



## **Horizon Gold Limited**

*ABN: 27 614 175 923*

Consolidated Financial Statements and other documents  
for the financial year ended 30 June 2017

Current Reporting Period: Financial Year Ending 30 June 2017  
Previous Reporting Period: Financial Year Ending 30 June 2016

# Horizon Gold Limited

ABN 27 614 175 923

## Consolidated Financial Statements and other documents

For the financial year ended 30 June 2017

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The audited financial statements in this report cover the consolidated entity consisting of Horizon Gold Limited and its subsidiary. The financial statements in this report are presented in Australian dollars.

Horizon Gold Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Horizon Gold Limited  
Level 9  
553 Hay Street  
Perth WA 6000

## Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Horizon Gold Limited ("Company" or "Horizon") and the entity it controlled at the end of, or during, the year ended 30 June 2017.

### Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows (directors were in office for the entire period unless otherwise stated):

#### **Peter J Harold (Non-Executive Chairman)**

*B.AppSc(Chem), AFAICD*

*Appointed 10 August 2016. Non-Executive Chairman since 31 August 2016*

Peter is a process engineer with over 30 years corporate experience in the minerals industry, specialising in financing, marketing, business development and general corporate activities. Peter is the Managing Director of Panoramic Resources Limited and has led Panoramic's executive team since the listing of Panoramic on the ASX in September 2001. Peter has overseen the development of the Savannah Nickel Project, recommencement of mining at the Lanfranchi Nickel Project and the purchase of the Gum Creek Gold Project. Prior to founding Panoramic, Peter held various senior management positions with Shell Australia, Australian Consolidated Minerals Limited, Normandy Mining Limited, MPI Mines Limited and the Gutnick network of companies.

During the past three years, Peter has also served as a director of the following listed companies:

- Panoramic Resources Limited (Managing Director from 16 March 2001)\*
- Pacifico Minerals Limited (Non-Executive Director from 19 August 2013)\*
- Peak Resources Limited (Non-Executive Chairman from 1 December 2015)\*

*\* Denotes current directorship*

#### **Peter J Venn (Non-Executive Director)**

*BSc (Geo)(Hons), MAIG, MAICD*

*Appointed 31 August 2016*

Peter Venn is a Geologist with over 30 years of experience and achievement in the global resources sector. After commencing his career in the WA Goldfields as a consultant, he held senior and executive roles with Resolute Mining Limited in Africa and Australia for more than 20 years. Peter has established and led highly successful teams and has been closely involved in the exploration, acquisition, evaluation and development of more than ten gold mines, including; Syama, Golden Pride, Obotan in Africa and Ravenswood, Chalice, Higginsville, Marymia and Mertondale in Australia.

During the past three years, Peter has not served as a director of any listed companies.

#### **Paul W Bennett (Non-Executive Director)**

*MBA, MAusIMM, MAICD*

*Appointed 31 August 2016*

Paul Bennett is a Mining Engineer with an MBA who has extensive experience in the operation, development and financing of resource companies and projects over a 20 year period. Paul has worked in technical, management and business development roles for Newcrest, Western Metals and Panoramic Resources and holds a WA First Class Mine Manager's Certificate. For nine years, Paul was a senior executive at RMB Resources, the resources investment banking business of Rand Merchant Bank (RMB). During Paul's time at RMB, he specialised in the provision of equity, quasi-equity/mezzanine and debt financing for small to mid-sized resource companies across a wide variety of commodities and jurisdictions.

During the past three years, Paul has not served as a director of any listed companies.

#### **Geoffrey J Rogers**

*B Juris, LLB*

*Appointed as a director on 10 August 2016. Resigned on 31 August 2016.*

Geoffrey Rogers is a Corporate and Resources Lawyer who has practiced in the legal profession for more than 30 years. Geoff was appointed as a director on incorporation of the Company and resigned as a director prior to the initial public offer (IPO) and listing of the Company on the Australian Securities Exchange (ASX).

**Directors (continued)**

**Terry J Strong**

*BEng Hons (Mining)*

*Appointed as a director on 10 August 2016. Resigned on 31 August 2016*

Terry Strong is Mining Engineer with over 20 years in operational and management roles within the mining industry. Terry was appointed as a director on incorporation of the Company and resigned as a director of the Company prior to the initial public offer (IPO) and listing of the Company on the Australian Securities Exchange (ASX).

**Company Secretary**

**Trevor R Eton**

*B.A (Hons)(Econ), PostGradDip (Man), AFAIM*

*Appointed 10 August 2016*

Trevor Eton is an Accountant with over 30 years of experience in corporate finance within the minerals industry. Trevor commenced his association with Panoramic Resources Limited in 2003 as Chief Financial Officer and Company Secretary following 10 years with MPI Mines Limited as Group Financial Officer and Company Secretary. Trevor also worked for North Kalgurlu Mines Limited, Metals Exploration Limited and Australian Consolidated Minerals Limited in various corporate finance roles from the mid 1980's.

During the past three years, Trevor has not served as a director of any listed companies.

**Alternate Company Secretary**

**Timothy James Shervington**

*B.Bus (Fin. Acc.), MICS*

*Appointed 31 August 2016*

**Meetings of Directors**

The number of meetings of directors held during the year ended 30 June 2017 and the number of meetings attended by each director during the year are as follows:

	<b>Number of Meetings Available to Attend</b>	<b>Number of Meetings Attended</b>
<b>Total number of meetings held during the year</b>	<b>7</b>	<b>-</b>
Peter J Harold	7	7
Peter J Venn	5	5
Paul W Bennett	5	5
Geoffrey J Rogers	2	2
Terry J Strong	2	2

**Committee Membership**

Due to the size of the Board, there are currently no separate committees of the Board as at the date of this report. For a further explanation, refer to the Company's 2017 Corporate Governance Statement.

**Directors' Interests**

The relevant interest of each director in the share capital as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of signing is as follows:

<b>Name of Director</b>	<b>Ordinary Shares</b>		<b>Other Securities</b>
	<b>Direct</b>	<b>Indirect</b>	
Peter J Harold	-	50,000	-
Peter J Venn	-	-	-
Paul W Bennett	-	100,000	-

**Basis of Preparation**

The Company was incorporated on 10 August 2016. On 6 December 2016, the Company settled the acquisition of Panoramic Gold Pty Ltd ("Panoramic Gold"), which owns the Gum Creek Gold Project, from Panoramic Resources Limited ("Panoramic") and became the holding company of Panoramic Gold.

The insertion of the Company as the new parent entity of Panoramic Gold is not considered to be a business combination and does not result in any change of economic substance.

Accordingly, the consolidated financial statements of the Company represent a continuation of the operations of Panoramic Gold and the comparative information presented in the financial report represents that of Panoramic Gold.

Further information is described in note 1 (a) of the "Notes to the Consolidated Financial Statements".

**Principal Activities**

The principal activities of the consolidated entity during the course of the financial year consisted of exploration, evaluation and development of the Gum Creek Gold Project (previously known as the Gidgee Gold Project), situated in the Central Murchison region of Western Australia.

The consolidated entity operates in one segment, being gold exploration.

**Operating and Financial Review**

***Operating Result for the Year***

The consolidated entity recorded a net profit after tax for the financial year ending 30 June 2017 of \$8,941,000 (2016: \$30,387,000 net loss after tax).

***Financial Performance***

The Group's performance during the 2017 financial year and for the four previous financial years, are set out in the table below after noting the basis of preparation of the financial results as explained above. The financial results shown below were all prepared under International Financial Reporting Standards (IFRS).

<b>Year Ended 30 June</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Other income (\$'000)	344	-	-	1	4
Corporate and admin costs (\$'000)	(326)	-	-	-	-
C & M costs (\$'000)	(1,386)	(948)	(905)	(985)	(2,500)
IPO expenses (\$'000)	(444)	-	-	-	-
Share based payments (\$'000)	-	(10)	(65)	(58)	(116)
Reversal of / (impairment) (\$'000)	9,178	(41,655)	-	-	-
Finance costs (\$'000)	(139)	(753)	(11)	(24)	(21)
<b>Profit /(loss) before tax (\$'000)</b>	<b>7,227</b>	<b>(43,366)</b>	<b>(981)</b>	<b>(1,066)</b>	<b>(2,633)</b>
Income tax benefit (expense) (\$'000)	1,714	12,979	211	94	755
<b>Net profit/(loss) after tax (\$'000)</b>	<b>8,941</b>	<b>(30,387)</b>	<b>(770)</b>	<b>(972)</b>	<b>(1,878)</b>
Earnings/(loss) per share (\$)	0.21	(6,077,400)	(770,000)	(972,000)	(1,878,000)
Market capitalisation (\$'000)	22,959	n/a*	n/a*	n/a*	n/a*
Closing share price (\$ per share)	0.30	n/a*	n/a*	n/a*	n/a*

\* not applicable (n/a) as the Company was only admitted to ASX Limited's Official List on 19 December 2016

### **Capital Structure**

The debt to equity ratio (borrowings on contributed equity) at 30 June 2017 was 0.4% (2016: n/a).

### **Financial and Business Risks**

The business, assets and operations of the consolidated entity have the potential to influence the operating and financial performance of the consolidated entity in the future. The Board aims to manage these risks by carefully planning its activities and implementing risk mitigation measures. A non-exhaustive list of the key business and financial risks of the consolidated entity, include:

- *Exploration* - the Tenements comprising the Gum Creek Gold Project are at various stages of exploration and mineral exploration is a high-risk undertaking. In particular, there is a risk that the contemplated extensional and infill resource drilling programs, or the regional exploration activities to generate new targets will not be successful;
- *Development Studies* - there is a risk that the contemplated metallurgical and process investigations on the known mineralisation types at the Gum Creek Gold Project may not lead to a viable processing route. Furthermore, there is a risk that the contemplated development studies may not lead to a project that is economically viable;
- *Licences, permits and approvals* - the consolidated entity will be required to obtain certain authorisations to undertake exploration and development on the Gum Creek Gold Project tenements. These requirements include Program of Work (POW) approvals and Aboriginal heritage clearances (in certain circumstances). Delays in obtaining, or the inability to obtain, required authorisations may significantly impact on the consolidated entity's operations;
- *Management Team* - the Company does not have its own management team. Until 19 December 2018, Panoramic is providing management services to the Company under the "Management Agreement" dated 21 October 2016 (as detailed on the "Corporate" section of this report). There is no assurance that these services will continue to be available. Termination of the Management Agreement may have an adverse effect on the business and financial performance of the Company until alternative arrangements can be implemented or key personnel are appointed directly by the Board;
- *Commodity prices and foreign exchange rate fluctuations* – the value and profitability of the Gum Creek Gold Project and any other assets acquired by the Company in the future may be adversely affected by fluctuations in commodity prices and foreign exchange rate fluctuations, in particular the price of gold; and
- *Government Legislation Changes* – changes in state and federal legislation and regulations may adversely affect ownership of mineral interests, taxation, royalties, land access, native title, labour relations and the mining and exploration activities of the consolidated entity.

Other business risks can have an impact on the profitability of the consolidated entity. The recognition, management and control of these risks are key elements of the risk management framework being established across the Group, as detailed in the Corporate Governance Statement on pages 25 and 26.

### **Dividends**

No final dividend has been declared for the financial year ended 30 June 2017 (2016: nil).

### **Review of Operations**

#### ***Exploration and Development***

The tenements comprising the Gum Creek Gold Project are at various stages of exploration and development.

During the financial year, the consolidated entity undertook:

- staged programs of ground electromagnetic (EM) surveys, induced polarisation (IP) surveys and reverse circulation (RC) drilling on identified targets. These programs are being undertaken to better define and prioritise regional geophysical, geochemical and structural targets for testing in 2017/18; and
- studies to confirm the suitability of the Wilsons refractory mineralisation to treatment by a moderate temperature and pressure oxidation process.

### **Corporate**

The Company is limited by shares and is domiciled and incorporated in Australia.

### ***Management***

Until 19 December 2018, the Board has delegated responsibility for the day-to-day operations and administration of the Company to members of the "Executive Management Team", meaning personnel contracted by Panoramic. Under the Management Agreement ("Agreement") between the Company and Panoramic dated 21 October 2016, the Executive Management Team is responsible for implementing the strategic objectives and operating within the risk appetite set by the Board. Remuneration for services provided by the Executive Management Team are specified in the Agreement. The services include technical, commercial, managerial and administrative expertise and services ("Services").

Significant events of the consolidated entity during the financial period of a corporate nature were as follows:

### ***Debt Forgiveness and Release***

On 31 August 2016, Panoramic Gold (then a wholly-owned subsidiary of Panoramic) entered into a "Deed of Forgiveness and Release" where all inter-company loans payable to related entities, being entities controlled by Panoramic were forgiven, except for an amount of \$15.6 million payable to Panoramic by Panoramic Gold (as described in note 13 of the "Notes to the Consolidated Financial Statements").

The remaining loan payable to Panoramic of \$15.6 million was assigned from Panoramic to the Company on 6 December 2016 in exchange for 39,030,612 shares in the Company.

### ***Acquisition of Panoramic Gold and Horizon Gold Initial Public Offer (IPO)***

On 21 October 2016, the Company entered into various agreements with Panoramic to acquire Panoramic Gold, which owns the Gum Creek Gold Project, on completion of a \$15 million IPO of the Company and approval from ASX for the Company to be admitted to the ASX Official List. On 6 December 2016, following confirmation that the \$15 million had been raised (37,500,000 new shares issued at an IPO price of \$0.40 per share), the Company acquired all the shares in Panoramic Gold. As a result of the acquisition and IPO, the capital base of the Company was expanded to 76,530,617 shares, with Panoramic retaining a 51% interest in the Company.

On 21 December 2016, the Company began trading on the ASX with an initial market capitalisation of approximately \$30.61 million.

### **Employees**

At the end of the financial year, the Group had 2 permanent, full time employees (2016: 2).

