FRONTIER CAPITAL GROUP LIMITED

ACN 145 105 148

Interim Financial Report
for the half-year ended 30 June 2015

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Frontier Capital Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Corporate Directory

Frontier Capital Group Limited
(Formally Precious Metal Resources Limited)

ACN 145 105 148
ABN 88 145 105 148

Directors

Johnny Chi Chan (Non- Executive Chairman)
Madam Zhang Li
Ram Navaratnam
William Wilkinson

Registered and Corporate Office

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000

Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.pmrl.com.au

Joint Company Secretaries

Henry Kinstlinger
Julian Rockett

Auditors

K.S. Black & Co
Level 6
350 Kent Street
Sydney NSW 2000

Telephone: +61 2 8839 3000

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

Telephone: 1300 850 505

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Telephone: +61 2 9253 9999

Bankers

Australia & New Zealand Banking Group Limited
Level 16,
20 Martin Place
Sydney NSW 2000

Telephone: +61 2 9227 1818

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

ASX Code – FCG

Frontier Capital Group Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Frontier Capital Group Limited and its controlled entities.

Frontier Capital Group Limited is a company limited by shares, incorporated and domiciled in Australia.

Review of Operations

Frontier Capital Group Limited (the Company or FCG) relisted on the Australian Securities Exchange in April 2015 and is looking to build a portfolio of high growth businesses encompassing the graphics technology and gaming sectors, having decided to change the strategic direction of the business away from gold and base metals exploration. This new direction will be achieved by:

On 19 February 2015 the Company lodged a prospectus with the ASIC to raise $4 million by the initial offering of 20 million shares at 20 cents each.

On 25 February 2015 at a general meeting of the Company's shareholders, they approved:

- The change in nature and scale of the Company's business with the acquisition of the CK Graphics Sdn Bhd business in Malaysia consideration being the issue of 37.5 million new shares and options in the Company at 20 cents each valuing the CK Graphics business at $7.5 million. The Company's independent expert found that the transaction was fair and reasonable for the existing non associated shareholders. As a result of this acquisition the shareholders further agreed to change the name of the Company from Precious Metal Resources Limited to Frontier Capital Group Limited.
- Issue the prospectus to raise $4 million
- Issue 5.5 million shares to Hudson Corporate Limited on conversion of an existing debt

On 23 April 2015 the Company announced that it had commenced acquiring an investment in the Mongolian National Lottery following the initial payment of $A 500,000 as a refundable deposit in the event that the conditions precedent are not satisfied.

On 29 April 2015 Danny Chan Hau Kin was appointed a director of the Company and Frank Licciardello and Rado Jacob Rebek resigned as directors.

On 12 June 2015 the Company issued a prospectus for up to 13 million options having an exercise price of 40 cents per option with an expiry date of 30 June 2018. The prospectus closed on 30 June 2015 and on 6 July 2015 the Company issued 13 million listed options exercisable at 40 cents per share as a result of an option being exercised.

On 12 June 2015 Danny Kin resigned as a director of the Company.

On 15 June 2015 the Company announced that CK Graphic's operations were on target to achieve a 50% growth for 2015.

On 30 June 2015 William Wilkinson was appointed a director of the Company.

On 14 July 2015 the Company further announced that it has entered into a Definitive Agreement to acquire the licence to operate the Mongolian National Lottery. Completion being subject to due diligence and regulatory approvals. Settlement will take the form of 40% cash settled and the remainder in the form of the Company's shares issued at 30 cents each. The purchase price is to be determined as a 10 times multiple of net profit after tax for the year ending 31 December 2015. Finalisation is expected in 2016 positioning FCG to enter the highly lucrative Asian gaming market. A further $500,000 was paid toward the acquisition.

