



## **Horizon Gold Limited**

*ABN: 27 614 175 923*

Consolidated Financial Report  
for the financial year ended 30 June 2019

Current Reporting Period: Financial Year Ending 30 June 2019  
Previous Reporting Period: Financial Year Ending 30 June 2018

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## Consolidated Financial Report

For the financial year ended 30 June 2019

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The audited consolidated 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 2019.

### 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 to 31 December 2017)  
Ocean Grown Abalone Limited (Non-Executive Chairman from 14 November 2017)\*

*\* 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. Peter is currently the Managing Director of Margosa Graphite Limited, a mineral exploration and development company, focused on high-grade vein graphite in south-west Sri Lanka.

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. Paul is currently the Managing Director of ACH Minerals Pty Ltd, a private, mineral exploration and development company, with a focus its flagship 100% owned Ravensthorpe Gold Project located 550km south-east of Perth in Western Australia.

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

**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 Kalgurli 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*

Tim Shervington is a Commercial Executive and commenced his employment with Panoramic Resources Limited (Panoramic) in 2004. During his time at Panoramic, Tim has managed; treasury, concentrate sales and exports, insurance and material contracts. Tim is a member of the Institute of Chartered Shipbrokers and has previously held positions with Imation, the Royal Australian Air Force and the Commonwealth Bank.

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

**Meetings of Directors**

The number of meetings of directors held during the year ended 30 June 2019 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>6</b>	<b>-</b>
Peter J Harold	6	6
Peter J Venn	6	6
Paul W Bennett	6	6

**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 201 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	-	60,000	-
Paul W Bennett	-	100,000	-

### **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 two segments, being gold exploration and other exploration.

### **Operating and Financial Review**

#### ***Operating Result for the Year***

The consolidated entity recorded a net loss after tax for the financial year ending 30 June 2019 of \$2,576,000 (2018: \$14,764,000 net loss after tax).

#### ***Financial Performance***

The Group's performance during the 2019 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 Australian Accounting Standards.

<b>Year Ended 30 June</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Income (\$'000)	105	224	344	-	-
Corporate and administration costs (\$'000)	(542)	(562)	(326)	-	-
Care and maintenance expenses (\$'000)	(760)	(774)	(1,386)	(948)	(905)
IPO expenses (\$'000)	-	-	(444)	-	-
Share based payments (\$'000)	-	-	-	(10)	(65)
Loss on remeasurement of liability (\$'000)	(377)	-	-	-	-
Reversal of / (impairment) of assets (\$'000)	-	(12,569)	9,178	(41,655)	-
Finance costs (\$'000)	(101)	(464)	(139)	(753)	(11)
Exploration expenditure written-off	(901)	(619)	-	-	-
<b>Profit / (loss) before tax (\$'000)</b>	<b>(2,576)</b>	<b>(14,764)</b>	<b>7,227</b>	<b>(43,366)</b>	<b>(981)</b>
Income tax benefit (expense)	-	-	1,714	12,979	211
<b>Net profit/(loss) after tax (\$'000)</b>	<b>(2,576)</b>	<b>(14,764)</b>	<b>8,941</b>	<b>(30,387)</b>	<b>(770)</b>
Earnings/(loss) per share (\$)	(0.03)	(0.19)	0.21	(6,077,400)	(770,000)
Market capitalisation (\$'000)	13,393	11,862	22,959	n/a*	n/a*
Closing share price (\$ per share)	0.175	0.155	0.300	n/a*	n/a*

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

#### ***Income***

Income of \$105,000 was made up of (1) interest revenue (\$95,000) and (2) AusIndustry refund on the 2017/18 financial year research and development (R&D) activities (\$10,000).

#### ***Corporate and Administration Costs***

Corporate and administration costs of \$542,000 (2018: \$562,000) were incurred by the Company, a 4% decrease from the previous financial year.

## **Operating and Financial Review (continued)**

### ***Care and Maintenance (C&M) Costs***

Care and maintenance costs at the Gum Creek Gold Project totaling \$760,000 (2018: \$774,000) were similar to last year's expenditure.

### ***Impairment Loss***

The carrying value of the Gum Creek Gold Project is re-assessed at each balance date to ensure that it is being carried at the lower of its carrying value (adjusted for depreciation and amortisation) and fair value. As at 30 June 2019, there were no indicators for the Company to book an impairment or to reverse an impairment charge from a previous financial period.

In the previous financial year, an impairment loss of \$12,569,000 was made against the Project's assets following an external party's independent review. The fair value of the Project's assets was determined based on recent comparable market transactions. In determining the fair values, estimates were made by the external party in relation to the underlying resources/reserves and the valuation multiples (*refer to note 11 of the "Notes to the Consolidated Financial Statements"*).

### ***Income Tax Benefit***

There was no tax benefit booked on the consolidated entity's loss for the financial year as the corresponding equivalent deferred tax asset was not recognised in the consolidated statement of financial position at 30 June 2019.