### **Key Developments (Incorporating Significant Changes in the State of Affairs)**

Significant changes in the state of affairs of the consolidated entity during the financial period were as follows:

- On 1 July 2016, the "Gidgee Project Farm-In and Joint Venture Agreement" dated 2 August 2013 expired as Gateway Mining Limited had not satisfied the expenditure condition stipulated in the Agreement.
- On 10 August 2016, the Company was incorporated as a public unlisted company limited by shares.
- On 21 October 2016, the Company entered into an "Acquisition Agreement" with Panoramic and Panoramic Gold in which Panoramic Gold (owner of the Gum Creek Gold Project) and an inter-company loan to Panoramic Gold, would be acquired by the Company in return for Panoramic being issued 39,030,612 shares, valued at \$15,612,000, in the Company, conditional on the Company raising \$15,000,000 (before costs) by issuing 37,500,000 shares at \$0.40 per share and receiving conditional admission approval to the ASX Official List.
- On 19 December 2016, the Company was admitted to the Official List of ASX Limited.
- On 21 December 2016, the Company began trading on the ASX.
- On 17 February 2017, the Company and Panoramic Gold executed a Tax Funding Agreement (TFA).
- On 14 March 2017, the Australian Securities and Investments Commission (ASIC) issued Instrument 17-0248 granting the Company relief from the reporting and audit requirements under *section 323D(5)* of the *Corporations Act 2001 (Cth)* for the Company's first financial half-year, which in the Company's case was for the six months from incorporation (10 August 2016) to 10 February 2017.

**Matters subsequent to the end of the financial year**

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operation and results of the consolidated entity or the state of affairs of the consolidated entity, in future financial years.

**Business Strategies and Prospects (Incorporating Likely developments and expected results)**

The Company's primary goal is to become a stand-alone gold producer, firstly from mining the resources at the Gum Creek Gold Project. The short-term business strategies to achieve this objective is to:

- Undertake extensional and infill drilling on the existing Gum Creek Gold Project resources;
- Undertake regional exploration on the Gum Creek Gold Project tenements targeting new gold discoveries outside of the known resources; and
- Carry out additional development studies on the Gum Creek Gold Project free milling and refractory mineralisation.

**Shares Options**

At the date of signing, there are no unissued ordinary shares of the Company under Option (2016: nil).

**Indemnification of Auditors**

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young (EY), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify Ernst & Young (EY) during or since the financial year.

**Indemnification and Insurance of Directors and Officers**

The Company has agreed to indemnify the directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of certain wrongful acts for which the Company has not agreed to provide indemnity. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

During the financial year, the Company has accrued and/or paid premiums of \$23,415 (2016: nil) in respect of contracts insuring all the directors and officers against legal costs incurred in defending proceedings. The insurance premiums relate to:

- (1) Costs and expenses incurred by the relevant persons in defending legal proceedings, both civil and criminal and whatever the outcome; and
- (2) Other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain a personal advantage.



## **2017 Remuneration Report (Audited)**

This 2017 remuneration report outlines the remuneration arrangements in place for the directors and executives of the Company and the Group in accordance with the *Corporations Act 2001* and its *Regulations* (the Act). The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### **(a) Basis of Disclosure**

The Company was incorporated on 10 August 2016. On 6 December 2016, the Company settled the acquisition of Panoramic Gold Pty Ltd ("Panoramic Gold"), which owns the Gum Creek Gold Project, from Panoramic Resources Limited ("Panoramic") and became the holding company of Panoramic Gold.

The insertion of the Company as the new parent entity of Panoramic Gold is not considered to be a business combination and does not result in any change of economic substance.

**Accordingly, the operations of the Company represent a continuation of the operations of Panoramic Gold and the previous financial year information presented in the remuneration report represents that of Panoramic Gold.**

For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company. **Up to 18 December 2016, the executives of Panoramic acted as the KMP of Panoramic Gold and the Company (after 10 August 2016) ("the Group"), with time allocated to the Group by each Panoramic KMP being accounted for by Panoramic Gold.** This time allocation together with each KMP's fixed and variable remuneration contracted with Panoramic was used to derive the remuneration of the Panoramic KMP shown in Table 1 on page 15. **The remuneration of the Panoramic KMP shown in Table 1 is a subset of the remuneration each person received as an employee contracted to Panoramic and is not in addition to the remuneration received from Panoramic in 2015/16 and 2016/17.**

**From 19 December 2016 for a period of two years, the Board of Directors has delegated responsibility for the day-to-day operations and administration ("Services") of the Company and the Group to members of the "Executive Management Team", meaning personnel from Panoramic Resources Limited (ACN 095 792 288) ("Panoramic") under the 21 October 2016 "Management Agreement" between the Company and Panoramic.** The management fees payable to Panoramic during the two year period for the services provided to the Company and the Group are based on the daily salary rates of the Panoramic personnel who provide those services to the Company plus a mark-up of 28.6% to cover Panoramic's fixed office overheads.

**From 19 December 2016, the members of the Executive Management Team, including the Chairman of the Company, have not received individual remuneration payments for their services to the Group. Instead, each executive's time for Services provided to the Group is charged by Panoramic in accordance with the Management Agreement.**

For the purposes of this report, from 19 December 2016 until the date of this report, the term 'executive' encompasses the senior executives of the Executive Management Team.

### **(b) Directors and Key Management Personnel disclosed in this Report**

#### **(i) Directors**

Peter Harold	Chairman (Non-Executive)
Peter Venn	Director (Non-Executive)
Paul Bennett	Director (Non-Executive)

#### **(ii) Named Executives (senior executives of the Panoramic Executive Management Team)**

Trevor Eton	Company Secretary and Chief Financial Officer
Terry Strong	Chief Operating Officer (to 3 March 2017)
John Hicks	General Manager Exploration
Tim Mason	General Manager Projects

## **2017 Remuneration Report (Audited) (continued)**

### **(c) Remuneration Committee**

Due to the size of the Board and the engagement of the Panoramic Executive Management Team for a two year period ending 19 December 2018, the Board of Directors of the Company has determined there are no efficiencies, at this time, of establishing a separate remuneration committee.

### **(d) Use of remuneration consultants**

Where appropriate, the Board seek advice from independent remuneration consultants to ensure the remuneration paid to the non-executive directors is appropriate and in line with the market. The Company did not receive independent remuneration advice during the financial year as defined under the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration)*.

### **(e) Non-executive director remuneration policy**

#### **(i) Fixed Remuneration**

##### ***Objective***

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

##### ***Structure***

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed from time to time. The Board considers fees paid to non-executive directors of comparable companies when undertaking the review process. Each director receives a fee for being a director of the Company. This fee is inclusive for each Board committee on which a director sits.

The fees paid to non-executive directors for the period ending 30 June 2017 are detailed in Table 1 on page 15 of this report. Fees for the non-executive directors are determined within an aggregate directors' fee pool limit of \$250,000, which is still to be ratified by shareholders.

#### **(ii) Variable Remuneration**

The Company does not reward non-executive directors with variable remuneration. Any shares in the Company that are held by non-executive directors at the date of this report are separately purchased and held by each director and have not been issued by the Company as part of each director's remuneration package.

### **(f) Executive Remuneration**

##### ***Objective***

Currently, the Board has determined that the day to day running of the Company is best served by engaging the Services of the "Executive Management Team" under the "Management Agreement".

Under the Agreement, the remuneration for the Services provided to the Company has been determined and agreed on a commercial basis between the Company and Panoramic, to be paid on a monthly basis in arrears on the presentation of a single tax invoice instead of individual amounts paid to each member of the Executive Management Team. The remuneration terms agreed under the Agreement are fixed for a two year period from 19 December 2016 (the day the Company was admitted to the Official List of ASX Limited).

Up to 18 December 2016, the executives of Panoramic acted as the KMP of Panoramic Gold and the Company (after 10 August 2016) ("the Group"), with 100% of time allocated to the Group by each Panoramic KMP being accounted for by Panoramic Gold. This time allocation together with each KMP's fixed and variable remuneration contracted with Panoramic was used to derive the remuneration of the Panoramic KMP shown in Table 1 on page 15.

## **2017 Remuneration Report (Audited) (continued)**

### **(f) Executive Remuneration (continued)**

#### ***Objective (continued)***

Panoramic aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within Panoramic so as to:

- reward executives for corporate, operating segment and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and the performance of the Company; and
- ensure total remuneration is competitive by market standards.

#### ***Structure***

In determining the level and make-up of executive remuneration, the Panoramic Remuneration Committee takes into consideration the operational and economic circumstances the Panoramic Group is facing and likely to face in the medium term together with the current market levels of remuneration for comparable executive roles.

It is Panoramic's Remuneration Committee policy that employment contracts are entered into with key management personnel. Details of these KMP contracts with Panoramic are provided on page 13 and 14.

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits);
- Variable Remuneration:
  - Short Term Incentive Bonus ('STIB'); and
  - Long Term Incentive ('LTI').

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives if the Panoramic Group's operational and economic circumstances permit), is established for each senior executive by the Panoramic Remuneration Committee. Table 1 on page 15 details the variable component (%) of the Group's KMP. Where necessary, when the payment of superannuation on an individual's STI Bonus would cause the amount of superannuation in any financial year to exceed the applicable statutory concessional maximum superannuation contribution limit, at the individual's discretion, an equivalent amount of employer superannuation is added to the executive's base cash salary.

### **(i) Fixed Remuneration**

#### ***Objective***

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Panoramic Remuneration Committee and the process consists of a review of Group-wide, business unit and individual performance, the Panoramic Group's operational and economic circumstances, relevant comparative remuneration in the market and internal and, when appropriate, external advice on policies and practices.

#### ***Structure***

Executives contracted by Panoramic are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Panoramic Group.

The fixed remuneration component of the key management personnel from their time allocated to the Company and Panoramic Gold in 2015/16 and 2016/17 (up to 18 December 2016) is detailed in Table 1 on page 15.

**2017 Remuneration Report (Audited) (continued)**

**(f) Executive Remuneration (continued)**

**(ii) Variable Remuneration - Short-term Incentive Bonus (STIB)**

***Objective***

The objective and intention of the Panoramic executive STIB scheme, when the Panoramic Group's operational and economic circumstances permit, is to encourage and provide a further incentive to executives to:

- (a) Maximise the financial performance of the Panoramic Group on a regular and consistent basis that is also consistent with Panoramic's Core Values; and
- (b) create and maintain a culture within all levels of Panoramic and Group such that Panoramic's Core Values are accepted, supported and actively promoted by all the employees of Panoramic and Group.

The STIB scheme has, in the past, been designed so as to provide sufficient incentive to the executives such that the cost to Panoramic is reasonable in the circumstances.

**(iii) Variable Remuneration - Long Term Incentive (LTI)**

***Objective***

The objective of a LTI program is to reward and incentivise executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

From 1 July 2014, LTI grants to executives contracted by Panoramic were delivered in the form of performance rights to ordinary shares in Panoramic issued under the 2010 Panoramic Resources Limited Employee Share Plan ("2010 ES Plan"), which was re-approved by the Company's shareholders on 30 July 2014 under ASX Listing Rule purposes for three years, until 30 July 2017.

In light of Panoramic's Nickel Division operations being on care and maintenance during the 2017 financial year as a result of the low, albeit unsustainable, nickel price, the Panoramic Remuneration Committee has put on hold the granting of new performance rights to shares to employees. In addition, the three year shareholder approval period of the 2010 ES Plan has now expired (on 30 July 2017), meaning a new Panoramic Employee Share Plan ("Plan"), under ASX Listing Rules, would need to have obtained shareholder approval before new performance rights to shares can be granted to executives and other senior employees under a new Plan.

**2010 Panoramic Resources Limited Employee Share Plan ("2010 ES Plan")**

Under the structure of the 2010 ES Plan, executives and senior employees contracted by Panoramic were invited, subject to the Panoramic Group's operational and economic circumstances, to receive a new grant of performance rights to shares, such that the LTI grant formed a key component of their remuneration package. The LTI dollar value that senior executives and other senior employees were entitled to be received was set at a fixed percentage of their annual Fixed Remuneration (base salary plus statutory superannuation) ranging from 17% to 100% of Fixed Remuneration depending on level and seniority and market conditions. The number of performance rights to shares to be granted was determined by dividing the LTI dollar value by the fair value ("FV") of one performance right (as determined by an independent valuer).

For the FY2015 grant of performance rights to ordinary shares in Panoramic, the FV at 1 July 2014 was externally determined at \$0.67. The vesting day of the FY2015 Performance Rights was 1 July 2017.

For the FY2016 grant of performance rights to ordinary shares in Panoramic, the FV at 1 July 2015 was externally determined at \$0.208. The vesting day of the FY2016 Performance Rights is 1 July 2018.

**2017 Remuneration Report (Audited) (continued)**

**(f) Executive Remuneration (continued)**

**(iii) Variable Remuneration - Long Term Incentive (LTI) (continued)**

Performance Conditions

FY2015 Performance Rights and FY2016 Performance Rights will vest subject to meeting service and performance conditions as defined below:

- 75% of the performance rights to ordinary shares in Panoramic will be performance tested against the relative total shareholder return ("TSR") measure of Panoramic over a 3 year period; and
- 25% of the performance rights to ordinary shares in Panoramic will be performance tested against the Panoramic reserve/resource growth over a 3 year period.

The performance conditions above that were endorsed by the Panoramic Board and subsequently approved by Panoramic shareholders on 30 July 2014, were chosen as they matched similar split performance conditions used in LTI Plans of other ASX listed resource companies.

Panoramic's TSR will be measured at the end of each financial year against a customised peer group, which for the FY2016 grant of performance rights for the 3 year period commencing 1 July 2015, comprised the following companies:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>- Altona Mining Limited</li> <li>- Aurelia Metals Limited</li> <li>- CuDeco Limited</li> <li>- Heron Resources Limited</li> <li>- Hillgrove Resources Limited</li> <li>- Hot Chili Ltd</li> </ul> | <ul style="list-style-type: none"> <li>- Independence Group NL</li> <li>- Mincor Resources NL</li> <li>- Rex Minerals Limited</li> <li>- Sandfire Resources NL</li> <li>- Poseidon Nickel Limited</li> <li>- Western Areas Ltd</li> </ul> |
|--|---|

The following table sets out the vesting outcome based on Panoramic's relative TSR performance:

Relative TSR Rank	% of Performance Rights
Below 50% percentile	No Performance Rights vesting
At or above the 50th percentile but below the 75th percentile	50% to 99% vesting (pro-rata on a straight-line basis) of the Performance Rights
At or above 75th percentile	100% of Performance Rights vesting

The second performance hurdle is Panoramic's metal reserve/resource growth net of depletion. Broadly, the quantum of the increase in reserves/resources will determine the number of performances rights to vest.

