80,959</b>	<b>41,436</b>	<b>122,395</b>
Profit/(loss) for the period	-	-	-	-	-	(239)	(239)	19	(219)
Exchange differences on retranslation of foreign operations	-	-	-	(1,392)	-	-	(1,392)	(415)	(1,807)
Total comprehensive income for the period	-	-	-	(1,392)	-	(239)	(1,631)	(396)	(2,027)
Issue of shares	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	77	-	77	-	77
Purchase of own shares	-	-	-	-	-	-	-	-	-
Dilution of interest in subsidiary	-	-	-	-	-	(1,172)	(1,172)	1,995	822
<b>At 30 June 2014</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>(953)</b>	<b>1,975</b>	<b>34,507</b>	<b>78,233</b>	<b>43,035</b>	<b>121,268</b>
Profit/(loss) for the period	-	-	-	-	-	(13,153)	(13,153)	(560)	(13,713)
Exchange differences on retranslation of foreign operations	-	-	-	640	-	-	640	415	(1,055)
Total comprehensive income for the period	-	-	-	640	-	(13,153)	(12,513)	(145)	(12,658)
Issue of shares	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	(297)	220	(77)	-	(77)
Impairment of foreign exchange	-	-	-	1,828	-	-	1,828	-	1,828
Dilution of interest in subsidiary	-	-	-	-	(664)	9,498	8,834	(25,853)	(17,019)
<b>At 31 December 2014</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>1,515</b>	<b>1,014</b>	<b>31,072</b>	<b>76,305</b>	<b>17,037</b>	<b>93,342</b>
Profit/(loss) for the period	-	-	-	-	-	1,707	1,707	1,309	3,016
Exchange differences on retranslation of foreign operations	-	-	-	(544)	-	-	(544)	32	(512)
Total comprehensive income for the period	-	-	-	(544)	-	1,707	1,163	1,341	2,504
Issue of shares	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-
Dilution of interest in subsidiary	-	-	-	-	-	-	-	-	-
<b>At 30 June 2015</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>971</b>	<b>1,014</b>	<b>32,779</b>	<b>77,468</b>	<b>18,378</b>	<b>95,846</b>

**OBTALA RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

	Notes	30 June 2015 (Unaudited) £'000	30 June 2014 (Unaudited) £'000	31 December 2014 (Audited) £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Available for sale investments		53	-	90
Intangible exploration and evaluation assets	7	16,080	54,329	16,080
Biological asset	8	112,432	107,379	103,832
Derivative financial asset		-	611	-
Plant and equipment		2,447	2,674	2,555
<b>Total non-current assets</b>		<b>131,012</b>	<b>164,993</b>	<b>122,557</b>
<b>Current assets</b>				
Trade and other receivables		1,181	1,049	830
Inventory		1,169	334	1,351
Financial investment assets		-	687	3,938
Cash and cash equivalents		1,409	1,431	3,269
<b>Total current assets</b>		<b>3,759</b>	<b>3,501</b>	<b>9,388</b>
<b>TOTAL ASSETS</b>		<b>134,771</b>	<b>168,494</b>	<b>131,945</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(2,245)	(1,442)	(2,260)
Financial investment liabilities		(700)	(2,578)	(2,960)
Current tax liabilities		(2)	(2)	(2)
<b>Total current liabilities</b>		<b>(2,947)</b>	<b>(4,022)</b>	<b>(5,222)</b>
<b>Non-current liabilities</b>				
Deferred tax	5	(35,978)	(43,018)	(33,226)
Loans		(-)	(73)	(155)
Site restoration provision		(-)	(113)	(-)
<b>Total non-current liabilities</b>		<b>(35,978)</b>	<b>(43,204)</b>	<b>(33,381)</b>
<b>TOTAL LIABILITIES</b>		<b>(38,925)</b>	<b>(47,226)</b>	<b>(38,603)</b>
<b>NET ASSETS</b>		<b>95,846</b>	<b>121,268</b>	<b>93,342</b>
<b>EQUITY</b>				
Share capital	10	2,633	2,633	2,633
Share premium	11	11,528	11,528	11,528
Merger reserve		28,543	28,543	28,543
Foreign exchange reserve		971	(953)	1,515
Share based payment reserve		1,014	1,975	1,014
Revenue reserve/(deficit)	12	32,779	34,507	31,072
<b>Equity attributable to the owners of the parent</b>		<b>77,468</b>	<b>78,233</b>	<b>76,305</b>
Non-controlling interests	14	18,378	43,035	17,037
<b>TOTAL EQUITY</b>		<b>95,846</b>	<b>121,268</b>	<b>93,342</b>