## **Review of Financial Condition**

### **Balance Sheet**

#### ***Net Working Capital - current assets less current liabilities***

The consolidated entity's net working capital position of \$1,502,000 was 78% lower than the previous balance date (\$6,573,000) due to \$5,281,000 drawdown on the consolidated entity's available cash reserves over the financial period.

The operating activities of the consolidated entity resulted in a net cash outflow of \$1,561,000 (2018: \$1,354,000).

Net cash outflow from investing activities of \$3,783,000 (2018: \$3,102,000) included \$3,875,000 expenditure on exploration and evaluation activities at the Gum Creek Gold Project. There were net cash inflow from financing activities of \$63,000 (2018: \$89,000 net cash outflow).

At 30 June 2019, the consolidated entity had cash and cash equivalents of \$1,879,000 (30 June 2018: \$7,160,000).

### ***Net Tax Balances***

At balance date, the consolidated entity had an unrecognised net deferred tax asset of \$6,092,000 (2018: \$4,788,000). Due to the Gum Creek Gold Project being on care and maintenance, the net deferred tax asset has not been recognised in the consolidated statement of financial position as at 30 June 2019.

### ***Net Assets/Equity***

The net asset position of the consolidated entity decreased 19% to \$11,192,000 (30 June 2018: \$13,768,000) due to the \$5,281,000 reduction in cash and cash equivalents but offset by the \$2,974,000 increase in the Gum Creek Gold Project's exploration and evaluation asset from the drilling on Mineral Resources during the financial period.

## **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 gold and polymetallic 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 gold and poly metallic 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* – while it remains on care and maintenance, the Gum Creek Gold Project has the necessary statutory operational and environmental licences, permits and approvals to conduct activities at the project. However, the consolidated entity may be required to obtain certain authorisations to undertake new 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. In June 2019, Panoramic and the Company mutually agreed to extend for a further six months, until 20 December 2019, the agreement to provide 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 developed or 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 2019 Corporate Governance Statement on pages 20 and 21.

## **Dividends**

No final dividend has been declared for the financial year ended 30 June 2019 (2018: nil).

## **Review of Operations**

### ***Exploration, Evaluation and Development Activities***

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

During the financial year, the consolidated entity undertook the following activities:

#### ***Butcherbird Shear/Premium Lode Gold Prospect***

A 12-hole diamond drilling program was completed on 22 August 2018 for a total of 4,897 drill metres to test the high-grade Butcherbird Shear/Premium Lode mineralised gold system situated near the Swan Bitter/Swift deposits. The Company considered the results of the drill program to be significant and worthy of additional drilling and a 6-hole follow-up diamond drilling program of 1,800 drill metres was undertaken in late 2018 and early 2019 to 1) improve the confidence in the controls to gold mineralisation in this area; and 2) demonstrate a potential link between the Premium Lode to the north and the cluster of high-grade historical Butcherbird Shear intercepts to the south.

## **Review of operations (continued)**

### ***Exploration, Evaluation and Development Activities (continued)***

In addition to the mineralisation interpreted to be on the Butcherbird shear, several other significant quartz-sulphide structures were intersected. The results of the two drilling programs were incorporated in the updated Mineral Resource Estimates (MREs) for the Swan and Swift deposits.

#### *Mineral Resource Estimates for Swan and Swift Deposits*

Concurrent to completing the 2018 Butcherbird Shear/Premium Lode drilling program in early 2019, the Company engaged Mining Plus Pty Ltd (Mining Plus) to update the Mineral Resource Estimates (MREs) for the nearby Swan and Swift deposits. The updated Swan MRE was to incorporate the results of the recent Butcherbird Shear/Premium Lode drilling. This work was completed in the June 2019 quarter with the results reported in the Company's ASX announcement of 12 July 2019.

The updated Swan and Swift MREs represents a significant change in mineralised tonnes and grade from the previous reported Mineral Resource. These changes are due primarily to the mineralisation being modelled using the implicit modelling functionality of Leapfrog™ Geo using identified structural trends to define mineralisation continuity. These more continuous mineralised shapes have enabled different approaches to be applied to the geostatistical analyses and estimation of grade.

Since the completion of the MREs in June 2019, Mining Plus has been retained by the Company to assist with the completion of a series of open pit and underground evaluation studies on the Swan and Swift deposits. This work includes evaluating options to toll treat high grade ore at nearby operating projects and stand-alone processing at Gum Creek.

#### *Altair Zinc-Copper-Silver Prospect*

In August 2018, the Company undertook and completed an initial drill hole at the Altair Zinc-Copper-Silver Prospect, being one of the ten prospective areas highlighted from the prospectivity analysis of the Gum Creek Belt referred in the Company's IPO Prospectus, submitted to ASIC in October 2016. The drill hole returned the most significant base metal intersection achieved to date at Altair (*refer to the Company's ASX announcement of 4 October 2018*), which formed the view that the Altair Prospect has many hallmarks of a polymetallic, hydrothermal VHMS/SEDEX mineralising event, being also anomalous in gold, silver, lead, cobalt, tin and other minor metals

In November 2018, the Company commenced an 8-hole follow-up diamond drill program designed to establish a clearer understanding of the geological setting, orientation and the extent of the Altair zinc-copper mineralisation. This follow-up drill program was completed in December 2018, with the assay results from the program of sufficient encouragement (*refer to the Company's ASX announcements of 21 December 2018 and 13 February 2019*) for the Company to undertake a further drill program in early 2019. This drill program, to test for the continuation of mineralisation, comprised of 12 reverse circulation (RC) holes and was completed in March 2019. The drilling defined a broad, continuous lens of zinc-copper-silver mineralisation over a strike length of 500 metres.