Both business of CK Graphics and the Mongolian National Lottery have strong growth prospects. The Mongolian National Lottery is expected to generate strong margins of ~60% with potential for gross profit margin expansion on the back of strong long term sales growth which is underpinned by the introduction of new products, collaboration initiatives with third parties and the roll out of additional facilities. CK Graphics has a solid balance sheet, generates high margins and strong cashflow underpinned by a solid portfolio of work in hand and supported by a high level of client referrals. There is an opportunity to extend CK Graphics market reach into Australia with the Company seeking to establish a joint venture with local property development and construction companies.

The Company is seeking to divest its legacy exploration interests.

Directors' Report

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Frontier Capital Group Limited (**Company**) and the entities it controlled at the end of or during the period ended 30 June 2015 and the Auditor's Review Report thereon.

Principal activities The principal activities of the Group during the course of the period were 3D graphic visualisation production and investigation of gaming opportunities.

Consolidated results The net consolidated loss of the Group for the six months ended 30 June 2015 was $403,519 (2014: Loss $431,387).

Total Shareholders' Funds as at 30 June 2015 are $14.0 million.

Additional information on the operations of the Group is disclosed in the Review of Operations section of this report.

Review of operations Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 2of this report.

Dividends The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons were directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated:

Jon Chi Chan	Non-Executive Chairman	Appointed 04 May 2015
Madam Zhang Li	Non-Executive Director	
Ram Navaratnam	Non-Executive Director	
William Wilkinson	Non-Executive Director	Appointed 30 June 2015
Danny Chan Hua Kin	Non-Executive Director	Appointed 29 April 2015 Resigned 12 June 2015
Frank Licciardello	Executive Director	Retired 29 April 2015
Rado Jacob Rebek	Chief Executive officer	Retired as CEO in 10 February 2015 and as a director on 29 April 2015

Subsequent Events

Mongolian National Lottery
Subsequent to the reporting period the Company has paid $1,500,000 toward the acquisition of the Mongolian National Lottery.
Frontier Capital will settle the acquisition through the payment of cash (40%) and the issue of FCG shares at 30 cents per share (60%). The Purchase Price, to be determined, is a multiple of ten times the Net Profits After Tax (10 x NPAT) for the 2015 financial year that ends on 31 December 2015. This will be paid in FY 2016.

Gaming and hospitality business acquisition
On 27 August the Company announced that it has commenced an exclusive due diligence and negotiation period to acquire a significant Philippines gaming and hospitality business.
AUD$400,000 has been committed toward financial and legal due diligence and the preparation of long-form agreements. A AUD$100,000 refundable deposit was also paid.
The due diligence period runs through to the end of 2015.
The acquisition is subject to FCG meeting statutory and listing rule requirements, including approval of shareholders as required. Settlement is expected in FY 2016.

At the date of this report there are no other matters or circumstances, other than noted above and in the Review of Operations, which have arisen since 30 June 2015 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2015, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2015, of the Group.

Directors' Report cont'd

Environmental Regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

Group's operations in the State of New South Wales involve exploration activities. These operations are governed by the Environment Planning and Assessment Act 1979.

Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

Group aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of Group's activities on the environment.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and is not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Environmental Code of Practice for Mineral Exploration

Group is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to exploration on Group exploration projects.

Access to Land

Prior to the commencement of any work, Group makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

Group establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

Group endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

Group has good relationships with the principal landowners where exploration activities are currently being undertaken. To-date, the company has not been denied access for exploration purposes. However, some paddocks will become out of bounds during the lambing season which extends from early September to late October. This period is not expected to impinge on the current exploration program.

Should there ever be friction, Group will attempt to settle the matter without a need to begin the arbitration process.

Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Tenement List

Tenement No.	Location
New South Wales	
EL 8024	Broken Hill
EL 8147	Timbarra
EL 6648	Peel Fault
EL 7863	Peel Fault
EL 7862	Peel Fault
EL 7725	Peel Fault
EL 7726	Peel Fault
EL 8161	Peel Fault
EL 8211	Peel Fault

Directors' Report cont'd

Auditor's Independence Declaration

A copy of the independence declaration by the auditor K.S. Black & Co under section 307C is included on page 6 of this half year financial report.