Approved by the board and authorised for issue on 28<sup>th</sup> September 2015

F Scolaro  
Executive Chairman

P Cohen  
Finance Director

**OBTALA RESOURCES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the period from 1 January 2015 to 30 June 2015**

	Notes	Six months to 30 June 2015 (Unaudited) £'000	Six months to 30 June 2014 (Unaudited) £'000	Year to 31 December 2014 (Audited) £'000
<b>OPERATING ACTIVITIES</b>				
Operating profit/(loss)		5,768	(219)	(24,131)
Adjustment for non-cash items:				
(Gains)/loss on investments		(589)	99	794
Foreign exchange (gains)/losses		-	(8)	2,402
Valuation of biological asset		(8,600)	-	-
Depreciation of plant and equipment		100	-	294
Share based payments		-	77	-
Loss on disposal of subsidiary		-	-	20,987
Decrease/(increase) in trade and other receivables		(351)	856	-
(Decrease)/increase in trade and other payables		(2,244)	275	332
Decrease/(Increase) in inventory		182	(257)	387
Finance expense/(income)		44	30	(109)
Losses on investments		1,601	-	736
<b>Cash outflow from continuing operations</b>		<b>(4,089)</b>	<b>(859)</b>	<b>149</b>
Income taxes paid		-	-	-
<b>Net cash flow from operating activities</b>		<b>(4,089)</b>	<b>(859)</b>	<b>149</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment		(8)	-	(40)
Expenditure on exploration licences	7	-	(182)	(-)
Proceeds from disposal of financial assets	8	-	327	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(8)</b>	<b>(145)</b>	<b>(40)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from sale of investments		2,237	-	-
Proceeds from sale of subsidiary		-	50	1,022
Finance expense		-	(30)	-
<b>Net cash inflow from financing activities</b>		<b>2,237</b>	<b>20</b>	<b>1,022</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(1,860)</b>	<b>(694)</b>	<b>1,131</b>
Cash and cash equivalents at start of period		3,269	2,138	2,138
Effect of foreign exchange rate variation		-	(13)	-
<b>Net cash and cash equivalents at end of period</b>		<b>1,409</b>	<b>1,431</b>	<b>3,269</b>

**OBTALA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the period from 1 January 2015 to 30 June 2015**

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**1. BASIS OF PREPARATION**

The interim financial statements of Obtala Resources Limited are unaudited condensed consolidated financial statements for the six months to 30 June 2015. These include unaudited comparatives for the six month period to 30 June 2014 together with audited comparatives for the year to 31 December 2014.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial investments, available for sale investments and financial assets and liabilities which are included at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2014.

The condensed consolidated financial statements do not constitute statutory accounts. The statutory accounts for the period to 31 December 2014 have been reported on by the Company's auditors and were unqualified.

**3. GAINS/(LOSS) ON INVESTMENTS**

	<b>Six months to 30 June 2015</b>	<b>Six months to 30 June 2014</b>	<b>Year to 31 December 2014</b>
	£000	£000	£000
Gain/(loss) on disposal of investments	(1,601)	226	(736)
(Decrease)/increase in fair value of financial investments	-	(99)	-
Gain/(loss) from investing activities	(1,601)	127	(736)

**4. SEGMENTAL REPORTING**

The Group is currently in agriculture and forestry as well as retail. In addition, the Group undertakes investing activities, which are based in Guernsey. These are the Group's primary reporting segments.