The following table sets out the vesting outcome based on Panoramic's metal reserve/resource growth performance:

Reserves and Resources Growth Performance	% of Performance Rights vesting
Reserves and Resources depleted	No Performance Rights vesting
Reserves and Resources maintained	50% vesting of the Performance Rights
Reserves and Resources grown by up to 30%	Between 50% and 100% vesting (pro-rata on a straight-line basis) of the Performance Rights
Reserves and Reserves grown by 30% or more	100% of Performance Rights vesting

There will be no retesting of performance hurdles. It is only if one or both of these performance hurdles are passed and the 3 year service condition is met that the performance rights can be exercised into Shares.

***No Hedging Contracts on LTI Grants***

Panoramic does not permit its executives to enter into contracts to hedge their exposure to options or performance rights to ordinary shares in Panoramic. This policy is strictly enforced under Panoramic's Share Trading Policy. This policy can be accessed on Panoramic's website at [www.panoramicresources.com](http://www.panoramicresources.com).

The details of FY2015 Performance Rights and FY2016 Performance Rights granted as compensation to executives contracted by Panoramic can be obtained from Panoramic 2017 Remuneration Report on Panoramic's website at [www.panoramicresources.com](http://www.panoramicresources.com).

**2017 Remuneration Report (Audited) (continued)**

**(g) Employment contracts**

**(i) Non-Executive Chairman**

The Chairman, Peter Harold, is employed under a contract with Panoramic that commenced on 1 January 2010. The key features of his employment contract (Contract), as described below, are relevant to the Group until 18 December 2016:

- The term of the Contract was initially for a minimum of 12 months, and is now able to be terminated on 6 months notice from Peter Harold, and on 12 months notice from Panoramic. Termination is immediate (with no payment in lieu of notice) under certain events. Since 1 January 2011, the fixed remuneration per annum of Peter Harold's Contract is subject to review on an annual basis.
- Panoramic may make STIB payments to Peter Harold, firstly, up to a maximum of 75% of Peter Harold's fixed remuneration per annum under the First Part (Financial Performance), and secondly, up to a maximum of 25% of Peter Harold's fixed remuneration per annum under the discretionary Second Part (Core Values). The Cash bonus under the First Part (Financial Performance) will be calculated at the end of the Relevant Financial Year using figures obtained from the audited consolidated financial statements of Panoramic for the Relevant Financial Year, in accordance with the following formula:

$$\text{CPH} = [\text{P} - (\text{E} \times 15\%)] \times 2.5\%, \text{ where}$$

**CPH** = the Cash bonus to be paid to Peter Harold for the Relevant Financial Year;

**P** = Earnings Before Interest and Tax ("EBIT") on a consolidated basis) for the Relevant Financial Year;

**E** = the average of (1) the "Total Assets" line item of the audited consolidated balance sheet for the Relevant Financial Year and (2) the "Total Assets" line item of the audited consolidated balance sheet for the year immediately preceding the Relevant Financial Year. "Total Assets" includes current and non-current assets.

- Peter Harold may resign from his position and thus terminate the Contract with Panoramic by giving 6 months written notice. Any vested unlisted options not exercised, if applicable, will be forfeited 4 weeks after notice of resignation. Peter Harold will not receive any accrued benefits of the executive STIB scheme in the event that he gives notice.
- Peter Harold accrues 5 weeks of annual leave entitlements per year and 13 weeks of long service leave entitlements for every 10 years of service.
- If Panoramic terminates Peter Harold's Contract, other than lawfully in accordance with its terms, Peter Harold will be entitled to be paid his accrued First Part (Financial Performance) at the time notice of the termination is given based on the calculated STIB at the end of the previous quarter in the Relevant Financial Year, up to the maximum of 75% of Peter Harold's fixed remuneration per annum. Any payment of a Cash bonus under the Second Part (Core Values) will be at the discretion of the Panoramic Remuneration Committee. If Peter Harold works out the whole or any part of his notice period, he will be entitled to his accrued First Part (Financial Performance) during the period after the notice is given until such time as he stops working.
- If there is a Change of Control Event, Peter Harold will be entitled to be paid his accrued First Part (Financial Performance) at the time of the Change of Control based on the calculated STIB at the end of the previous quarter in the Relevant Financial Year, up to the maximum of 75% of Peter Harold's fixed remuneration per annum. Any payment of a Cash bonus under the Second Part (Core Values) will be at the discretion of the Panoramic Board. If the Panoramic Board is unable to determine for any reason the accrued and discretionary benefits to Peter Harold, Peter Harold will be entitled to be paid an accrued STIB based on 100% of Peter Harold's fixed remuneration per annum.
- From 1 July 2014 until 30 July 2017, for the granting of performance rights to shares at zero cost under the 2010 ES Plan, Peter Harold was entitled to receive up to 100% of his annual Fixed Remuneration in performance rights to shares. On 20 November 2015 at a General Meeting of Panoramic shareholders, Peter Harold was granted 1,450,000 FY2016 performance rights at zero cost under the 2010 ES Plan. The FV of each performance right on 20 November 2015 was externally determined at \$0.208. On 30 July 2014 at a General Meeting of Panoramic shareholders, Peter Harold was granted 904,601 FY2015 performance rights at zero cost under the 2010 ES Plan. The FV of each performance right on 30 July 2014 was externally determined at \$0.71.
- If Peter Harold's employment contract is terminated after a Change of Control of Panoramic, other than lawfully in accordance with its terms, then, the Panoramic Board may determine in its sole and absolute discretion, the manner in which granted performance rights will be dealt with, including (but not limited to) allowing Peter Harold to exercise all or a proportion of their performance rights within such time as determined, after which the performance rights will lapse and be cancelled.
- The principal terms and conditions of the performance rights granted under the 2010 ES Plan are provided in pages 11 and 12.

**2017 Remuneration Report (Audited) (continued)**

**(g) Employment contracts (continued)**

**(ii) Non-Executive Directors**

All other non-executive directors conduct their duties under the following terms:

- A non-executive director may resign from his position and thus terminate his contract on written notice.
- The Company may ask for a non-executive director to resign, if, for any reason, the director becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company. Where termination with such cause occurs, the non-executive director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

**(iii) Other Named Executives**

All other named executives are employed under individual open common law employment contracts with Panoramic. These executives and the commencement date of their contracts are as follows:

<b>Named Executive</b>	<b>Date of Current Employment Contract</b>	<b>Position</b>
Trevor Eton	8 January 2013	Chief Financial Officer & Company Secretary
Terry Strong#	6 February 2013	Chief Operating Officer
John Hicks	14 March 2014	General Manager Exploration
Tim Mason	1 December 2015	General Manager Projects

# employment contract was terminated on 3 March 2017

***Employment Contracts***

The common key features of the above named executives' employment contracts with Panoramic, as described below, are relevant to the Group until 18 December 2016:

- Each named executive may resign from their position and thus terminate their contract by giving 3 months written notice. Any vested unlisted options not exercised will be forfeited 4 weeks from the date of resignation.
- Panoramic may terminate a named executive's employment contract by providing 4 months written notice or provide payment based on each named executive's fixed remuneration per annum in lieu of the notice period. In the event of a termination in employment through a Change in Control of Panoramic, Panoramic will provide 6 months written notice or provide payment based on each named executive's fixed remuneration per annum in lieu of notice.
- Panoramic may terminate the contract at any time without notice if serious misconduct has occurred. When termination with such cause occurs, the named executive is only entitled to that portion of remuneration which is fixed, and only up to the date that notice of termination is given. On termination with such cause, any unvested options or LTI grants in the form of performance rights to ordinary shares in Panoramic will immediately be forfeited. Any vested unlisted options not exercised within 4 weeks of such notice of termination will be forfeited.
- If a named executive's employment contract is terminated after a Change of Control of Panoramic, other than lawfully in accordance with its terms, then, the Panoramic Board may determine in its sole and absolute discretion, the manner in which granted performance rights to ordinary shares in Panoramic will be dealt with, including (but not limited to) allowing the named executive to exercise all or a proportion of their performance rights within such time as determined, after which the performance rights will lapse and be cancelled.
- Each named executive accrues 4 weeks of annual leave entitlements per year and 13 weeks of long service leave entitlements for every 10 years of service.
- From 1 July 2014 until 30 July 2017, for the granting of performance rights to ordinary shares in Panoramic at zero cost under the 2010 ES Plan, each named executive, depending on level and seniority, were entitled to receive 17% to 75% of their annual Fixed Remuneration in performance rights. Each of the named executives were granted FY2015 performance rights and/or FY2016 performance rights at zero cost under the 2010 ES Plan, as detailed in the 2017 Panoramic Remuneration Report. The main terms and conditions of performance rights granted under the 2010 ES Plan are provided in pages 11 and 12:

**2017 Remuneration Report (Audited) (continued)**

**(h) Details of Remuneration**

**Table 1: Remuneration of Directors and Executive Officers**

The remuneration in Table 1 of each named person is the total of fixed remuneration (base salary, superannuation and non-monetary benefits) and variable remuneration (short term and long term incentives). The remuneration of the Panoramic KMP shown in Table 1 is a subset of the remuneration each person received as an employee contracted to Panoramic and is not in addition to the remuneration received from Panoramic in 2015/16 and 2016/17. Excluding the cash component of remuneration, the total remuneration shown is the amount expensed by the Company and does not, in every case, represent what each named individual ultimately received in cash.

2017	Short-term benefits			Post employment benefits	Long-term benefits	Share based payments			
	Cash salary and fees	Bonus(a)	Other	Super-annuation	Long Service Leave	Rights to shares (a)	Termination / Resignation payments	Total	Performance related
Name	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>									
P J Harold (b)(d)	46,189	-	3,906	4,388	1,155	29,493	-	85,131	35
P J Venn (c)	18,555	-	2,224	-	-	-	-	20,779	-
P W Bennett (c)	18,555	-	2,224	-	-	-	-	20,779	-
<b>Executives</b>									
T R Eton (b)	50,169	-	5,322	4,766	1,254	23,693	-	85,204	28
T S Mason (b)	55,076	-	3,306	5,232	1,377	17,341	-	82,332	21
J D Hicks (b)	38,386	-	5,322	3,647	960	12,086	-	60,401	20
T J Strong (b)	6,420	-	1,268	610	177	2,523	-	10,998	23
	<b>233,350</b>	<b>-</b>	<b>23,572</b>	<b>18,643</b>	<b>4,923</b>	<b>85,136</b>	<b>-</b>	<b>365,624</b>	<b>23</b>

- (a) Includes the non-cash amortisation expense of the FY2015 and/or FY2016 LTI performance rights to ordinary shares in Panoramic from 1 July 2016 to 18 December 2016, calculated from time allocated to the Company and Panoramic Gold
- (b) For the period 1 July 2016 to 18 December 2016, calculated from time allocated to the Company and Panoramic Gold
- (c) For the period 21 December 2016 to 30 June 2017
- (d) For the period 19 December 2016 to 30 June 2017, in accordance with the Management Agreement between the Company and Panoramic, the Group incurred management fees amounting to \$194,000 for Services provided by the Executive Management Team. Of this amount, \$39,000 was incurred by the Group for Services provided by Peter Harold as a member of the Executive Management Team (inclusive of the 28.6% fixed office overhead). This amount is not included in the remuneration of Peter Harold and not payable to Peter Harold

2016	Short-term benefits			Post employment benefits	Long Term benefits	Share based payments			
	Cash salary and fees	Bonus(a)	Other	Super-annuation	Long Service Leave	Rights to shares (b)	Termination / Resignation payments	Total	Performance related
Name	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Executives</b>									
P J Harold (a)	55,350	-	1,204	5,258	1,384	27,064	-	90,260	30
C J Williams (a)(c)	104,825	-	1,423	9,958	2,619	(34,098)	239,305	324,032	-
T J Strong (a)	15,300	-	204	1,454	383	5,443	-	22,784	24
T R Eton (a)	30,060	-	1,204	2,856	752	10,835	-	45,707	24
J D Hicks (a)	23,000	-	1,204	2,185	575	5,527	-	32,491	17
T S Mason (a)	22,987	-	409	2,184	550	5,286	-	31,416	17
	<b>251,522</b>	<b>-</b>	<b>5,648</b>	<b>23,895</b>	<b>6,263</b>	<b>20,057</b>	<b>239,305</b>	<b>546,690</b>	<b>4</b>

- (a) Fixed and variable remuneration has been calculated from time allocated to Panoramic Gold during the year
- (b) Includes the non-cash amortisation expense of the FY2015 and/or FY2016 LTI performance rights to ordinary shares in Panoramic, calculated from time allocated to Panoramic Gold. For individuals who left during the year, the total accumulated amortisation expense up to the date of departure has been reversed
- (c) Mr. C J Williams retired as a director of Panoramic Gold on 4 December 2015



**2017 Remuneration Report (Audited) (continued)**

**(i) Details of share based compensation and bonuses**

*Securities granted as part of remuneration during the year*

**Table 2: Securities granted as part of remuneration during the year**

**Options - 2016/17**

No options for Horizon ordinary shares were granted during 2016/17.

**Performance Rights to Shares - 2016/17**

No performance rights to Horizon ordinary shares were granted as compensation to key management personnel during 2016/17.

**Options - 2015/16**

No options for Panoramic ordinary shares were granted during 2015/16.

**Performance Rights to Shares - 2015/16**

Performance rights to Panoramic ordinary shares were granted as compensation to key management personnel during 2015/16. Refer to section (f) "Executive Remuneration" above for further details.

The fair value of one performance right is determined using a Binomial valuation model (for non-market vesting conditions) and a Monte Carlo simulation model (for market vesting conditions), that takes into account the share price at grant date and expected price volatility of the underlying Share, the expected dividend yield and the risk-free rate for the term of the right at the date of grant

There were no alterations to the terms and conditions of securities granted as remuneration since their grant date.