In June 2019, the Company completed a moving loop electro-magnetic (MLEM) survey covering an area from Altair in the south to Mensa in the north, a distance of approximately 6 kilometres. Apart from one infill survey line, the MLEM survey was conducted on a broad 200m x 200m grid pattern involving 323 survey stations for a total of 43 line-kms of survey. The results and interpretation of this survey were reported in the Company's ASX announcement of 16 July 2019. The interpretation of the MLEM survey data suggests the Altair mineralisation continues strongly to the north for at least 600m where it is interpreted to plunge slightly deeper and continue north for a further 5 kilometres. The Altair zinc-copper-silver Prospect and the encouraging geological picture that is forming around Altair will be the focus of ongoing exploration in the area.

#### **Competent Person's Statement**

The information in this report that relates to Exploration activities, results and interpretation is based on information compiled by John Hicks. Mr Hicks is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a full-time employee and shareholder of Panoramic Resources Limited.

Under a Management Agreement between Panoramic Resources Limited and Horizon Gold Limited, dated 21 October 2016 and as extended, Mr Hicks is authorised to report on Horizon Gold Limited exploration activities.

The aforementioned has sufficient experience that is relevant to the style of mineralisation and type of target/deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hicks consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.



### **Corporate**

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

### **Management**

Until at least 20 December 2019, 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. The services and remuneration of the Panoramic 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").

There were no significant events of the consolidated entity during the financial period of a corporate nature.

### **Employees**

At the end of the financial year, the Group had 2 permanent, full time employees (2018: 2).

### **Significant Changes in the State of Affairs)**

The following was a significant event of a corporate nature of the consolidated entity during the financial period:

#### ***Release of Restricted Securities from Escrow***

On 21 December 2018, the 39,030,612 fully paid ordinary shares of the Company issued to its majority shareholder, Panoramic Resources Limited ("Panoramic"), in respect to the acquisition of the Gum Creek Gold Project from Panoramic in October 2016 and the subsequent listing of the Company on the Australian Securities Exchange on 21 December 2016, were released from escrow.

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

#### ***Non-Executive Chairman***

On 20 August 2019, Panoramic announced that Peter Harold will be leaving Panoramic on or before 19 August 2020. As a result, as at the time of his departure or before, Mr Harold will no longer be Panoramic's representative on the Board. The Company and Panoramic are currently in discussions as to his replacement on the Board and as to the timing for his replacement to occur.

In the interval between the end of the financial year and the date of this report, apart from the matter mentioned above, 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 producer, firstly from mining the gold resources at the Gum Creek Gold Project and if economic, from developing and mining the resources at the Altair Zinc-Copper-Silver Prospect. The short-term business strategies to achieve this objective is to:

- Continue with open pit / underground evaluation studies on the Swan and Swift gold deposits;
- Plan and budget for additional drilling programs to test the extent of mineralisation along the series of MLEM conductors identified along strike from the Altair Zinc-Copper-Silver Prospect in the south to Mensa in the north; and
- Continue with metallurgical test-work that commenced in May 2019 to determine comminution and flotation performance of composite samples taken from Altair zinc-copper-silver drill core.

### **Shares Options**

At the date of signing, there are no unissued ordinary shares of the Company under Option (2018: nil).

### **Indemnification of Auditors**

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, 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 during or since the financial year.

## **2019 Remuneration Report (Audited)**

This 2019 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**

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 Group, directly or indirectly, including any director (whether executive or otherwise) of the Company. Up to 18 December 2016, the executives of Panoramic Resources Limited acted as the KMP of Panoramic Gold and the Company, with time allocated to the Group by each Panoramic KMP being accounted for by Panoramic Gold Pty Ltd ("Panoramic Gold").

**From 19 December 2016 and until at least 20 December 2019, 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 period for the services provided to the Company and the Group are based on the daily rates for the Panoramic personnel who provide those services to the Company plus a mark-up of 28.6% to cover Panoramic's fixed office overheads.

**During 2017/18 and 2018/19, 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 1 July 2018 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) Senior executives of the Panoramic Executive Management Team***

Trevor Eton	Company Secretary and Chief Financial Officer
Boyd Timler	Chief Operating Officer ( <i>from 3 April 2019</i> )
John Hicks	General Manager - Exploration
Tim Mason	General Manager – Projects and Innovation
Rochelle Lampard	General Manager – Human Resources ( <i>from 1 October 2018</i> )

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

Due to the size of the Board and the continued engagement of the Panoramic Executive Management Team, 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)*.