**5. TAXATION**

The accrued tax charge for the six month interim period is based on an estimated worldwide average effective tax rate of nil per cent, after allowance for utilisation of tax losses brought forward in UK based subsidiaries (six months to 31 June 2014: nil%)

The Group has recognised a deferred tax liability of £35,798,000 at 30 June 2014 (30 June 2014: £43,018,000, 31 December 2014: £33,226,000) which arose on the difference between the book value and the fair value of assets acquired on the acquisition of a subsidiary and the revaluation of a biological asset.

**6. EARNINGS PER SHARE**

Basic earnings per share is based on the profit for the six months of £1,707,000 attributable to equity holders of the parent divided by the number of ordinary shares in issue during the period of 263,260,664 exclusive of ordinary shares purchased by the Obtala Resources Employee Share Trust and held jointly by the Trust and certain employees. No shares were issued during the period

**OBTALA RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(CONTINUED)**

**7. INTANGIBLE EXPLORATION AND EVALUATION ASSETS**

	<b>Mindex Licences £'000</b>	<b>Paragon Licences £'000</b>	<b>Montara Licences £'000</b>	<b>Total Licences £'000</b>
<b>Cost and book value at 1 January 2014</b>	15,194	40,635	62	55,891
Expenditure on exploration and evaluation	-	281	-	281
Foreign Exchange	(473)	(1,370)	-	(1,843)
<b>Cost and book value at 30 June 2014</b>	<b>14,721</b>	<b>39,546</b>	<b>62</b>	<b>54,329</b>
Disposal of subsidiary	-	(40,635)	-	(40,635)
Foreign Exchange	-	1,089	-	1,089
Impairment charge	1,297	-	-	1,297
<b>Cost and book value at 31 December 2014</b>	16,018	-	62	16,080
Expenditure on exploration and evaluation	-	-	-	-
Foreign Exchange	-	-	-	-
<b>Cost and book value at 30 June 2014</b>	<b>16,018</b>	<b>-</b>	<b>62</b>	<b>16,080</b>

**Purchase of mining licences**

The above values of intangible exploration assets acquired represent the cash and non-cash consideration paid by the Group at the time of their acquisition, together with any subsequent expenditure, net of any effects of foreign exchange and impairment charges.

**Impairment**

The Directors have considered the following factors when undertaking their impairment review of the intangible assets:

- a) Geology and lithology on each licence as outlined in the most recent CPRs (Independent Competent Person's Reports)
- b) The expected useful lives of the licences and the ability to retain the license interests when they come up for renewal
- c) Comparable information for large mining and exploration companies in the vicinity of each of the licences
- d) History of exploration success in the regions being explored
- e) Local infrastructure
- f) Climatic and logistical issues
- g) Geopolitical environment

After considering these factors the Directors have chosen not to make an impairment charge to the carrying value of the intangible exploration and evaluation assets as at 30 June 2014.

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**8. BIOLOGICAL ASSET**

	<b>£'000</b>
<b>At 1 January 2014</b>	<b>107,379</b>
Fair Value Adjustment	-
<b>At 30 June 2014</b>	<b>107,379</b>
Foreign Exchange Adjustment	(3,547)
<b>At 31 December 2014</b>	<b>103,832</b>
Valuation on new concessions	8,600
<b>At 30 June 2015</b>	<b>112,432</b>

With the work conducted in the year to ascertain a more accurate measure of timber specie within the concessions and to ensure operational viability to enable extraction of the timber to the local market this is the second year in which a fair value can be reliably assessed and therefore the standing timber can be fair valued. The Group's main class of biological assets comprise forestry concessions which hold a range of hardwoods. Biological asset are carried at fair value less estimated costs to sell. The biological assets were fair valued by Crispin Golding MICFor of Honour Capital Limited. The valuation included in June 2015 consists of two blocks, totalling 35,000 hectares, of native forest concession in Mozambique. These two blocks are held by Northern Ridge Lda - a wholly owned subsidiary of Montara Continental Limited. Northern Ridge is secured on a 50 year concession basis (renewable thereafter for a further 50 years) from the Mozambique government. Northern Ridge will be the twelfth concession that Obtala - through its subsidiary Montara - holds in Mozambique.