There were no ordinary shares issued to key management personnel on the exercise of securities during the financial year.

**(a) Equity instrument disclosures relating to key management personnel**

*Share holdings*

The number of shares in the Company held during the financial year by each director of Horizon Gold Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as remuneration.

2017	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Name</b>				
<b>Ordinary shares</b>				
P J Harold	-	-	50,000	50,000
P J Venn	-	-	-	-
P W Bennett	-	-	100,000	100,000
<b>Ordinary shares</b>				
T R Eton	-	-	5,000	5,000
T S Mason	-	-	-	-
J D Hicks	-	-	-	-
T J Strong	-	-	-	-
	-	-	<b>155,000</b>	<b>155,000</b>

**Share holdings – 2015/16**

Not applicable (N/A), as the Company was only incorporated on 10 August 2016.

All equity transactions with key management personnel have been entered into on terms and conditions no more favourable than those the Horizon Group would have adopted if dealing at arm's length.

**2017 Remuneration Report (Audited) (continued)**

**(a) Equity instrument disclosures relating to key management personnel (continued)**

There were no loans to directors or other key management personnel at any time during the year ended 30 June 2017. There were no transactions involving key management personnel other than compensation and transaction concerning shares in Horizon as discussed in the remuneration report.

*This marks the end of the 2017 Remuneration Report.*

**Environmental regulation**

The Gum Creek Gold Project is subject to significant environmental regulations under both Commonwealth and State legislation in relation to its exploration activities. The Company monitors compliance with the relevant environmental legislation. The directors are not aware of any breaches of the legislation during the period covered by this report.

**Rounding of Amounts**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

**Auditor's Independence Declaration**

Section 307C of the *Corporations Act 2001* requires the Company's auditor, Ernst & Young (EY), to provide the directors of Horizon Gold Limited with an Independence Declaration in relation to the audit of the financial report for the year ended 30 June 2017. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

**Non-audit Services**

The following non-audit services were provided by the consolidated entity's auditor, Ernst & Young (EY). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young (EY) received or are due to receive the following amounts for the provision of non-audit services:

- Tax and other services in relation to the listing of the Company on the ASX (\$23,250).

Signed in accordance with a resolution of the directors.



Peter Harold  
Chairman

Perth, 27 September 2017

## **Corporate Governance Statement**

The Board of Directors of Horizon Gold Limited (“the Board”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Horizon Gold Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company’s Corporate Governance Statement (“Statement”) outlines the main corporate governance practices in place from 13 September 2016, which comply with the Australian Securities Exchange (“ASX”) Corporate Governance Council’s (“CGC”) Third Edition (March 2014) of the “Corporate Governance Principles and Recommendations (“the Recommendations”), unless otherwise stated.

In this Corporate Governance Statement, “Management Agreement” or “Agreement” means the 21 October 2016 agreement between the Company and Panoramic Resources Limited that commenced on 19 December 2016 (the day the Company was admitted to the Official List of ASX Limited).

As required under ASX Listing Rule 4.10.3, the Company makes the following Board approved disclosures in relation to each of the Recommendations as at 30 June 2017.

### **Principle 1: Lay Foundations for Management and Oversight**

#### ***Primary Role of the Board***

The Board’s primary role is to provide overall strategic guidance and effective oversight of management. The Board is responsible to shareholders for the long-term performance of the Company and derives its authority from the Company’s Constitution (August 2016).

#### ***Board Operation***

To ensure the Board is well equipped to discharge its responsibilities, the Board has adopted a formal Board Charter (“Charter”). The Charter details the Board’s role, authority, responsibilities, membership and operation and sets out the matters specifically reserved for the Board and the powers delegated to any of its Committees (if applicable) and to management. The Board has delegated responsibility for the day-to-day operations and administration of the Company to members of the “Executive Management Team”, meaning personnel from Panoramic Resources Limited (ACN 095 792 288) (“Panoramic”) under the Management Agreement between the Company and Panoramic.

The Charter can be viewed on the Company’s website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

#### ***Board Processes***

The Board is responsible for the overall corporate governance of the Company including the strategic direction, establishing goals for the Executive Management Team and monitoring the achievement of these goals. The Board has established a framework for the management of the Company and its controlled entities, a framework which divides the functions of running the Company between the Board, the Chairman and the Executive Management Team. The Board has put in place a system of internal control, risk management and has the task of monitoring financial performance and the establishment of appropriate ethical standards. The agenda for meetings of the Board is set by the Chairman. Standard items include the project reports, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Members of the Executive Management Team are regularly involved in Board discussions.

The Company Secretary of the Company (and his Alternate) is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary (and his Alternate) is to facilitate and monitor the implementation of Board policies and procedures and is to provide advice to the Board on the application of the Charter, the Company’s Constitution, corporate governance matters under the Plan, ASX Listing Rules and other applicable laws.

**Principle 1: Lay Foundations for Management and Oversight (continued)**

***Roles of the Chairman and the Executive Management Team***

The Chairman is responsible for the leadership of the Board, ensuring it is effective, setting the agenda of the Board, conducting the Board meetings, ensuring then approving that an accurate record of the minutes of board meetings is held by the Company and conducting the shareholder meetings. The Chairman is also currently the Managing Director of Panoramic and a member of the Panoramic Executive Management Team.

Currently, the Executive Management Team is responsible and accountable for the day to day running of the Company and for implementing the strategic objectives and operating within the risk appetite set by the Board. The services and remuneration of the Executive Management Team are provided under the Management Agreement between the Company and Panoramic. The services specified in the Agreement include technical, commercial, managerial and administrative expertise and services ("Services").

The Services to be provided and aggregated monthly charges payable by the Company under the Agreement are for a two year period ending on 19 December 2018 (the second anniversary of the day the Company was admitted to the Official List of ASX Limited), or for a further twelve month period if mutually agreed. The Agreement can be terminated on three months' notice if 1) Panoramic holds less than 25% of the issued share capital in the Company, 2) the Company employs personnel to manage the Company and has no further need for any of the Services, 3) Panoramic is no longer in a position, in its sole and absolute discretion, to provide the Services under the Agreement, 4) if Panoramic is grossly derelict in the performance of the Services, and 5) a Change of Control or Insolvency Event occurs. Nothing in the Agreement prevents the Company from engaging the services of other parties for completion of some or all of the Services and the Agreement may be terminated if both parties agree in writing that the Agreement be ended, including the date it is to be ended. It is the ultimate responsibility of the Board to regularly review the performance of the Services being provided to the Company by members of the Executive Management Team under the Agreement and to ensure that individuals of the Executive Management Team have the appropriate mix of skills and resources to implement and achieve the Board's corporate and strategic objectives.

***Appointment of Directors and Management***

The Company has put in place an appropriate organisational and management structure commensurate with the Company's size and nature to ensure the day to day running of the Company is undertaken in an effective and efficient manner and to ensure the Company has the right mix of skills and resources to implement and achieve the Board's corporate and strategic objectives. The Board is to regularly review this structure to determine that it is appropriate and "fit for purpose" and if necessary make changes.

The directors have a clear understanding of their duties, roles and responsibilities and of the expectations of them, as contained within a written agreement agreed and signed by the Company and each director.

The Board will review its composition as required against the Company's Board skill matrix to ensure that the Board has the appropriate mix of qualifications, experience and expertise for which the Board is looking to achieve in its membership. Under the direction and supervision of the Chair, appropriate background checks will be undertaken of each candidate as to the person's character, experience, education, criminal record and bankruptcy history. Each incumbent director is encouraged, and given the opportunity to meet with each candidate on a one to one basis. The full Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders. For the meeting, shareholders are given sufficient information of the new director, including but not limited to biographical details, other listed directorships currently held and in the case of a director standing for election for the first time, advice that appropriate background checks have been undertaken.

***Diversity Policy***

The Company has in place a Diversity Policy which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy.

Given the size of the Company, the Board has not determined measurable objectives on gender diversity across the workplace and at the Board level.

**Principle 1: Lay Foundations for Management and Oversight (continued)**

***Diversity Policy (continued)***

Pursuant to *Recommendation 1.5* of the Recommendations, the Company discloses the following information as at the date of this Statement:

- Percentage of women and men employed within the Group - women: nil; men: 100%;
- Percentage of women and men in a senior management position - women: n/a; men: n/a; and
- Percentage of women and men employed at the Board level - women: nil; men: 100%.

The Company has defined an employee who is in a senior management position as a person who is a “senior manager” as defined in *Section 9 (Definitions)* of the *Corporations Act 2001*, namely a person who is at the highest management level of the Company who “makes, or participates in making decisions that affect the whole, or a substantial part, of the business of the corporation; or has the capacity to affect significantly the corporation’s financial standing”. Currently, the roles of senior manager are being carried out by members of the Executive Management Team under the Management Agreement.

The Diversity Policy can be viewed on the Company’s website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

***Performance Assessment of the Board, its Committees and Individual Directors***

Currently, there is no formal annual performance appraisal system in place for Board performance on a director by director basis. In the coming year, each Director performance will be discussed informally, whereby the performance of individual members and the performance of the Board as a whole, will be assessed. A standalone board performance review may be conducted.

***Performance Assessment of Senior Executives***

Currently, the roles of senior manager/executive are being carried out by members of the Executive Management Team under the Management Agreement. It is the ultimate responsibility of the Chairman and the Board to regularly review the performance of the Services being provided to the Company by members of the Executive Management Team under the Agreement and to ensure that individuals of the Executive Management Team have the appropriate mix of skills and resources to implement and achieve the Board’s corporate and strategic objectives.

**Principle 2: Structure the Board to Add Value**

***Board Composition***

The composition of the Board is determined using the following principles:

- The Board currently comprises three directors. Under Clause 14.1 of the Company’s Constitution, this number may be increased to a maximum of nine directors where it is required due to a commercial alliance, or felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- The Board should comprise directors with a broad range of expertise with an emphasis on commercial, exploration, mining and project development related experience; and
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than a Managing Director, if applicable) are subject to re-election at least every three years. The tenure of the Managing Director (if applicable) is linked to their holding of executive office.

The name, position, independence classification, qualification, skills and length of service of each director of the Company in office at the date of the Statement is:

**Principle 2: Structure the Board to Add Value (continued)**

***Board Composition (continued)***

<b>Name</b>	<b>Position</b>	<b>Independence Classification</b>	<b>Qualification/Skills</b>	<b>Service (yrs)</b>
Peter J Harold#	Non-Executive Chairman#	Non Independent	Process Engineer, corporate and project development	1
Peter J Venn	Non-Executive Director	Independent	Geologist and general mining	1
Paul W Bennett	Non-Executive Director	Independent	Engineer, corporate and project development	1

# Peter J Harold is an executive director of a substantial shareholder holding more than 50% of the ordinary shares in the Company and as a consequence has been assessed as not being independent under the independence criteria detailed in Recommendation 2.3 of the Recommendations.

The Chair of the Board is Peter Harold, who has been assessed as not being independent under the Independence criteria detailed in Recommendation 2.3 of the Recommendations. The Board believes that Peter Harold is the most appropriate person for the position of Chair because of his industry experience and knowledge of the Gum Creek Gold Project. The Board believes that Peter Harold makes decisions that are in the best interests of the Company. Mr Harold will not be present in Board meeting discussion for any matters concerning the Management Agreement, unless agreed by the independent directors, or eligible to vote on any matters concerned with the Management Agreement.

***Nomination committee***

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing a separate nomination committee. The functions of the nomination committee are performed by the Board as a whole, when required, using the principles for setting the composition of the Board as set-out in the Charter.

The roles and responsibilities conducted by the Board to address board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable to discharge its duties and responsibilities include considering the size and composition of the Board, assessing and determining the independent status of each director, regularly determining whether each has enough time to commit to carry out his or duties responsibilities and implementing a plan for identifying, assessing and enhancing director competencies.

***Directors' Independence***

The composition and independence of the Board is considered to be appropriate for a Company that has recently acquired an advanced exploration and development project. As at the date of this Statement, the majority of non-executive directors, namely Peter Venn and Paul Bennett, are considered independent of management, have no interest, position, association or material contractual relationship that would compromise their independence and directly or indirectly, individually hold less than 5% of the issued ordinary shares of the Company. The Independence Criteria detailed in Recommendation 2.3 of the Recommendations in relation to each non-executive director is listed in Annexure A to the Charter and each director's independence is assessed on a regular basis against the Independence Criteria and the quantitative and qualitative Materiality Thresholds (listed in Annexure B of the Charter) when appropriate

Where a director acquires an interest, position, association or relationship described in Recommendation 2.3 of the Recommendations and exceeds the Materiality Thresholds set out in the Charter, the director must immediately declare the nature of the interest, position, association or relationship and the Board will determine whether to declare any loss of independence.

**Principle 2: Structure the Board to Add Value (continued)**

***Directors' Independence (continued)***

The Board will consider the following quantitative and qualitative materiality threshold tests and guidelines for assessing the materiality of matters:

- balance sheet items are material if they value of more than 5% of pro-forma net assets;
- profit and loss items are material if they have an impact on the current year operating result of 10% or more;
- items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or 10% or more on profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%; and
- contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the qualitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

***Director Education***

The non-executive directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Company operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. Directors will visit the Gum Creek Gold Project at least once a year, and will meet with members of the Executive Management Team on a regular basis to enable directors to maintain an understanding of the roles and responsibilities of executives and of the culture and values within the Company.

***Conflict of Interest***

In accordance with *Section 191* of the *Corporations Act 2001* and Article 16.16 of the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

***Independent professional advice***

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of the advice received by the director is made available to all other members of the Board.

***Board Committees***

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing separate committees of the Board. The functions of the nomination, remuneration, audit and risk committees are performed by the Board as a whole, when required, using the principles for each committee as set-out in the Charter.

**Principle 3: Act Ethically and Responsibly**

All directors and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the performance and reputation of the Company and its controlled entities.