Signed in accordance with a resolution of the Directors:

Madam Zhang Li
Director

Ram Navaratnam
Director

Sydney
03 September 2015

Level 6, 350 Kent Street
Sydney NSW 2000

87- 89 Lyons Road
Drummoyne NSW 2047

KS Black & Co

Chartered Accountants
ABN: 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
Parramatta NSW 1750

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FRONTIER CAPITAL GROUP LIMITED
ABN 88 145 105 148
AND CONTROLLED ENTITIES

I declare that, to the best of our knowledge and belief, during the half year ended 30 June 2015, there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the review; and

ii. any applicable code of professional conduct in relation to the review.

K.S. Black & Co
Chartered Accountants

Sam Danieli
Partner

3 September 2015

Level 6, 350 Kent Street
Sydney NSW 2000

87- 89 Lyons Road
Drummoyne NSW 2047

KS Black & Co

Chartered Accountants

ABN: 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
Parramatta NSW 1750

Independent Auditor's Review Report to the Members of
Frontier Capital Group Limited
A.B.N. 88 145 105 148
And Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Frontier Capital Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flow for the half-year ended 30 June 2015, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of Frontier Capital Group Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Audit of the Entity*, in order to state whether, on the basis of procedures described, we have become aware of any matter that makes us believe that the half-year report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Frontier Capital Group Limited's financial position as at 30 June 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *corporations Regulations 2001.* As the auditor of Frontier Capital Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 30 June 2015 included on the website of Frontier Capital Group Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act, provided to the directors of Frontier Capital Group Limited and controlled entities on 3 September 2015, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Frontier Capital Group Limited is not in accordance with the *corporations Act 2001*, including:

i. giving a true and fair view of Frontier Capital Group Limited's financial position as at 30 June 2015 and of its performance for the half year ended on that date; and
ii. complying with AASB 134: *Interim financial reporting* and the *corporations regulations 2001*.

K.S. Black & Co
Chartered Accountants

Sam Danieli
Partner

3 September 2015

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 10 to 26 , are in accordance with the *Corporations Act 2001*, and:

   i give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance for the half-year ended on that date; and

   ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Madam Zhang Li
Director

Ram Navaratnam
Director

Sydney
03 September, 2015

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the Half-Year Ended 30 June 2015

	Notes	Consolidated Group **Half-year ended 30 Jun 2015 $**	Half-year ended 30 Jun 2014 $
Revenue		**1,026,535**	-
Other income	3	**25,774**	77,923
Cost of providing services and administration expenses	3	**(1,376,326)**	(454,613)
Finance expenses		**(79,502)**	(54,697)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE		**(403,519)**	(431,387)
Income tax expense		**-**	-
NET PROFIT/(LOSS) FOR THE PERIOD		**(403,519)**	(431,387)
Other Comprehensive Income			
Other comprehensive income before income tax		**-**	-
Income tax expense		**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(403,519)**	(431,387)
Comprehensive income attributable to non-controlling interests		**-**	-
TOTAL COMPREHENSIVE INCOME /(LOSS) ATTRIBUTABLE TO MEMBERS OF PARENT ENTITY		**(403,519)**	(431,387)
EARNINGS / (LOSS) PER SHARE		**Cents**	Cents
Basic earnings/(losses) per share (cents per share)		**(0.72)**	(0.50)
Diluted earnings/(losses) per share (cents per share)		**(0.41)**	(0.46)

This Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial report.