## **2019 Remuneration Report (Audited) (continued)**

### **(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. Currently, there is no direct correlation between a non-executive director's fixed remuneration and the Company's financial performance as the Company does not have a project that is in production and earning income.

##### ***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, if applicable.

The fees paid to non-executive directors for the period ending 30 June 2019 are detailed in Table 1 on page 10 of this report. Fees for the non-executive directors are determined within an aggregate directors' fee pool limit of \$250,000, which was last approved by the Company's then sole shareholder on 31 August 2016.

#### **(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" with Panoramic.

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 were fixed for a two year period from 19 December 2016 (the day the Company was admitted to the Official List of ASX Limited) until 19 December 2018. Since 19 December 2018, the Agreement has been extended twice and is due to expire on 20 December 2019 unless mutually agreed by the Company and Panoramic to extend the Agreement for a further period.

### **(g) Employment contracts**

#### **(i) Non-Executive Chairman**

The Chairman, Peter Harold, is employed under a contract with Panoramic that commenced on 1 January 2010. Peter Harold provides management and administration services to the Company under the Management Agreement between the Company and Panoramic, as detailed on page 9 and in the 2019 Corporate Governance Statement ("*Roles of the Chairman and Executive Management Team*"). On 19 August 2019, Panoramic gave Peter Harold a 12 month notice of termination. At some time during this period he will leave Panoramic and will therefore no longer be an executive director of that Company.

**2019 Remuneration Report (Audited) (continued)**

**(ii) Non-Executive Directors**

All other non-executive directors are employed under a contract with the Company and conduct their duties under the following terms:

- The appointment of a non-executive director is in accordance with the Constitution of the Company, the *Corporations Act 2001* and the Company's charters and policies.
- A non-executive director is currently unable to be remunerated by way of equity or other incentive based remuneration. However, remuneration may be provided to a non-executive director in such a manner that the Board of directors decide (including by way of contribution to a superannuation fund on behalf of the non-executive director) and if any part of the fees of any non-executive director is to be provided other than cash, the Board of directors may determine the manner in which the non-cash component of the fees is valued.
- A non-executive director is not remunerated by way of a commission on or a percentage of profits or a commission on or a percentage of operating revenue.
- All non-executive directors are entitled to be reimbursed for reasonable expenses incurred for performing their duties, including the cost of attending Board Meetings, travel, accommodation and entertainment where agreed to by the Company's Board of directors.
- A non-executive director may resign from his position and thus terminate his employment arrangement with the Company 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.

**(h) Details of Remuneration**

**Table 1: Remuneration of Directors and Senior 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).

Excluding the cash component of remuneration, the total remuneration shown is the amount expended by the Company and does not, in every case, represent what each named individual ultimately received in cash.

2019	Short-term benefits			Post employment benefits	Long-term benefits	Share based payments			
Name	Cash salary and fees	Bonus	Other	Super-annuation	Long Service Leave		Termination / Resignation payments	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
P J Harold(a)	60,000	-	-	-	-	-	-	60,000	-
P J Venn	35,000	-	3,667	-	-	-	-	38,667	-
P W Bennett	35,000	-	3,667	-	-	-	-	38,667	-
	<b>130,000</b>	<b>-</b>	<b>7,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,334</b>	<b>-</b>

Note:

For the period 1 July 2018 to 30 June 2019, in accordance with the Management Agreement between the Company and Panoramic, the Group incurred management fees amounting to \$331,000 for Services provided by the Executive Management Team. Of this amount, \$60,000 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 was not payable to Peter Harold.

**2019 Remuneration Report (Audited) (continued)**

**Table 1: Remuneration of Directors and Senior Executive Officers (continued)**

2018	Short-term benefits			Post employment benefits	Long-term benefits	Share based payments			
Name	Cash salary and fees	Bonus	Other	Super-annuation	Long Service Leave		Termination / Resignation payments	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
P J Harold(a)	62,000	-	-	-	-	-	-	62,000	-
P J Venn	35,000	-	3,446	-	-	-	-	38,446	-
P W Bennett	35,000	-	3,446	-	-	-	-	38,446	-
	<b>132,000</b>	<b>-</b>	<b>6,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138,892</b>	<b>-</b>

Note:

(a) For the period 1 July 2017 to 30 June 2018, in accordance with the Management Agreement between the Company and Panoramic, the Group incurred management fees amounting to \$439,000 for Services provided by the Executive Management Team. Of this amount, \$62,000 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 was not paid to Peter Harold.

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

**Options - 2018/19**

No options for Horizon ordinary shares were granted during 2018/19.

**Performance Rights to Shares - 2018/19**

No performance rights to Horizon ordinary shares were granted as compensation to key management personnel during 2018/19.