***Code of Conduct***

The Company has established a written Code of Conduct which outlines the culture, practices, expected conduct, values and behavior to be displayed by all employees in upholding the integrity, reputation and accountability of the Company and its controlled entities in the work environment and in the interactions with the Company's various stakeholders. Certain practices are necessary to comply with Federal and Western Australian State industrial legislation and the Corporations Law. The Code of Conduct has a clear responsibility and accountability of employees for reporting and investigating reports of unethical practices by reference to specific rules and policies such as the rules for trading in the Company securities, and on discrimination, harassment and bullying.

The Code of Conduct can be viewed on the Company's website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

***Trading in Company securities by directors, officers and employees***

The Company has in place a fit-for-purpose Share Trading Policy for the trading in Company securities by directors, officers and employees as required under ASX Listing Rule 12.12. The Policy is worded to ensure compliance with Section 1043A of the Corporations Law (on insider trading), Part 2D.1 of the Corporations Act 2001 (on the proper duties in relation to the use of inside information), and ASX Listing Rules 3.19A, 12.9, 12.10, and 12.11 and updated Guidance Note 27 (January 2015). The Chairman (in the absence of a Managing Director) and the Company Secretary have been appointed to ensure that the following rules for the trading in Company's securities are strictly adhered to:

- Trading in Company securities is only permitted following the notification of the intention to trade by submitting a Notification Form with the Chairman and dealing is not to occur until a receipt of confirmation is received from the Chairman or, in the case of the Chairman, from the other non-executive directors;
- Trading in Company securities is prohibited at any time when in possession of unpublished information, which if generally available, might materially affect the price or value of those securities;
- Trading in Company securities is prohibited during specified prohibited periods, known as black-out periods;
- Active trading in Company securities, which involves frequent and regular trading in those securities with a view to derive profit related income from that activity, is prohibited;
- The entering into contracts to hedge exposure to equity-based remuneration, is prohibited; and
- Only in exceptional circumstances, can approval be obtained in advance from the Chairman, or in the case of a director, from the other directors, to trade outside the specified prohibited periods.

On an annual basis in December, the Company Secretary will circulate to all employees via email, the start and finish dates for the next calendar year's black-out periods. To monitor compliance with the policy and to give assurance to the Board on compliance with the rules of the Share Trading Policy, the Company Secretary keeps records of the confirmations permitting a trade in the Company's securities in strict adherence with the rules.

This Share Trading Policy can be accessed on the Company's website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.



**Principle 3: Act Ethically and Responsibly (continued)**

***Discrimination, Harassment and Bullying Policy***

The Company is committed to providing a work environment that is safe, fair and free from discrimination, harassment and bullying for all employees of the Company. All employees are encouraged to follow adopted procedures allowing concerns or instances of illegal conduct or malpractice to be raised in good faith without being subjected to victimisation, harassment or discriminatory treatment, and to have such concerns or instances properly investigated. The policies (as part of the Code of Conduct) provide a mechanism by which all employees can confidentially report improper conduct without fear of discrimination. The policies on discrimination, harassment and bullying, which are contained in the Code of Conduct, can be viewed on the Company's website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

***Privacy Policy***

The Company has in place a Privacy Policy which deals with the collection, use, storage and disclosure of information of personal information about an individual who can be identified or who may be reasonably identified by the information. Where sensitive information is collected and stored, the information must not be collected unless the individual consents to collection and the Company is authorised to collect the information by law. The Policy sets out the obligations surrounding the integrity of personal information, security measures, how an individual can access their information and seek correction to it, and make complaint to if necessary.

This Privacy Policy can be accessed on the Company's website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

**Principle 4: Safeguard Integrity in Corporate Reporting**

The Chairman (who performs in this case the chief executive function as defined in *Section 295A* of the *Corporations Act 2001*) and Company Secretary (who performs in this case the chief financial officer function as defined in *Section 295A* of the *Corporations Act 2001*) are required to state in writing to the Board that the Company's and Group's financial reports present a true and fair view, in all material aspects, of the Company's and Group's financial condition and that operational results are in accordance with relevant accounting standards. Pursuant to *Section 295A* of the *Corporations Act 2001*, the Chairman and the Company Secretary are required to provide written certification to the Board, at both the end of the Half-Year and the Full-Year reporting periods, that the Company's financial reports are based on a sound system of risk management and internal control and that the system is operating effectively.

The Board reviews all final draft external financial reports with the external auditor and makes recommendations on their adequacy prior to their release to shareholders, investors and other public forums. There is regular communication between the Board, management and external auditor. In accordance with *Section 324DA* of the *Corporations Act 2001*, the audit partner of the external auditor is required to be rotated after five successive financial years. It is the role of the Board to select the new audit engagement partner as nominated by the external partner after considering each nominated individual's experience, reputation and independence.

In addition, in the absence of an internal audit function, the Board assists and assesses the adequacy of the Company's internal control and financial risk management systems, accounting and business policies.

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing a separate audit committee.

In March 2017, the Board approved the "Horizon Board Audit Function Terms of Reference (March 2017)", which sets out the role and duties of the Board that would ordinarily be assigned to a committee under the written terms of reference (charter) for an audit committee.

The "Horizon Board Audit Function Terms of Reference (March 2017)" can be viewed on the Company's website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

**Principle 5: Make Timely and Balanced Disclosure**

***Continuous Disclosure and Shareholder Communication***

The Company is committed to providing relevant up to date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Law.

The Company has a Continuous Disclosure Policy that states that all shareholders and investors will have equal and timely access to the Company's information.

The Company has appointed the Company Secretary to oversee the continuous disclosure practices of the Company and its controlled entities. His responsibilities include:

- Reviewing all statutory regulatory or tender reports submitted to or made by the Company and its controlled entities, and to report or recommend to the Board as appropriate;
- Ensuring compliance with continuous disclosure requirements;
- Overseeing and coordinating the disclosure of information to the ASX, analysts, brokers, shareholders, the media and public; and
- Educating directors and staff of the Company's and Group's disclosure policies and procedures and raising awareness of the principles of the underlying continuous disclosure.

The Continuous Disclosure Policy can be viewed on the Company's website at [www.horizongold.com.au](http://www.horizongold.com.au) under the Corporate Governance section.

**Principle 6: Respect the Rights of Security Holders**

***Continuous Disclosure and Shareholder Communication***

The Board in adopting a Continuous Disclosure Policy ensures that shareholders are provided with up to date Company information. Communication to shareholders is facilitated by the production of the annual report, quarterly reports, public announcements, and the posting of policies, and ASX releases immediately after their disclosure to the ASX, on the Company's website. All shareholders are given the option to receive communications from, and send communications to, the Company and Share Registry electronically. In addition, all shareholders are encouraged to attend the Annual General Meeting and use the opportunity to ask questions to the Board and the Executive Management Team. The Company makes every endeavour to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit.

**Principle 7: Recognise and Manage Risk**

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board.

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing a separate risk management committee (as part of the audit committee function). It is the Board's responsibility under the Charter to review and ratify systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters.

**Principle 7: Recognise and Manage Risk (continued)**

To control and mitigate financial risk, the Company has put in place a Board approved credit risk policy ("Treasury Policy: Credit Risk") to manage the exposure to counterparty credit risk on cash investments of up to 540 days. Recommendations from management for the establishment of, or amendments to, approved counterparties and exposure limits are included in the Policy, which is reviewed and approved by the Board on an annual basis.

The Company engages an insurance broking firm as part of the Board's annual assessment of the coverage of insured assets and risks. Risk management workshops are not held, but business risks will be continually assessed (at least annually) by the Board.

The reporting and control mechanisms, in the absence of an internal audit function, support the written certification at the end of the Half-Year and Full-Year reporting periods, in accordance with *Section 295A* of the *Corporations Act 2001* given by the Chairman (who performs in this case the chief executive function) and Company Secretary (who performs in this case the chief financial officer function) to the Board certifying that the Company's financial reports are based on a sound system of risk management and internal control and that the system is operating effectively.

**Principle 8: Remunerate Fairly and Responsibly**

***Board Remuneration***

The total annual remuneration paid to non-executive directors may not exceed the limit set by the shareholders at a general meeting (currently \$250,000). The remuneration of the non-executive directors is fixed rather than variable. In accordance with Clause 14.7 of the Company's Constitution, remuneration may be provided in such manner that the directors decide (including by way of contribution to a superannuation fund on behalf of a director) and if any of the fees of any director is to be provided other than in cash, the directors may determine the manner in which the non-cash component of the fees is to be valued.

***Executive Remuneration***

Due to the size of the Board, the Board has determined there are no efficiencies, at this time, of establishing a separate remuneration committee.

The Board has reserved the appointment, and where necessary, the replacement of the Managing Director/Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination, having regard to market conditions and the performance of individuals and the Company. The Board also ensures that there is no discrimination on remuneration in respect to gender.

Currently, the Board has determined that the day to day running of the Company is best served by engaging the Executive Management Team of Panoramic to provide Services under the Management Agreement. Under the Agreement, the remuneration for the Services provided to the Company has been determined and agreed on a commercial basis between the Company and Panoramic, to be paid on a monthly basis in arrears on the presentation of a single tax invoice instead of individual amounts paid to each member of the Executive Management Team. The remuneration terms agreed under the Agreement are fixed for a two year period from 19 December 2016 (the day the Company was admitted to the Official List of ASX Limited).

Further details in relation to director and executive remuneration are set out in the 2017 Remuneration Report on pages 8 to 17.

In accordance with a resolution of the directors of Horizon Gold Resources Limited, I state that:

1. In the directors' opinion:

- (a) the financial statements and notes set out on pages 34 to 74 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial period ending 30 June 2017.

On behalf of the Board



Peter Harold  
Chairman

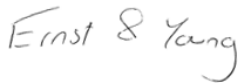
Perth, 27 September 2017

## Auditor's independence declaration to the Directors of Horizon Gold Limited


As lead auditor for the audit of Horizon Gold Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Horizon Gold Limited and the entities it controlled during the financial year ended 30 June 2017.



Ernst & Young



P Teale  
Partner  
27 September 2017

# Independent Auditor's Report to the Members of Horizon Gold Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Horizon Gold Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Accounting for the group reorganisation

### Why significant

As detailed in note 1 (a), the Company was incorporated on 10 August 2016 and on 6 December 2016, the Company settled the acquisition of Panoramic Gold Pty Ltd (“Panoramic Gold”) which owns the Gum Creek Gold Project from Panoramic Resources Limited and became the holding company of Panoramic Gold.

The accounting for the group reorganisation was significant to our audit due to the complexity involved in determining the appropriate treatment under Australian Accounting Standards.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We enquired with the directors and reviewed the underlying agreements to assess whether the treatment adopted by the directors complies with the requirements of Australian Accounting Standards.
- ▶ We considered the adequacy of the disclosures in the 30 June 2017 financial report with respect to the group reorganisation.

## 2. Carrying value of non-current assets

### Why significant

As at 30 June 2017 the Group held non-current assets totalling \$26,933,000 comprising of property, plant and equipment and capitalised exploration and evaluation expenditure (refer to notes 9 and 11 respectively).

At the end of each reporting period, the directors exercise judgment in determining whether there is any indication of impairment or indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. As detailed in notes 9 and 11 a reversal of impairment loss of \$9,178,000 was recognised for the year ended 30 June 2017.

We focused on this matter because of the:

- ▶ Significant judgment involved in considering if there was an indicator of impairment or indicator that an impairment loss recognised in prior periods may no longer exist or may have decreased.
- ▶ Significant judgment and estimates such as underlying reserves and resources, as well as resource multiples based on comparable transactions are involved in the determination of recoverable amount.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We evaluated the Group’s assessment of indications of impairment or that an impairment loss recognised in prior periods may no longer exist or may have decreased.
- ▶ We assessed the key assumptions used by the Group in determining the recoverable amount (which was based on a fair value less costs of disposal methodology) in conjunction with our valuation specialists, including assessing resource multiples and performing comparable transaction analysis using external data where available.
- ▶ We assessed the adequacy of the Group’s disclosures with respect to the degree of estimation involved in the determination of the recoverable amount and the reversal of the impairment loss.

### 3. Rehabilitation and restoration provisions

#### Why significant

As a consequence of its operations the Group incurs obligations to rehabilitate and restore mine sites. Rehabilitation and restoration activities are governed by local legislative requirements. As at 30 June 2017, the Group's consolidated statement of financial position included provisions of \$9,377,000 in respect of such obligations.

Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as timing of when rehabilitation will take place, the time period for the rehabilitation to be effective, the costs associated with the rehabilitation and restoration activities and economic assumptions such as inflation rates and discount rates (refer to note 16).