Consolidated Statement of Financial Position
as at 30 June 2015

	Notes	Consolidated Group As at 30 Jun 2015	Consolidated Group As at 31 Dec 2014
ASSETS		**$**	**$**
Current assets			
Cash and cash equivalents	4	**3,210,924**	169,242
Trade and other receivables		**1,544,044**	105,479
Other current assets		**19,422**	9,679
Total current assets		**4,774,390**	284,400
Non-current assets			
Trade and other receivables		**-**	20,670
Mining tenements	5	**104,535**	109,285
Financial assets	6	**1,150,856**	-
Equipment		**267,782**	565
Intangible assets	7	**8,765,387**	799,998
Total non-current assets		**10,288,560**	930,518
Total Assets		**15,062,950**	1,214,918
LIABILITIES			
Current liabilities			
Trade and other payables		**850,552**	1,414,344
Accrued payable		**13,840**	-
Other current liabilities		**19,303**	-
Financial liabilities		**111,873**	-
Total current liabilities		**995,568**	1,414,344
Non-current liabilities			
Trade and other payable		**-**	-
Total non-current liabilities		**-**	-
Total Liabilities		**995,568**	1,414,344
Net Assets		**14,067,382**	(199,426)
EQUITY			
Issued capital	8	**16,417,369**	3,966,667
Reserves		**2,399,157**	179,532
Accumulated losses		**(4,749,144)**	(4,345,625)
Total Equity		**14,067,382**	(199,426)

The above Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the Half-Year Ended 30 June 2015

Consolidated Group	Notes	Issued Capital $	Options Reserve $	Accumulated Losses $	Total Equity $
Balance at 31 December 2013		3,673,965	179,532	(2,491,290)	1,362,207
Shares issuing cost		(7,298)	-	-	(7,298)
Loss for the period		-	-	(431,387)	(431,387)
Balance at 30 June 2014		3,666,667	179,532	(2,922,677)	923,522
Balance at 30 June 2014		3,666,667	179,532	(2,922,677)	923,522
Shares Issued during the period		300,000	-	-	300,000
Loss for the period		-	-	(1,422,948)	(1,422,948)
Balance at 31 December 2014	8	3,966,667	179,532	(4,345,625)	(199,426)
Balance at 31 December 2014		**3,966,667**	**179,532**	**(4,345,625)**	**(199,426)**
Shares issued during period		**12,600,000**	**-**	**-**	**12,600,000**
Shares issuing cost		**(149,298)**	**-**	**-**	**(149,298)**
Option issued		**-**	**2,219,625**	**-**	**2,219,625**
Loss for the period		**-**	**-**	**(403,519)**	**(403,519)**
Balance at 30 June 2015	8	**16,417,369**	**2,399,157**	**(4,749,144)**	**14,067,382**

The above Statement should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows
for the Half-Year Ended 30 June 2015

	Notes	Consolidated Group	
		Half-year ended 30 Jun 2015 $	Half-year ended 30 Jun 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		**1,026,535**	-
Interest received		**12,252**	1,443
Interest paid		**(7,332)**	(35)
Payments for administration expenses		**(770,044)**	(546,282)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES		**261,411**	(544,874)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investment		**(650,856)**	(21,380)
Payments for property, plant and equipment		**(531,450)**	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(1,182,306)**	(21,380)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements, net of costs		**3,850,703**	(7,298)
Bank borrowing		**111,874**	-
Advance from other parties		**-**	428,829
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**3,962,577**	421,531
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,041,682**	(144,723)
Cash and cash equivalents at the beginning of period		**169,242**	207,246
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	**3,210,924**	62,523

This Statement of Cash Flow is to be read in conjunction with the notes to the financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Frontier Capital Group Limited (the "**Company**") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the six months ended 30 June 2015 comprises the Company and its controlled entities (together referred to as the "**consolidated entity**").

Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001.*

Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

Statement of Compliance

Compliance with Australian Accounting Standards Board (AASB's) ensures that the financial report of Frontier Capital Group Limited also complies with International Financial Reporting Standards ("IFRS").