**(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 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.

2019		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>Ordinary shares</b>					
<b>Directors</b>					
P J Harold		50,000	-	-	50,000
P J Venn		-	-	60,000	60,000
P W Bennett		100,000	-	-	100,000
		<b>150,000</b>	<b>-</b>	<b>60,000</b>	<b>210,000</b>

Notes:

(a) Peter Harold is an employee and shareholder of Panoramic. As at 30 June 2019, Panoramic held a 51% interest in the Company comprising 39,030,617 ordinary shares

(b) Peter Venn acquired an indirect interest in 60,000 fully paid ordinary shares via an on-market trade.

There were no loans to directors or other key management personnel at any time during the year ended 30 June 2019. 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 2019 Remuneration Report.**

### **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 \$37,939 (2018: \$37,939) 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.

### **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, 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 2019. 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. 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 received or are due to receive the following amounts for the provision of non-audit services:

- Tax and other services of \$12,500.

Signed in accordance with a resolution of the directors.



Peter Harold  
Chairman

Perth, 26 September 2019

## **2019 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 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 2019.

### **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. The Board 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 Board 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 Board 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 were in place until 19 December 2018 (being the second anniversary of the day the Company was admitted to the Official List of ASX Limited). These services have been twice extended by mutual agreement as permitted under the Agreement and are currently due to expire on 20 December 2019. 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)**

Name	Position	Independence Classification	Qualification/Skills	Service (yrs)
Peter J Harold#	Non-Executive Chairman#	Non Independent	Process Engineer, corporate and project development	3
Peter J Venn	Non-Executive Director	Independent	Geologist and general mining	3
Paul W Bennett	Non-Executive Director	Independent	Engineer, corporate and project development	3

# Peter J Harold is an executive director of Panoramic Resources Limited, 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. As at the date of this statement, 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. The Company is aware that during the 12 months from 19 August 2019, Peter Harold will no longer be an executive director of Panoramic and as a result, will no longer be that Company's representative on the Board. The Company and Panoramic are currently in discussions as to the new Panoramic representative on the Board and as to the timing of his replacement to occur.

**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 Board 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 Board 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 Board 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 Clause 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 (July 2017). 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 a complaint 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.

Further details in relation to director and executive remuneration are set out in the 2019 Remuneration Report on pages 9 to 10.

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 26 to 60 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 2019 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) subject to the achievement of the matters set out in Note 1(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 2019.

On behalf of the Board



Peter Harold  
Chairman

Perth, 26 September 2019

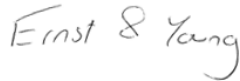


## Auditor's Independence Declaration to the Directors of Horizon Gold Limited

As lead auditor for the audit of the financial report of Horizon Gold Limited for the financial year ended 30 June 2019, 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.



Ernst & Young



Philip Teale  
Partner  
26 September 2019

# 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 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 2019 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.

### Material uncertainty related to going concern

We draw attention to Note 1(b) Going concern basis in the financial report. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

## 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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. Carrying value of non-current assets

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2019 the Group held non-current assets totaling \$20,014,000 comprising of property, plant and equipment and capitalised exploration and evaluation expenditure (refer to notes 9 and 11 respectively).</p> <p>At the end of each reporting period, the Group exercises judgment in determining whether there is any indication of impairment of its cash-generating units (CGUs) or indication an impairment loss recognised in prior periods should be reversed. If any such indicators exist, the Group estimates the recoverable amount of the non-current assets.</p> <p>The Group determined there were no indicators of impairment or indicators of reversal of prior period impairment at 30 June 2019 and for the year then ended.</p> <p>Changes to key factors and assumptions or a failure to identify impairment indicators could lead the Group to incorrectly fail to test the recoverable amount of the CGUs at balance date.</p> <p>Accordingly, this was considered to be a key audit matter.</p>	<p>We considered the Group's process to identify indicators of impairment or impairment reversal of its non-current assets and CGUs at 30 June 2019.</p> <p>In performing our procedures, we:</p> <ul style="list-style-type: none"> <li>▶ Compared the Group's market capitalisation relative to its net assets.</li> <li>▶ Considered the Group's process for identifying and considering external and internal information which may be an indicator of impairment or impairment reversal and evaluated the completeness of the factors identified.</li> <li>▶ Considered the Group's assessment of indicators of impairment of exploration and evaluation assets in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. For of the Group's areas of interest with capitalised exploration and evaluation expenditure at 30 June 2019, we: <ul style="list-style-type: none"> <li>▶ Considered whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements.</li> <li>▶ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast and enquiring of senior management and Directors as to their intentions and the strategy of the Group.</li> <li>▶ Assessed the adequacy of the Group's financial statement disclosures.</li> </ul> </li> </ul>

## 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 2019 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**

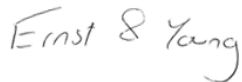
### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

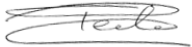
In our opinion, the Remuneration Report of Horizon Gold Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