#### How our audit addressed the key audit matter

We evaluated the assumptions and methodologies used by the Group in arriving at their rehabilitation cost estimates. In doing so we:

- ▶ Assessed the competence, objectivity and independence (for external experts) of both management's internal and external experts that formed the basis of the Group's costs estimate.
- ▶ Assessed the appropriateness of the cost estimates used by the Group and their external experts by utilising our internal specialists.
- ▶ Tested the inflation and discount rate assumptions used in the Group's cost estimates, having regard to available economic data on future inflation and discount rates.
- ▶ Evaluated the adequacy of the Group's disclosures relating to rehabilitation obligations and considered the treatment applied to changes in the rehabilitation and restoration provisions from prior year.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

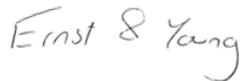
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

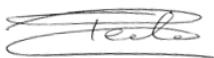
In our opinion, the Remuneration Report of Horizon Gold Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



P Teale  
Partner  
Perth  
27 September 2017

**Horizon Gold Limited**  
**Consolidated income statement**  
**For the year ended 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
Other income	3	344	-
IPO expenses		(444)	-
Corporate and administration costs		(326)	-
Impairment loss	9, 11	-	(41,655)
Reversal of impairment loss	9, 11	9,178	-
Share based payments		-	(10)
Care and maintenance expenses	4	(1,386)	(948)
Finance costs	4	(139)	(753)
<b>Profit / (loss) before income tax</b>		<u>7,227</u>	<u>(43,366)</u>
Income tax benefit	5	1,714	12,979
<b>Profit / (loss) for the year</b>		<u>8,941</u>	<u>(30,387)</u>
Profit / (loss) for the year is attributable to:			
Owners of Horizon Gold Limited		8,941	(30,387)
		\$	\$
 <b>Earnings / (loss) per share attributable to the ordinary equity holders of the Company:</b>			
Basic earnings / (loss) per \$/share	27	0.2	(6,077,400.0)
Diluted earnings / (loss) per \$/share	27	0.2	(6,077,400.0)

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

**Horizon Gold Limited**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit / (loss) for the year</b>	<b>8,941</b>	<b>(30,387)</b>
<b>Other comprehensive income</b>		
Other comprehensive loss for the year, net of tax	<u>-</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year is attributable to:</b>		
<b>Owners of Horizon Gold Limited</b>	<u><b>8,941</b></u>	<u><b>(30,387)</b></u>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Horizon Gold Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	11,705	-
Trade and other receivables	7	47	128
Prepayments	8	24	-
<b>Total current assets</b>		<u>11,776</u>	128
<b>Non-current assets</b>			
Exploration and evaluation	11	22,670	14,285
Property, plant and equipment	9	4,263	1,179
<b>Total non-current assets</b>		<u>26,933</u>	15,464
<b>Total assets</b>		<u>38,709</u>	15,592
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	641	62
Borrowings	13	116	41,013
Provisions	14	43	55
<b>Total current liabilities</b>		<u>800</u>	41,130
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	-	1,714
Provisions	16	9,377	9,397
<b>Total non-current liabilities</b>		<u>9,377</u>	11,111
<b>Total liabilities</b>		<u>10,177</u>	52,241
<b>Net assets/liabilities</b>		<u>28,532</u>	(36,649)
<b>EQUITY</b>			
Contributed equity	17	29,671	-
Reserves	18(a)	-	627
Accumulated losses		<u>(1,139)</u>	(37,276)
<b>Total equity / (deficit)</b>		<u>28,532</u>	(36,649)

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**Horizon Gold Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2017**

Notes	Contributed equity \$'000	Share- based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2015</b>	-	617	(6,889)	(6,272)
Loss for the year	-	-	(30,387)	(30,387)
<b>Total comprehensive loss for the year</b>	-	-	<b>(30,387)</b>	<b>(30,387)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share options - value of employee services	-	10	-	10
<b>Balance at 30 June 2016</b>	-	<b>627</b>	<b>(37,276)</b>	<b>(36,649)</b>
<b>Balance at 1 July 2016</b>	-	627	(37,276)	(36,649)
Profit for the year	-	-	8,941	8,941
<b>Total comprehensive loss for the year</b>	-	-	<b>8,941</b>	<b>8,941</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs and tax	17	14,059	-	14,059
Elimination of equity accounts on insertion of new parent		(26,569)	(627)	27,196
Contributions from shareholders		26,569	-	-
Shares issued in consideration of settlement of debt	13, 17	15,612	-	-
		29,671	(627)	27,196
<b>Balance at 30 June 2017</b>		<b>29,671</b>	<b>-</b>	<b>(1,139)</b>
				<b>28,532</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Horizon Gold Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(1,432)	(1,011)
<b>Net cash outflow from operating activities</b>	26	(1,432)	(1,011)
<b>Cash flows from investing activities</b>			
Exploration and evaluation expenditure		(2,473)	(1,497)
Interest received		186	-
<b>Net cash outflow from investing activities</b>		(2,287)	(1,497)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares (net of cost)		15,000	-
Proceeds from borrowings from related parties		1,365	2,473
Share issue costs		(941)	-
<b>Net cash inflow from financing activities</b>		15,424	2,473
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		-	35
<b>Cash and cash equivalents at end of year</b>	6	11,705	-

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## **1 Summary of significant accounting policies**

The financial report of Horizon Gold Limited (the Parent or the Company) and its subsidiaries (the Group) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 27 September 2017.

Horizon Gold Limited (the Parent) is a for profit Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The Group's principal place of business is Level 9, 553 Hay Street, Perth WA 6000.

The principal activities of the Group during the course of the financial year consisted of exploration, evaluation, development, and production of mineral deposits.

### **(a) Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis. The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board.

The Company is an entity of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. As a result, amounts in these interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The Company was incorporated on 10 August 2016. On 6 December 2016, the Company settled the acquisition of Panoramic Gold Pty Ltd ("Panoramic Gold") which owns the Gum Creek Gold Project from Panoramic Resources Limited and become the holding company of Panoramic Gold. The insertion of the Company as the new parent entity via the acquisition of Panoramic Gold by the Company (the "Group Reorganisation") is not considered to be a business combination and does not result in any change of economic substance. Accordingly, the consolidated financial statements of the Company represents a continuation of the operations of Panoramic Gold. Therefore, the comparative information presented represents that of Panoramic Gold. The comparative EPS information of Panoramic Gold has been adjusted as a result of the group restructure and insertion of the new parent entity.

The significant accounting policies adopted by the Company in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to periods presented unless otherwise stated.

### **(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights



## **1 Summary of significant accounting policies (continued)**

### **(b) Basis of consolidation (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

### **(c) New accounting standards and interpretations**

Refer to Appendix A on page 69.

### **(d) Significant accounting judgements, estimates and assumptions**

The Directors evaluate estimates and judgements incorporated into the Financial Information based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained internally and externally.

#### *(i) Determination of mineral resources and ore reserves*

The Group estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC code') as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined either under the 2012 or 2004 editions of the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Significant judgement is required in assessing the available reserves. Factors that must be considered in determining reserves and resources are the Company's history of converting resources to reserves and the relevant time frame, market and future developments.

Changes in the forecast prices of commodities, foreign currency exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

## 1 Summary of significant accounting policies (continued)

### (d) Significant accounting judgements, estimates and assumptions (continued)

#### *(ii) Impairment of capitalised exploration and evaluation expenditure*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved and probable reserves and mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Capitalised exploration and evaluation expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### *(iii) Impairment of property, plant and equipment*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' ("VIU") (being the net present value of expected future cash flows of the relevant cash-generating unit) and 'fair value less costs to dispose' ("FVLCD").

#### *(iv) Provision for decommissioning and rehabilitation*

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques, discount rates or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

The carrying amount of the provision as at 30 June 2017 was \$9,377,000 (2016: \$9,397,000). The Group estimates that the costs would be realised towards the end of the respective mine lives and calculates the provision using the DCF method based on expected costs to be incurred to rehabilitate the disturbed area. These costs are discounted at 2.26% and expected to be incurred post 2023 based on the current life of mine plans.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

#### *(v) Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a Monte Carlo model and a Binomial model, using the assumptions detailed in note 28.

## **1 Summary of significant accounting policies (continued)**

### **(e) Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in the banks short-term deposits with an original maturity not exceeding three months and if greater than three months, principal amounts can be redeemed in full with interest payable at the same cash rate from inception as per the agreement with each bank, net of bank overdrafts.

### **(f) Income tax**

**Following the exit of the Company and Panoramic Gold from the Panoramic Resources Limited tax consolidated group on 8 December 2016, income tax for the consolidated entity is accounted for as follows:**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets and liabilities are reassessed at each balance sheet date and reduced to the extent that it is no longer probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

## **1 Summary of significant accounting policies (continued)**

### **(f) Income tax (continued)**

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **Tax consolidation legislation**

Horizon Gold Limited and its wholly-owned Australian controlled entities have resolved to implement tax consolidation as of 8 December 2016.

The head entity, Horizon Gold Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Horizon Gold Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

#### **Whilst Panoramic Gold was part of the Panoramic Resources Limited tax consolidated group, income tax was accounted for as follows:**

Panoramic Gold accounted for its own current and deferred tax amounts using the Stand-Alone Taxpayer Approach.

Each entity within the Panoramic Resources Limited tax consolidated group was party to a tax funding agreement that determined the amount payable by each Member for their portion of the Consolidated Group's current tax and deferred tax liability. The tax funding agreement determined that each Member's funding amount was calculated as if the Member was a stand-alone entity. Payment to the head entity was to be settled in cash or set-off against the Member's loan account. Taxation liabilities that were set-off against the Member's loan account were derecognised immediately after initial recognition. Tax losses at the end of each financial year were transferred to Panoramic Resources Limited.

### **(g) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

### **(h) Property, plant and equipment**

Items of plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of plant and equipment constructed for and by the consolidated entity, where applicable, includes the cost of materials and direct labour. The proportion of overheads and other incidental costs directly attributable to its construction are also capitalised to the cost of plant and equipment.

#### *Depreciation and amortisation*

Depreciation and amortisation is calculated on a units of production basis.

## **1 Summary of significant accounting policies (continued)**

### **(h) Property, plant and equipment (continued)**

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

Property, plant and equipment that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### *Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### **(i) Exploration, evaluation, development, mine properties and rehabilitation expenditure**

#### *(i) Exploration and evaluation expenditure*

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation expenditure is capitalised provided the right to tenure of the area of interest is current and the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area or, alternatively, by its sale.

Payments for the acquisition of tenements are initially capitalised. Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource. Costs expensed during this phase are included in "Exploration Expenditure" in the consolidated income statement.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular license as exploration and evaluation asset.

Once a JORC-compliant reserves are established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties'. No amortisation is charged during the E&E phase.

#### *Impairment*

The carrying value of capitalised exploration expenditure is assessed for impairment at the cash-generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

Capitalised exploration and evaluation expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

## **1 Summary of significant accounting policies (continued)**

### **(i) Exploration, evaluation, development, mine properties and rehabilitation expenditure (continued)**

#### *(ii) Provision for decommissioning and rehabilitation*

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided in the period in which obligation arise. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. Over time, the liability is increased for the change in net present value based on a risk adjusted pre-tax discount rate appropriate to the risk inherent in the liability. The unwinding of the discount is included in financing cost. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and rehabilitation costs, the value of the provision and any related asset are adjusted and the effect is recognised in the income statement on a prospective basis over the remaining life of the operation.

### **(j) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost when the Group becomes obliged to make payments resulting from the purchase of goods and services. The amounts are non-interest-bearing, unsecured and are usually paid within 30 days of recognition.

### **(k) Employee benefits**

#### *(i) Short term benefits*

Liabilities for short term benefits expected to be wholly settled within 12 months of the reporting date are recognised in other payables in respect of employees services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### *(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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date of corporate bond rate with terms of maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### *(iii) Share-based payments*

##### *Equity-settled transactions*

The parent company, Panoramic Resources Limited, provided benefits to employees (including executive directors) of Panoramic Gold in the form of share based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). These benefits were provided by Panoramic Resources Limited up to 6 December 2016.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Monte-Carlo simulation model or binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of Panoramic Resources Limited if applicable.

The cost of equity-settled transactions is recognised, together with the corresponding increase in reserve, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

## **1 Summary of significant accounting policies (continued)**

### **(k) Employee benefits (continued)**

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### *(iv) Bonus plans*

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### **(l) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds.

### **(m) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

### **(n) Earnings per share**

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

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- 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.

## 2 Segment information

### Description of segments

The Company operates in one segment, being gold exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of the financial statements.

All of the company's assets are located in Australia and the company has no major customers as it does not generate any revenue.

## 3 Other income

	2017 \$'000	2016 \$'000
Interest income	186	-
Gain on measurement of rehabilitation liability	158	-
	344	-

## 4 Expenses

	2017 \$'000	2016 \$'000
<b>Loss before income tax includes the following specific expenses:</b>		
<i>Finance costs</i>		
Unwinding of discount - rehabilitation	139	753



## 5 Income tax benefit

### (a) Income tax benefit

	2017 \$'000	2016 \$'000
Relating to origination and reversal of temporary differences in current year	-	(12,009)
Current tax	-	(970)
Tax benefit arising on formation of tax consolidated group	<b>(1,714)</b>	-
	<b>(1,714)</b>	<b>(12,979)</b>

### (b) Numerical reconciliation of income tax benefit to prima facie tax

	2017 \$'000	2016 \$'000
Profit / (loss) from continuing operations before income tax benefit	<b>7,227</b>	(43,366)
Tax expense (benefit) at the Australian tax rate of 30% (2016 - 30.0%)	<b>2,168</b>	(13,010)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other expenses not deductible for tax	-	28
Tax benefit arising on formation of tax consolidated group	<b>(1,714)</b>	-
Deferred tax asset not recognised	<b>(2,168)</b>	-
Share based payments	-	3
<b>Income tax benefit</b>	<b>(1,714)</b>	<b>(12,979)</b>

### Tax Consolidation

On 8 December 2016, the Group resolved to be treated as a single entity ("Horizon Tax Group") for income tax purposes. On 17 February 2017, the Company and Panoramic Gold executed a Tax Funding Agreement (TFA).

## 6 Current assets - Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank and in hand	<b>586</b>	-
Deposits at call	<b>11,119</b>	-
	<b>11,705</b>	-

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2017 \$'000	2016 \$'000
Cash at bank and in hand and deposits at call	<b>11,705</b>	-

## **6 Current assets - Cash and cash equivalents (continued)**

### **(b) Cash at bank and on hand**

Cash at bank earns interest at floating rates based on daily bank deposit rates. The weighted average interest rate achieved for the year was 1.84%.

### **(c) Deposits at call**

Short term deposits are made of varying maturities not exceeding three months and earn interest at the respective short term deposit rates. If short term deposits have original maturity greater than three months, principal amounts can be redeemed in full with interest payable at the same cash rate from inception as per the agreement with each bank, net of bank overdrafts. The weighted average interest rate achieved for the year was 2.5%.

### **(d) Fair value**

The carrying amount for cash and cash equivalents equals the fair value.

## 7 Current assets - Trade and other receivables

	2017 \$'000	2016 \$'000
Loans to related parties	-	81
Other receivables	47	47
	47	128

### (a) Loans provided to related parties

The loan receivable from related parties comprise loans provided by Panoramic Gold Pty Ltd to Savannah Nickel Mines Pty Ltd, Lanfranchi Nickel Mines Pty Ltd and Magma Metals Pty Ltd (all subsidiaries of Panoramic Resources Limited). The loans provided to related parties were at call, unsecured and interest free. The loans advanced to related parties were forgiven by Panoramic Gold Pty Ltd on 31 August 2016.