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Options valuation

Refer to Note for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management has made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(b) **Principles of consolidation**

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Frontier Capital Group Limited (the "parent entity") as at report date and the results of all subsidiaries for the year then ended. Frontier Capital Group Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those activities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint Ventures

Interest in joint venture entities are accounted for in the consolidated financial statements using the proportionate consolidation method and are carried at cost by the parent entity. Under the proportionate consolidated method, the share of income and expenses of the jointly controlled entity is combined line by line with similar items in the consolidated Statement of Profit and Loss and Other Comprehensive Income and the share of assets and liabilities are recognised in the consolidated Statement of Financial Position.

Business Combination

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included, subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i. The consideration transferred;
ii. Any non-controlling interest; and
iii. The acquisition date fair value of any previously held equity for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holding are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposal of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

(d) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable. All revenue is stated net of the amount of goods and services tax (GST).

(e) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Frontier Capital Group is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

(f) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, and are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) **Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions, and investment in money market instruments maturing within less than three months, net of bank overdrafts.

(i) **Trade and other receivables**

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

(j) **Financial Instruments**

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, and reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and other Comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) **Tenement exploration, valuation and development costs**

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or

- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions are expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(l) **Trade and other payables**

These amounts represent liabilities for goods and services which are unpaid, and were provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) **Restoration and rehabilitation provisions**

Both for close down and restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

(n) **Employee Benefits**

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(o) **Contributed Equity**

Ordinary shares are classified as equity.

(p) **Share based payments**

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

NOTES TO THE FINANCIAL STATEMENTS continued

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(q) **Earnings per share (EPS)**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) **New Accounting Standards for Application**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

3. REVENUE AND EXPENSES

Specific Items

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	Consolidated	
	30 Jun 2015	30 Jun 2014
	$	$
Other income		
Interest income	**12,252**	1,443
Others	**13,522**	76,480
	25,774	77,923
Cost of providing services and administrative expenses		
Employee and on costs	**298,347**	121,412
Director fee	**186,455**	-
Consulting and professional fee	**110,611**	58,160
Other expenses	**780,913**	275,041
	1,376,326	454,613

NOTES TO THE FINANCIAL STATEMENTS continued

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2015	31 Dec 2014
	$	$
Cash at bank and on deposit	**3,190,924**	149,242
Cash held in trust-tenement guarantee	**20,000**	20,000
	3,210,924	169,242

5. MINING TENEMENTS

	Consolidated	
	30 Jun 2015	31 Dec 2014
	$	$
Tenement interest and capitalised exploration expenditures	**104,535**	109,285
	104,535	109,285

The ultimate recoupment of costs carried forward for exploration and evaluation of assets is dependent on the successful development and commercial exploration or sale of the respective areas.

6. FINANCIAL ASSETS

	Consolidated	
	As at 30 Jun 2015	As at 31 Dec 2014
	$	$
Investment in Monvest Group	**1,000,000**	-
Investment in other entities	**150,856**	-
	1,150,856	-

Investment in Monvest Group – partial acquisition of Mongolian National Lottery

7. INTANGIBLE ASSETS

	Consolidated	
	30 Jun 2015	31 Dec 2014
	$	$
Goodwill on acquisition	**8,765,387**	799,980
	8,765,387	799,980

7 INTANGIBLE ASSETS continued

Acquisition of Controlled Entities

On 11 March 2015, the Company acquired 100% interest in CK Graphic SDN BHD. The acquisition resulted in FCG obtaining control of CK Graphic SDN BHD.

	Fair Value $
Purchase consideration:	9,719,625
Shares issued and option issued	
Identifiable assets acquired and liabilities assumed	(1,754,236)
Goodwill	7,965,389

The Directors are of the view that the acquisition of CK Graphic and the consideration paid represents fair value to the Company. This view is supported by the independent expert report which accompanied the Notice of Meeting 19 January 2015. The Directors further hold the view that the Goodwill treatment of the carrying value is appropriate. This view is supported by the Company's understanding of the CK Graphic business and participation on its board by a Company director. The Company will review the Goodwill in subsequent reports in line with CK Graphic reported results.