## 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



Philip Teale  
Partner  
Perth  
26 September 2019

**Horizon Gold Limited**  
**Consolidated income statement**  
**For the year ended 30 June 2019**

	Notes	2019 \$'000	2018 \$'000
Income	3	105	224
Corporate and administration costs		(542)	(562)
Exploration expenditure written-off	11	(901)	(619)
Loss on remeasurement of liability		(377)	-
Impairment loss	9, 11	-	(12,569)
Care and maintenance expenses		(760)	(774)
Finance costs	4	(101)	(464)
<b>Loss before income tax</b>		<b>(2,576)</b>	<b>(14,764)</b>
<b>Loss for the year</b>		<b>(2,576)</b>	<b>(14,764)</b>
Loss for the year is attributable to the:			
Owners of Horizon Gold Limited		(2,576)	(14,764)
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share	26	(3.4)	(19.3)
Diluted loss per share	26	(3.4)	(19.3)

*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 2019**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Loss for the year</b>	<b>(2,576)</b>	(14,764)
<b>Other comprehensive income</b>		
Other comprehensive loss for the year, net of tax	<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) / income for the year is attributable to:</b>		
<b>Owners of Horizon Gold Limited</b>	<u><b>(2,576)</b></u>	<u>(14,764)</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 2019**

	Notes	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,879	7,160
Trade and other receivables	7	19	21
Prepayments	8	28	15
<b>Total current assets</b>		<u>1,926</u>	<u>7,196</u>
<b>Non-current assets</b>			
Exploration and evaluation	11	15,715	12,741
Property, plant and equipment	9	4,299	4,296
<b>Total non-current assets</b>		<u>20,014</u>	<u>17,037</u>
<b>Total assets</b>		<u>21,940</u>	<u>24,233</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	287	546
Borrowings	13	90	27
Provisions	14	47	50
<b>Total current liabilities</b>		<u>424</u>	<u>623</u>
<b>Non-current liabilities</b>			
Provisions	16	10,324	9,842
<b>Total non-current liabilities</b>		<u>10,324</u>	<u>9,842</u>
<b>Total liabilities</b>		<u>10,748</u>	<u>10,465</u>
<b>Net assets/liabilities</b>		<u>11,192</u>	<u>13,768</u>
<b>EQUITY</b>			
Contributed equity	17	29,671	29,671
Accumulated losses		<u>(18,479)</u>	<u>(15,903)</u>
<b>Total equity</b>		<u>11,192</u>	<u>13,768</u>

*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 2019**

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2017</b>		29,671	(1,139)	28,532
Loss for the year		-	(14,764)	(14,764)
<b>Total comprehensive loss for the year</b>		-	<b>(14,764)</b>	<b>(14,764)</b>
<b>Balance at 30 June 2018</b>		<b>29,671</b>	<b>(15,903)</b>	<b>13,768</b>
<b>Balance at 1 July 2018</b>		29,671	(15,903)	13,768
Loss for the year		-	(2,576)	(2,576)
<b>Total comprehensive loss for the year</b>		-	<b>(2,576)</b>	<b>(2,576)</b>
<b>Balance at 30 June 2019</b>		<b>29,671</b>	<b>(18,479)</b>	<b>11,192</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 2019**

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(1,561)	(1,354)
<b>Net cash outflow from operating activities</b>	25	<b>(1,561)</b>	<b>(1,354)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3)	(33)
Payments for exploration and evaluation expenditure		(3,875)	(3,258)
Interest received		95	189
<b>Net cash outflow from investing activities</b>		<b>(3,783)</b>	<b>(3,102)</b>
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) borrowings from related parties		63	(89)
<b>Net cash inflow (outflow) from financing activities</b>		<b>63</b>	<b>(89)</b>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial period		7,160	11,705
<b>Cash and cash equivalents at end of year</b>	6	<b>1,879</b>	<b>7,160</b>

*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 2019 was authorised for issue in accordance with a resolution of the directors on 26 September 2019.

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 financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated, under the option available to the Company under Australian Securities and Investment Commission ("ASIC") (Rounding in Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which the instrument applies.

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) Going concern basis**

The Group incurred a net loss for the period ended 30 June 2019 of \$2,576,000 (2018: \$14,764,000) and a net cash outflow from operating activities of \$1,561,000 (2018: \$1,354,000). As at 30 June 2019, the Group had cash and cash equivalents of \$1,879,000 (2018: \$7,160,000).

Based on the Group's cashflow forecast, the Group will require additional funding in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities and meeting its annual premium tenement expenditure commitment.

The directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to raise additional funding to continue to meet its debts as and when they fall due and it is appropriate for the financial statements to be prepared on a going concern basis.

Should the Group not achieve the funding outcomes set out above, there is significant uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

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

### **(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. 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

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.

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 other comprehensive income ("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

### **(d) Changes in accounting policies and disclosures**

Since 1 July 2018, the Group has adopted all Accounting Standards and Interpretations effective from 1 July 2018. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

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

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

The Group applied all new and amended Accounting Standards and Interpretations that were effective as at 1 July 2018. The Group applied AASB 9 Financial Instruments ("AASB 9") for the first time from 1 July 2018. The nature and effect of these changes as a result of the adoption of these new Accounting Standards are described below.