### (b) Other receivables

These amounts relate to receivables for goods and services tax, diesel fuel rebates and sundry items. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

## 8 Current assets - Prepayments

	2017 \$'000	2016 \$'000
Prepayments	24	-

## 9 Non-current assets - Property, plant and equipment

	2017 \$'000	2016 \$'000
<b>Plant and equipment</b>		
Deemed cost	4,263	4,263
Accumulated depreciation and impairment	-	(3,084)
	4,263	1,179
	4,263	1,179

**9 Non-current assets - Property, plant and equipment (continued)**

	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2017</b>		
Opening net book amount	1,179	1,179
Reversal of impairment loss	3,084	3,084
<b>Closing net book amount</b>	<b>4,263</b>	<b>4,263</b>
<b>At 30 June 2017</b>		
Deemed cost	<b>4,263</b>	<b>4,263</b>
<b>Year ended 30 June 2016</b>		
Opening net book amount	4,263	4,263
Impairment loss	(3,084)	(3,084)
<b>Closing net book amount</b>	<b>1,179</b>	<b>1,179</b>
<b>At 30 June 2016</b>		
Deemed cost	4,263	4,263
Accumulated impairment loss	(3,084)	(3,084)
<b>Net book amount</b>	<b>1,179</b>	<b>1,179</b>

## **9 Non-current assets - Property, plant and equipment (continued)**

### **(a) Impairment of assets**

On 3 August 2015, Panoramic announced the decision by its directors to divest the Gum Creek Gold Project. Accordingly, the Project was classified as an asset held for sale under AASB 5: Non-Current Assets Held for Sale and Discontinued Operations ("AASB 5").

In accordance with AASB 5, immediately before the classification of Gum Creek as assets held for sale, the carrying value of Gum Creek was assessed to ensure that it was being carried at the lower of its carrying value and "fair value less cost to dispose" (FVLCD). Accordingly, at 31 December 2015, an impairment loss of \$41,655,000 was recognised to reduce the carrying values of Gum Creek to its FVLCD.

In June 2016, the directors resolved to divest the Gum Creek Gold Project by way of an initial public offering (IPO) of the project on the ASX. As a result, at 30 June 2016, the Project (which was previously classified as asset held for sale) was re-classified into its respective asset categories.

Prior to reclassification out of the held for sale category, the carrying value of Gum Creek was assessed to ensure that it was being carried at the lower of its carrying value (adjusted for depreciation and amortisation) and FVLCD. It was determined that the FVLCD value of the Project approximated its carrying value at 30 June 2016.

During the IPO process and accordance with AASB 136: Impairment of Assets ("AASB 136"), the carrying value of the Gum Creek Project was reviewed for indicators of impairment or indicators of reversal of impairment loss to determine whether impairment loss recognised during the year ended 30 June 2016 may no longer exist or may have decreased. As indicators of impairment reversal were identified, management determined the recoverable amount of the Project. The FVLCD of Gum Creek was determined to be \$25,042,000 (30 June 2016: \$15,864,000) and accordingly an impairment loss of \$9,178,000 was reversed during the period.

A further review was undertaken at 30 June 2017 to ensure that it was being carried at the lower of its carrying value (adjusted for depreciation and amortisation) and FVLCD. It was determined that the FVLCD value of the Project approximated its carrying value at 30 June 2017.

The FVLCD of the Gum Creek Gold Project has been determined based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources/reserves and the valuation multiple. Any change in these estimates could impact the FVLCD of the underlying "cash generating unit" (CGU).

**10 Non-current assets - Deferred tax assets**

	2017 \$'000	2016 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	820	-
Employee benefits	13	16
Provisions	2,828	2,874
Deferred tax asset not recognised	(82)	-
	3,579	2,890
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	(3,579)	(2,890)
<b>Net deferred tax assets</b>	-	-
<b>Movements:</b>		
Opening balance	2,890	3,020
Charged/(credited):		
- to profit or loss	689	(130)
	3,579	2,890

## 11 Non-current assets - Exploration and evaluation

	2017 \$'000	2016 \$'000
Deemed cost	55,329	52,856
Accumulated impairment	<u>(32,659)</u>	<u>(38,571)</u>
	<b>22,670</b>	<b>14,285</b>

	Exploration and Evaluation \$'000	Total \$'000
<b>Year ended 30 June 2017</b>		
Opening net book amount	14,286	14,286
Expenditure incurred	2,473	2,473
Remeasurement of rehabilitation liability	(182)	(182)
Reversal of impairment loss	6,093	6,093
<b>Closing net book amount</b>	<u><b>22,670</b></u>	<u><b>22,670</b></u>

<b>At 30 June 2017</b>		
Deemed cost	55,329	55,329
Accumulated amortisation and impairment	<u>(32,659)</u>	<u>(32,659)</u>
<b>Net book amount</b>	<u><b>22,670</b></u>	<u><b>22,670</b></u>

<b>Year ended 30 June 2016</b>		
Opening net book amount	52,706	52,706
Expenditure incurred	1,496	1,496
Impairment loss	(38,571)	(38,571)
Remeasurement of rehabilitation liability	(1,346)	(1,346)
<b>Closing net book amount</b>	<u><b>14,285</b></u>	<u><b>14,285</b></u>

<b>At 30 June 2016</b>		
Deemed cost	52,856	52,856
Accumulated amortisation and impairment	<u>(38,571)</u>	<u>(38,571)</u>
<b>Net book amount</b>	<u><b>14,285</b></u>	<u><b>14,285</b></u>

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

Refer to note 9(a) for further details on impairment assessment.

## 12 Current liabilities - Trade and other payables

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
Trade payables	<b>560</b>	-
Accrued expenses	<b>81</b>	62
	<b>641</b>	62

Trade payables are non interest bearing and are normally settled on 30 day terms.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

## 13 Current liabilities - Borrowings

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b>Unsecured</b>		
Loans from related parties	<b>116</b>	41,013
Total unsecured current borrowings	<b>116</b>	41,013

The loan received from related parties at 30 June 2017 comprises loan received from Panoramic Resources Limited (the parent entity of the Company, "Panoramic"). The loans received from related parties are at call, unsecured and interest free.

On 31 August 2016, Panoramic Gold Pty Ltd (then a wholly-owned subsidiary of Panoramic) entered into a Deed of Forgiveness and Release where all inter-company loans payable to related entities, being entities controlled by Panoramic were forgiven, except for an amount of \$15.6 million payable to Panoramic by Panoramic Gold Pty Ltd.

As a result, the amounts forgiven by these related parties of \$26.6 million was credited to contributed equity. The forgiveness of the loans was credited to equity as it was considered to be "contributions from shareholders" (Note 17).

The remaining inter-company loan payable to Panoramic of \$15.6 million was assigned to the Company as part of the acquisition of Panoramic Gold Pty Ltd (the owner of the Gum Creek Gold Project) by the Company in exchange for 39,030,612 shares in the Company (Note 17).



#### 14 Current liabilities - Provisions

	2017 \$'000	2016 \$'000
Employee benefits - long service leave	18	31
Employee benefits - annual leave	25	24
	43	55

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service. Where employees have not yet completed the required period of service, their pro rata entitlement is recognised as a non-current provision for long service leave.

#### 15 Non-current liabilities - Deferred tax liabilities

	2017 \$'000	2016 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Depreciation and amortisation	3,579	4,620
Accrued income	-	(16)
	3,579	4,604
Set-off of deferred tax liabilities pursuant to set-off provisions (note 10)	(3,579)	(2,890)
<b>Net deferred tax liabilities</b>	-	1,714
<b>Movements:</b>		
Opening balance	4,604	16,743
Charged/(credited):		
- profit or loss	(1,025)	(12,139)
	3,579	4,604

## 16 Non-current liabilities - Provisions

	2017 \$'000	2016 \$'000
Rehabilitation	<b>9,377</b>	9,397

A provision for rehabilitation is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of a mining site. Estimates of the rehabilitation are based on the anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislations in relation to rehabilitation of such mines in the future. Refer to note 1(d)(iv) for inputs used in determining the provision for rehabilitation.

### (a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	2017 \$'000	Rehabilitation \$'000
<b>2017</b>		
Carrying amount at start of year		9,397
- unwinding of discount		138
- remeasurement of provision		(158)
<b>Carrying amount at end of year</b>		<b>9,377</b>
<b>2016</b>		<b>Rehabilitation \$'000</b>
Carrying amount at start of year		9,989
- unwinding of discount		754
- remeasurement of provision		(1,346)
<b>Carrying amount at end of year</b>		<b>9,397</b>

## 17 Contributed equity

### (a) Share capital

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares - fully paid	<b>76,530,617</b>	1	<b>29,671</b>	-
<b>Total contributed equity</b>	<b>76,530,617</b>	1	<b>29,671</b>	-

## 17 Contributed equity (continued)

### (b) Capital contributions from ultimate parent

	2017 \$'000	2016 \$'000
Loan forgiveness (Note 13)	26,569	-
Eliminated on insertion of new parent entity	<u>(26,569)</u>	-
	<u>-</u>	<u>-</u>

### (c) Movements in ordinary share capital

Date	Details	Number of shares	Issue / Redemption price	\$'000
1 July 2015	Opening balance	1		-
30 June 2016	Balance	1		-
1 July 2016	Opening balance	1		-
	Adjustment to issued shares on insertion of new parent entity	4		-
	Share Issue (IPO)	37,500,000	\$0.40	15,000
	Share Issue to Panoramic to settle loan	39,030,612	\$0.40	15,612
	Transaction costs, net of tax	-		(941)
30 June 2017	Balance	<u>76,530,617</u>		<u>29,671</u>

### (d) Ordinary shares

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.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### (e) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management monitor capital through the gearing ratio (total borrowings / contributed equity). The debt to equity ratio (borrowings on equity interest in shareholders' equity) at 30 June 2017 was 0.4% (2016: N/A).

The Group has in place a Group cash management policy ("Treasury Policy: Credit Risk") to ensure that up to 540 days (2016: 180 days) excess cash holdings are invested with a range of institutions that have sufficient financial strength to ensure the security of the investment. (Refer to note 30: Financial risk management)

## 17 Contributed equity (continued)

The Group is not subject to any externally imposed capital requirements.

Management consider that the total equity of the Group (contributed equity, reserves and retained earnings) plus borrowings (current and non-current) is what it manages as capital. At 30 June 2017 this was \$28.648 million (2016: N/A).

## 18 Reserves

### (a) Reserves

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Share-based payments	-	627

The share based payments reserve is used to record the value of share based payments provided to employees as part of their remuneration.

## 19 Dividends

### (a) Ordinary shares

No final dividend was paid for the year ended 30 June 2017 (2016: Nil)

### (b) Dividends not recognised at the end of the reporting period

No dividend has been declared since the end of the reporting period.

## 20 Remuneration of auditors

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Ernst & Young for:		
Audit and review of financial statements	48,000	9,000
Tax and other services in relation to the listing of the Company on the ASX	23,250	-
	<b>71,250</b>	9,000

## 21 Contingencies

The Group had no contingent liabilities at 30 June 2017 (2016: nil).

## 22 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2017 \$'000	2016 \$'000
<i>Mineral tenements expenditure commitments</i>		
Not later than one year	2,622	2,759
Later than one year but not later than five years	8,679	9,543
Later than five years	26,701	27,494
	<u>38,002</u>	<u>39,796</u>

## 23 Related party transactions

### (a) Ultimate parent

Panoramic Resources Limited is the ultimate parent entity.

On 21 October 2016, the Company entered into a Management Agreement with Panoramic Resources Limited ("Panoramic"), the parent entity, to secure the benefit of Panoramic's resources and expertise in providing certain services to the Company. Panoramic will provide technical, commercial, managerial and administrative expertise and services ("Services") in connection with the Gum Creek Gold Project and such other assets that the Company may, from time to time, specify.

The management fees are based on daily salary rates of the Panoramic Resources Limited personnel who provide that Services to the Company and a mark up of 28.6% to cover Panoramic's fixed office overheads.

During the year, the Group incurred management fees amounting to \$512,000 for Services provided by the Executive Management Team of Panoramic. Of this amount, \$318,000 was incurred by the Group in relation to technical services provided for the initial public offering.

### (b) Compensation of key management personnel of the Group

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2017 \$	2016 \$
Short-term employee benefits	256,922	257,170
Post-employment benefits	18,643	23,895
Long-term benefits	4,923	6,263
Termination benefits	-	239,305
Share-based payments	85,136	20,057
	<u>365,624</u>	<u>546,690</u>

## 23 Related party transactions (continued)

### (b) Compensation of key management personnel of the Group (continued)

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

## 24 Subsidiaries

### (a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2017 %	2016 %
Panoramic Gold Pty Ltd	Australia	Ordinary	100	-

In December 2016, Panoramic Resources Limited ("Panoramic"), the ultimate parent, divested of Panoramic Gold Pty Ltd ("Panoramic Gold"), which owns the Gum Creek Gold Project by way of an initial public offering (IPO) and listing of subsidiary, Horizon Gold Limited ("the Company"), on the Australian Securities Exchange (ASX). In October 2016, the Company and Panoramic Gold entered into an Acquisition Agreement with Panoramic, in which on completion of the capital raising, Panoramic sold Panoramic Gold and an inter-company loan to the Company and Panoramic would be issued 39,030,612 shares in the Company as consideration.