On 18 November 2013, the Company acquired 100% interest in Peel Gold Pty Ltd. The acquisition resulted in FCG obtaining control of Peel Gold Pty Ltd and Peel Gold North Pty Ltd.

	Fair Value $
Purchase consideration:	800,000
Shares issued 2m @40c	
(Net of share issuing costs)	
Identifiable assets acquired and liabilities assumed	(2)
Goodwill	799,998

8. ISSUED CAPITAL

	Consolidated		**Consolidated**	
	30 Jun 2015 No. of shares	31 Dec 2014 No. of shares	**30 Jun 2015 $**	31 Dec 2014 $
Ordinary shares Issued	**87,500,000**	24,500,000	**16,417,369**	3,966,667

(a) Movements in ordinary share capital during the period:

Consolidated Details	**No. of shares**	No. of shares	**$**	$
Balance	**24,500,000**	87,000,000	**3,966,667**	3,673,965
Selective deduction	**-**	(64,000,000)	**-**	-
Shares issued	**37,500,000**	1,000,000	**7,500,000**	200,000
Share issued	**20,000,000**	500,000	**4,000,000**	100,000
Debt conversion	**5,500,000**	-	**1,100,000**	-
Share issuing costs	**-**		**(149,298)**	(7,298)
Balance	**87,500,000**	24,500,000	**16,417,369**	3,966,667

(b) Options

In acquiring one overseas controlled entity, $37.5 million option issued or granted over unissued shares during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS continued

8. ISSUED CAPITAL continued

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Performance options

No other performance option is granted or exercised during the year.

9. COMMITMENTS

	Consolidated	
	30-Jun-2015	31-Dec-2014
	$	$
Exploration expenditure commitments		
Tenement exploration expenditure	**391,125**	454,000
Tenement lease payment	**7,560**	16,380
	398,685	470,380

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements total approximately $0.39 million over remaining term of tenements.

Remuneration expenditure commitments

Salary and other remuneration commitments under long-term employment contracts existing at reporting date not recognised as liabilities:

Within one year	**72,000**	163,000
Later than one year but not later than 5 years	**288,000**	720,000
Later than 5 years	**-**	-
	360,000	883,000

Mongolian National Lottery

Subsequent to the reporting period the Company has paid $1,500,000 toward the acquisition of the Mongolian National Lottery.

Frontier Capital will settle the acquisition through the payment of cash (40%) and the issue of FCG shares at 30 cents per share (60%). The Purchase Price, to be determined, is a multiple of ten times the Net Profits After Tax (10 x NPAT) for the 2015 financial year that ends on 31 December 2015. This will be paid in FY 2016.

Gaming and hospitality business acquisition

On 27 August the Company announced that it has commenced an exclusive due diligence and negotiation period to acquire a significant Philippines gaming and hospitality business.

AUD$400,000 has been committed toward financial and legal due diligence and the preparation of long-form agreements. A AUD$100,000 refundable deposit was also paid.

The due diligence period runs through to the end of 2015.

The acquisition is subject to FCG meeting statutory and listing rule requirements, including approval of shareholders as required. Settlement is expected in FY 2016.

NOTES TO THE FINANCIAL STATEMENTS continued

9. COMMITMENTS continued

Services agreements

The company has entered into a Corporate service agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting, secretarial and compliance services.

The term of the Corporate Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Corporate Service Agreement provide that Hudson Corporate Limited shall act in accordance with the directors of the Board.

There are no other material commitments as at the date of this report.

10. CONTINGENT LIABILITIES

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

11. SEGMENT REPORTING

The consolidated entity operates one business being the mining and exploration of gold, minerals and related development projects in Australia.

12. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, other than noted above and in the Review of Operations, which have arisen since 30 June 2015 that have significantly affected or may significantly affect:

- the operations, in the financial half-year subsequent to 30 June 2015, of the consolidated entity;
- the results of those operations; or

the state of affairs, in the financial half-year subsequent to 30 June 2015, of the consolidated entity.