Several other new and amended Accounting Standards and Interpretations applied for the first time from 1 July 2018 but did not have an impact on the consolidated financial statements of the Consolidated Entity and, hence, have not been disclosed.

#### **AASB 9**

AASB 9 Financial Instruments replaces parts of AASB 139 Financial Instruments (AASB 139) bringing together three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied AASB 9 retrospectively, with the initial application date being 1 July 2018. The cumulative impact of applying AASB 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Consolidated Entity has elected not to adjust comparative information.

The accounting policies have been updated to reflect application of AASB 9 for the period from 1 July 2018.

AASB 9 introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and are solely payments of principal and interest ("SPPI"). All other financial instrument assets are to be classified and measured at fair value through profit or loss ("FVTPL") unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for trading) in other comprehensive income ("OCI").

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements more closely align the accounting treatment with the risk management activities of the Group.

Impairment requirements use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment is measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The key impacts of adopting AASB 9 are summarised below:

#### ***Classification and measurement:***

At 1 July 2018, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that were in place as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

## 1 Summary of significant accounting policies (continued)

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

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to July 2018)	New measurement category under AASB 9 (i.e. from July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018.

#### *Impairment of financial assets*

In relation to financial assets carried at amortised cost, AASB 9 requires an expected credit loss ("ECL") model to be applied as opposed to an incurred credit loss model under AASB 139. AASB 9 requires the Group to measure the loss allowance at an amount equal to the lifetime ECL if the credit risk on the instrument has increased significantly since initial recognition.

As at 1 January 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Existing items as at 1 July 2018 subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 July 2018 (\$000)
Cash and cash equivalents	All bank balances are assessed to have low credit risk as they are held with reputable financial institutions with credit ratings of A-1+ or higher	-
Trade and other receivables	The Group applied the general approach and concluded that no additional loss allowance was required at 1 July 2018	-

### (a) New and amended accounting standards and interpretations issued but not yet effective

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective. Refer to Appendix A on page 57.

### (f) 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.

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

### **(f) Significant accounting judgements, estimates and assumptions (continued)**

#### *(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 was 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.

#### *(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") 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.



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

### **(f) Significant accounting judgements, estimates and assumptions (continued)**

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 2019 was \$10,318,000 (2018: \$9,840,000), (see note 16 for provision for decommissioning and rehabilitation). The Group estimates that the costs would be realised towards the end of the respective mine lives and calculates the provision by discounting future cash flows based on expected costs to be incurred to rehabilitate the disturbed area. These costs are discounted at 1.03% (2018: 2.29%) 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.

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

Cash on hand and in banks and short-term deposits are measured at amortised cost.

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

### **(h) 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 using the full liability balance sheet method.

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

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

### **(h) Income tax (continued)**

- 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.

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.

### **(i) 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.

### **(j) 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 by the consolidated entity, where applicable, includes the cost of materials and direct labour. Other incidental costs directly attributable to its construction are also capitalised to the cost of plant and equipment.

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

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

#### *Depreciation and amortisation*

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

#### *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.

The recoverable amount of plant and equipment is the greater of FVLCD and VIU.

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.

### **(k) 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 in the area of interest that have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are expensed as incurred.

Exploration and evaluation expenditure is capitalised provided the rights 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. Similarly, the costs associated with acquiring an exploration and evaluation asset are also capitalised.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated and a decision to develop has been made, any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

#### *Impairment*

The carrying value of capitalised exploration expenditure is assessed for impairment 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 FVLCD and VIU.

An impairment exists when the carrying amount of an asset exceeds its estimated recoverable amount. The asset 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.

#### *(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.

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

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

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. 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 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.

### **(l) 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.

### **(m) 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 on high quality corporate bonds with terms of maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### **(n) 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.

### **(o) 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.

### **(p) 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 two segments, being gold exploration and other 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.

Reportable segments' assets are reconciled to total assets as follows:

	2019 \$'000	2018 \$'000
Segment assets		
- Gold exploration	18,382	17,037
- Other exploration	1,632	-
Unallocated assets	1,926	7,196
<b>Total assets as per the consolidated balance sheet</b>	<b>21,940</b>	<b>24,233</b>

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

	2019 \$'000	2018 \$'000
Interest income	95	189
Sundry income	10	35
	<b>105</b>	<b>224</b>

## 4 Expenses

	2019 \$'000	2018 \$'000
<b>Loss before income tax includes the following specific expenses:</b>		
<b>Finance costs</b>		
Unwinding of discount - rehabilitation	101	464
<b>Breakdown of employee benefits expenses</b>		
Salaries and wages	288	364
Payroll tax	17	22
Superannuation	30	34
	<b>335</b>	<b>420</b>

## 5 Income tax

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

	2019 \$'000	2018 \$'000
Loss from continuing operations before income tax benefit	(2,576)	(14,764)
Tax expense (benefit) at the Australian tax rate of 30% (2018 - 30.0%)	(773)	(4,429)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments in respect of current income tax of previous year	(528)	-
Other expenses not deductible for tax	(3)	(11)
Deferred tax asset not recognised	1,304	4,440
<b>Income tax expense (benefit)</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

	2019 \$'000	2018 \$'000
Cash at bank and on hand	845	1,941
Deposits at call	1,034	5,219
	1,879	7,160

### (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:

	2019 \$'000	2018 \$'000
Cash at bank and in hand and deposits at call	1,879	7,160

### (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 1.6% (2018: 1.85%).

### (c) Deposits at call

The weighted average interest rate achieved for the year was 1.8% (2018: 2.6%).