**9. SHARE CAPITAL**

	<b>Number</b>	<b>£'000</b>
Authorised ordinary shares of £0.01 each:		
At 1 January 2014, 31 December 2014 and 30 June 2015	Unlimited	Unlimited
Allotted, issued and fully paid ordinary shares of £0.01 each:		
At 1 January 2014	263,260,664	2,633
Issued in the period	-	-
At 30 June 2014	263,260,664	2,633
Issued in the period	-	-
At 31 December 2014	263,260,664	2,633
Issued in the period	-	-
At 30 June 2015	263,260,664	2,633

**10. SHARE PREMIUM**

	<b>£'000</b>
<b>At 1 January 2014</b>	<b>11,528</b>
Premium on issue of shares	-
<b>At 30 June 2014</b>	<b>11,528</b>
Premium on issue of shares	-
<b>At 31 December 2014</b>	<b>11,528</b>
Premium on issue of shares	-
<b>At 30 June 2015</b>	<b>11,528</b>

**OBTALA RESOURCES LIMITED**  
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**10. MOVEMENT IN REVENUE RESERVE AND OWN SHARES**

	Retained earnings/(deficit)	Own shares	Revenue Reserve
	£'000	£'000	£'000
<b>At 1 January 2014</b>	<b>38,215</b>	<b>(2,297)</b>	<b>35,918</b>
Profit for the period	(219)	-	(219)
Purchase of own shares	-	-	-
Part disposal of Subsidiary	(1,172)	-	(1,172)
<b>At 30 June 2014</b>	<b>36,804</b>	<b>(2,297)</b>	<b>34,507</b>
Profit for the period	(13,173)	-	(13,713)
Transfer from foreign exchange	-	-	-
Part disposal of Subsidiary	10,278	-	10,278
<b>At 31 December 2014</b>	<b>33,369</b>	<b>(2,297)</b>	<b>31,072</b>
Profit for the period	1,707	-	1,707
Purchase of own shares	-	-	-
Part disposal of Subsidiary	-	-	-
<b>At 30 June 2015</b>	<b>35,076</b>	<b>(2,297)</b>	<b>32,779</b>

Own shares held by the Trust represent the cost of Obtala Resources Limited shares purchased in the market and through subscription and held by the Obtala Resources Limited Employee Share Trust jointly with a number of the Group's employees. At 30 June 2015 4,350,000 shares were held by the trust (June 2014: 4,350,000 December 2014: 4,350,000).

**11. NON-CONTROLLING INTEREST**

	£'000
<b>At 1 January 2014</b>	<b>41,436</b>
Non-controlling interests in net assets on partial disposal (see note 11)	3,174
Non-controlling interests in share of losses post acquisition	(151)
Non-controlling interests in foreign exchange gains	(281)
<b>At 30 June 2014</b>	<b>44,177</b>
Non-controlling interests in net assets on partial disposal (see note 11)	(3,715)
Non-controlling interests in share of losses post acquisition	936
Non-controlling interests in foreign exchange gains	(24,362)
<b>At 31 December 2014</b>	<b>17,037</b>
Non-controlling interests in net assets on partial disposal (see note 11)	-
Non-controlling interests in share of profits post acquisition	1,309
Non-controlling interests in foreign exchange gains	32
<b>At 30 June 2015</b>	<b>18,378</b>

**12. INTERIM FINANCIAL REPORT**

A copy of this interim report will be distributed to shareholders and is also available on the Company's website at [www.obtalaresources.com](http://www.obtalaresources.com)