## 25 Events occurring after the reporting period

There has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## 26 Reconciliation of profit / (loss) after income tax to net cash (outflow) / inflow from operating activities

	2017 \$'000	2016 \$'000
Profit / (loss) for the year	8,941	(30,387)
(Reversal of) / impairment of assets	(9,178)	41,655
Net gain on sale of non-current assets	-	10
Interest income	(186)	-
Unwinding of discount - rehabilitation	139	753
Gain on remeasurement of liability	(158)	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and others	(60)	196
(Increase)/decrease in prepayments	(24)	16
Increase/(decrease) in trade creditors	789	(717)
Decrease in inventories	-	23
Increase/(decrease) in provisions	19	(150)
Decrease in deferred tax liabilities	(1,714)	(12,410)
<b>Net cash outflow from operating activities</b>	<b>(1,432)</b>	<b>(1,011)</b>

## 27 Earnings / (loss) per share

### (a) Basic earnings / ( loss) per share

	2017 \$	2016 \$
From continuing operations attributable to the ordinary equity holders of the Company	0.2	(6,077,400.0)
<b>Total basic earnings / (loss) per share attributable to the ordinary equity holders of the Company</b>	<b>0.2</b>	<b>(6,077,400.0)</b>

### (b) Diluted earnings / ( loss) per share

	2017 \$	2016 \$
From continuing operations attributable to the ordinary equity holders of the Company	0.2	(6,077,400.0)
<b>Total diluted earnings / (loss) per share attributable to the ordinary equity holders of the Company</b>	<b>0.2</b>	<b>(6,077,400.0)</b>

### (c) Reconciliation of earnings / ( loss) used in calculating loss per share

	2017 \$'000	2016 \$'000
<i>Basic earnings / (loss) per share</i>		
Profit / (loss) from continuing operations	8,941	(30,387)
<b>Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic earning / (loss) per share</b>	<b>8,941</b>	<b>(30,387)</b>
<i>Diluted earnings / (loss) per share</i>		
Profit / (loss) from continuing operations	8,941	(30,387)
<b>Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings / (loss) per share</b>	<b>8,941</b>	<b>(30,387)</b>

### (d) Weighted average number of shares used as denominator

	2017 Number	2016 Number (Restated)
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b>43,311,284</b>	5



## 28 Share-based payments

### (a) Performance Rights

#### Panoramic Resources Limited Employee Share Plan (ESP)

On 30 July 2014, the shareholders of Panoramic Resources Limited approved a three year exemption to ASX Listing Rule 7.1 [Issues exceeding 15% of Capital] on the annual grant of performance rights and the issue of shares on the exercise of those performance rights under the 2010 Panoramic Resources Limited Employee Share Plan ("2010 ES Plan"). Under the new structure from 1 July 2014, executives and senior employees were invited each year to receive a new grant of performance rights under the 2010 ES Plan. The long term incentive (LTI) dollar value that executives and senior employees were entitled to receive each year was set at a fixed percentage of their annual Fixed Remuneration (base salary plus statutory superannuation) and ranged from 17% to 100% of Fixed Remuneration depending on level and seniority. Performance rights were issued to employees of Panoramic Gold Pty Limited during the year under the employee share plan. Performance rights granted directly to the employees of Panoramic Gold Pty Limited and which Panoramic Resources Limited settled in its own equity were accounted for as an equity-settled share based payment, with a corresponding increase in equity as a contribution from Panoramic Resources Limited. The equity contribution from Panoramic Resources Limited was reflected as share based payments reserve in the statement of changes in equity.

The number of performance rights granted each year was determined by dividing the LTI dollar by the fair value (FV) of one performance right on 1 July (as determined by an independent valuer). Each annual grant of performance rights will vest subject to meeting service and performance conditions as defined below:

- 75% of the performance rights will be performance tested against the relative total shareholder return (TSR) of the Panoramic share price against a customised peer group over a 3 year period; and
- 25% of the performance rights will be performance tested against the Panoramic Group's reserve/resource growth over a 3 year period, net of depletion.

For FY2017, no performance rights over ordinary shares in the Company or Panoramic Resources Limited were granted to key management personnel or other employees.

Grant date	Vesting date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Vested and exercisable	
								Balance at the end of the year	at end of the year
			Number	Number	Number	Number	Number	Number	Number
<b>Consolidated 2017</b>									
27/11/15	30/06/18	01/07/18	2,647,525	-	-	-	(604,093)	2,043,432	-
12/09/14	30/06/17	01/07/17	368,459	-	-	-	-	368,459	-
01/07/14	30/06/17	01/07/17	904,601	-	-	-	-	904,601	-
<b>Total</b>			<b>3,920,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(604,093)</b>	<b>3,316,492</b>	<b>-</b>
Weighted average exercise price			\$-	\$-	\$-	\$-	\$-	\$-	\$-

## 28 Share-based payments (continued)

### (a) Performance Rights (continued)

For FY2016, a total of 2,647,525 performance rights over ordinary shares in Panoramic Resources Limited were calculated to be granted to Panoramic executives and senior employees. To determine the number of FY2016 performance right grants at 27 November 2015, a weighted average FV of \$0.2080 was externally determined using a Monte-Carlo simulation pricing model for the first TSR performance condition and a binomial pricing model was used for the second reserve/resource growth test. The FY2016 performance rights were subsequently granted on two different dates and a new FV was externally determined using the same pricing methodology described above on each date to calculate the fair value to be expensed over a 3 year performance period from 27 November 2015:

Grant date	Vesting date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
<b>Consolidated 2016</b>									
27/11/15	30/06/18	01/07/18	-	2,647,525	-	-	-	2,647,525	-
12/09/14	30/06/17	01/07/17	614,099	-	-	-	(245,640)	368,459	-
01/07/14	30/06/17	01/07/17	904,601	-	-	-	-	904,601	-
<b>Total</b>			<b>1,518,700</b>	<b>2,647,525</b>	<b>-</b>	<b>-</b>	<b>(245,640)</b>	<b>3,920,585</b>	<b>-</b>
Weighted average exercise price			\$-	\$-	\$-	\$-	\$-	\$-	\$-

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1 year (2016: 1.63 years).

### Fair value of Performance Rights

The fair value of each performance right over ordinary shares in Panoramic Resources Limited was estimated on the grant date utilising the assumptions underlying the Black Scholes methodology to produce a Monte Carlo simulation model which allowed for the incorporation of the Total Shareholder Return (TSR) hurdles that was to be met before the Share Based Payment vest in the holder.

	<b>FY2016 Performance Right Grants</b>
Rights issued under the plan	4,624,513
Grant date	27/11/2015
Vesting date	01/07/2018
Share price at grant date	\$0.275
Risk free rate	2.11%
Dividend yield	2% pa in year 1 and 4% pa thereafter
Volatility	75%
Fair value - TRS	\$0.191
Fair value - Reserve/Resource Growth	\$0.259

## 28 Share-based payments (continued)

### (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Performance rights under Panoramic employee share plan	-	10

The cost of equity-settled transactions is recognised, together with the corresponding increase in reserve, over the period in which performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the exercised share ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the number of performance rights over ordinary shares that, in opinion of the directors of the consolidated entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for performance rights that do not ultimately vest, except for performance rights where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding performance rights is not reflected as additional share dilution in the computation of earnings per share.

## 29 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the Parent entity show the following aggregate amounts:

	2017 \$'000	2016 \$'000
<b>Balance sheet</b>		
Current assets	11,596	-
Non-current assets	16,986	-
	<hr/>	<hr/>
<b>Total assets</b>	<b>28,582</b>	<b>-</b>
	<hr/>	<hr/>
Current liabilities	50	-
Non-current liabilities	-	-
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>50</b>	<b>-</b>
	<hr/>	<hr/>
<i>Shareholders' equity</i>		
Contributed equity	29,671	-
Retained earnings	(1,139)	-
	<hr/>	<hr/>
<b>Capital and reserves attributable to owners of Horizon Gold Limited</b>	<b>28,532</b>	<b>-</b>
	<hr/>	<hr/>
<b>Loss for the year</b>	<b>1,139</b>	<b>-</b>
	<hr/>	<hr/>
<b>Total comprehensive income</b>	<b>1,139</b>	<b>-</b>
	<hr/>	<hr/>

## 30 Financial risk management

The Group's principal financial instruments comprise of cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also holds other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate, credit and liquidity risk. The Group has in place a cash management policy ("Treasury Policy: Credit Risk") to ensure that up to 540 days (2016: 180 days) excess cash holdings are invested with a range of institutions that have sufficient financial strength to ensure the security of the investment. The Board reviews and agrees this policy and other policies on an annual basis for managing each of these risks and they are summarised below:

### (a) Interest rate risk

The Group holds cash in term deposits with a range of institutions that have sufficient financial strength to ensure the security of the investments. As at the end of the reporting period, the Group had \$11,119,000 (2016: Nil) on deposit in interest bearing accounts earning a weighted average interest rate of 2.5%.

### 30 Financial risk management (continued)

#### (a) Interest rate risk (continued)

##### *Sensitivity*

The following sensitivity is based on the interest rate risk exposures in existence at the balance sheet date. The sensitivity used is +/- 25 basis points (2016: +/- 25) which is based on reasonably, possible changes, over a financial year, using the observed range of actual historical Australian short term deposit rate movements over the last 3 years and management's expectation of future movements.

	Carrying amount \$'000	Interest rate risk			
		-0.25%	+0.25%	-0.25%	+0.25%
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>At 30 June 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	11,705	(29)	29	29	(29)
<b>Total increase/ (decrease)</b>		<b>(29)</b>	<b>29</b>	<b>29</b>	<b>(29)</b>

#### (b) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk is limited because the counterparties are banks with high credit ratings. The maximum exposure to credit risk arises from the financial assets of the Group comprise of cash and cash equivalents and trade and other receivables.

#### (c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash are available to meet current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration and development, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Consolidated Statement of Financial Position. All trade and other payables are non-interest bearing and due within 2 months of balance date.

#### (d) Fair value measurements

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their respective fair values. There have been no changes or transfers of financial assets or liabilities between levels 1, 2 or 3 by the Group during the current financial year.

## Appendix A

### New accounting standards and interpretations

#### (i) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2016:

- *AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations*

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in AASB 3 *Business Combinations* and other Australian Accounting Standards that do not conflict with the requirements of AASB 11 *Joint Arrangements*.

The adoption of AASB 2014-3 had no effect on the financial position or performance of the Group.

- *AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The adoption of AASB 2014-4 had no effect on the financial position or performance of the Group.

- *AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements*

The amendments to AASB 127 *Separate Financial Statements* allow an entity to use the equity method as described in AASB 128 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

The adoption of AASB 2014-9 had no effect on the financial position or performance of the Group.

- *AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*

The amendments clarify certain requirements in:

- ▶ *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* - Changes in methods of disposal
- ▶ *AASB 7 Financial Instruments: Disclosures* - servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements
- ▶ *AASB 119 Employee Benefits* - regional market issue regarding discount rate
- ▶ *AASB 134 Interim Financial Reporting* - disclosure of information 'elsewhere in the interim financial report'

The adoption of AASB 2015-1 had no effect on the financial position or performance of the Group.

## Appendix A (continued)

### New accounting standards and interpretations (continued)

#### (i) *Changes in accounting policies and disclosures (continued)*

- *AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*

This Standard amends AASB 101 *Presentation of Financial Statements* to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

The adoption of AASB 2015-2 had no effect on the financial position or performance of the Group.

- *AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception*

This Standard amends AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure in Interests in Other Entities* and AASB 128 *Investments in Associates and Joint Ventures* to clarify how investment entities and their subsidiaries apply the consolidation exception.

The adoption of AASB 2015-5 had no effect on the financial position or performance of the Group.

- *AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*

This Standard makes amendments to AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The adoption of AASB 2016-1 had no effect on the financial position or performance of the Group.

- *AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*

The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The adoption of AASB 2016-2 had no effect on the financial position or performance of the Group.

- *AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle*

This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The adoption of AASB 2017-2 had no effect on the financial position or performance of the Group.

## **Appendix A (continued)**

### **New accounting standards and interpretations (continued)**

(ii) *Accounting Standards and Interpretations issued but not yet effective*

- AASB 9 *Financial Instruments*, effective 1 January 2018

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.

The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.

The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The new standard is not expected to significantly impact the recognition and measurement of financial instrument of the Group.



## Appendix A (continued)

### New accounting standards and interpretations (continued)

#### (ii) Accounting Standards and Interpretations issued but not yet effective (continued)

- AASB 15 *Revenue from Contracts with Customers*, effective 1 January 2018

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- ▶ Step 1: Identify the contract(s) with a customer
- ▶ Step 2: Identify the performance obligations in the contract
- ▶ Step 3: Determine the transaction price
- ▶ Step 4: Allocate the transaction price to the performance obligations in the contract
- ▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The new standard is not expected to impact the Group in the immediate future as the Group does not generate any revenue other than interest income.

- AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, effective 1 January 2018

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.

The Company has decided not to early adopt any of the new and amended pronouncements. The new standard is not expected to impact the Group as the Group does not have any interest in joint ventures or associates.

- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*, effective 1 January 2018

This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- ▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- ▶ Share-based payment transactions with a net settlement feature for withholding tax obligations
- ▶ A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company has decided not to early adopt any of the new and amended pronouncements. The Company is in the process of evaluating the impact of the above standards.

## Appendix A (continued)

### New accounting standards and interpretations (continued)

#### (ii) Accounting Standards and Interpretations issued but not yet effective (continued)

- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments*, effective 1 January 2018

The amendments clarify certain requirements in:

- ▶ AASB 1 First-time Adoption of Australian Accounting Standards - deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration
- ▶ AASB 12 Disclosure of Interests in Other Entities - clarification of scope
- ▶ AASB 128 Investments in Associates and Joint Ventures - measuring an associate or joint venture at fair value
- ▶ AASB 140 Investment Property - change in use.

The Company has decided not to early adopt any of the new and amended pronouncements. The Company is in the process of evaluating the impact of the above standards.

- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, effective 1 January 2018

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Company has decided not to early adopt any of the new and amended pronouncements. The Company is in the process of evaluating the impact of the above standards.

- AASB 16 *Leases*, effective 1 January 2019

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Company has decided not to early adopt any of the new and amended pronouncements. The Company is in the process of evaluating the impact of the above standards.

## **Appendix A (continued)**

### **New accounting standards and interpretations (continued)**

*(ii) Accounting Standards and Interpretations issued but not yet effective (continued)*

- IFRIC 23 *Uncertainty over Income Tax Treatments*, effective 1 January 2019

The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- ▶ Whether an entity considers uncertain tax treatments separately
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ▶ How an entity considers changes in facts and circumstances.

The Company has decided not to early adopt any of the new and amended pronouncements. The Company is in the process of evaluating the impact of the above standards.