### (d) Fair value

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

**7 Current assets - Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivables - at amortised cost	<b>19</b>	<b>21</b>

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**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	<b>28</b>	<b>15</b>

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and equipment</b>		
Gross carrying amount - at cost	<b>4,299</b>	4,296
Accumulated depreciation and impairment	-	-
Net book value	<b>4,299</b>	<b>4,296</b>

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

	<b>Plant and equipment \$'000</b>
<b>Year ended 30 June 2019</b>	
Opening net book amount	4,296
Additions	3
<b>Closing net book value</b>	<b>4,299</b>
<b>Year ended 30 June 2018</b>	
Opening net book amount	4,263
Additions	33
<b>Closing net book value</b>	<b>4,296</b>

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

	<b>2019 \$'000</b>	2018 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	4,893	2,514
Employee benefits	16	15
Provisions	3,111	2,958
Business related costs	166	250
Deferred tax asset not recognised	(6,092)	(4,788)
	<b>2,094</b>	949
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	(2,094)	(949)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>



## 11 Non-current assets - Exploration and evaluation

	2019 \$'000	2018 \$'000
Cost	60,943	57,969
Accumulated impairment	(45,228)	(45,228)
Net book value	15,715	12,741
		<b>Exploration and Evaluation \$'000</b>
<b>Year ended 30 June 2019</b>		
Opening net book amount		12,741
Additions		3,875
Written off to profit and loss		(901)
<b>Closing net book value</b>		<b>15,715</b>
<b>Year ended 30 June 2018</b>		
Opening net book amount		22,670
Additions		3,258
Impairment loss		(12,569)
Written off to profit and loss		(618)
<b>Closing net book value</b>		<b>12,741</b>

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.

## 11 Non-current assets - Exploration and evaluation (continued)

### (a) Impairment of assets

#### Gum Creek Gold Project

The deficiency in market capitalisation of Horizon Gold Limited (which owns the Gum Creek Gold Project) compared to its net assets during the year ended 30 June 2018 led to the Group to make an assessment of the recoverability of the carrying value of Horizon's assets at 30 June 2018. An external party was engaged to determine the fair value less costs to dispose (FVLCD) of the Gum Creek Gold Project. The FVLCD was then compared against the carrying value of capitalised exploration and evaluation expenditure. As a result of this comparison, an impairment loss of \$12.569 million was recognised to reduce the carrying amount of exploration and evaluation expenditure. This amount was recognised in the consolidated income statement.

The fair value less cost to dispose of the Project's assets were determined by a valuation performed by an external party based on a review of comparable market transactions that were completed between 2015 and 2018. The fair value methodology adopted was 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.

The carrying value of the Gum Creek Gold Project was reviewed for indicators of impairment at 30 June 2019 and no indicators of impairment were identified.

## 12 Current liabilities - Trade and other payables

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Trade payables	<b>196</b>	489
Accrued expenses	<b>91</b>	57
	<b>287</b>	546

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>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Unsecured</b>		
Loans from related parties	<b>90</b>	27
Total unsecured current borrowings	<b>90</b>	27

The loan was from Panoramic Resources Limited (the parent entity of the Company, "Panoramic"). The loan is at call, unsecured and interest free.

### 14 Current liabilities - Provisions

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits - long service leave	<b>24</b>	21
Employee benefits - annual leave	<b>23</b>	29
	<b>47</b>	50

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**

	2019 \$'000	2018 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Exploration and evaluation	1,246	681
Property, plant and equipment	848	268
	2,094	949
Set-off of deferred tax liabilities pursuant to set-off provisions (note 10)	(2,094)	(949)
<b>Net deferred tax liabilities</b>	-	-

**16 Non-current liabilities - Provisions**

	2019 \$'000	2018 \$'000
Employee benefits - long service leave	6	2
Rehabilitation	10,318	9,840
	10,324	9,842

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(f)(iv) for inputs used in determining the provision for rehabilitation.

## 16 Non-current liabilities - Provisions (continued)

### (a) Movements in provisions

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

<b>2019</b>	<b>Rehabilitation \$'000</b>
Carrying amount at start of year	9,840
- unwinding of discount	101
- remeasurement of liability	377
<b>Carrying amount at end of year</b>	<b>10,318</b>
<b>2018</b>	<b>Rehabilitation \$'000</b>
Carrying amount at start of year	9,377
- unwinding of discount	463
<b>Carrying amount at end of year</b>	<b>9,840</b>

## 17 Contributed equity

### (a) Share capital

	<b>2019 Shares</b>	2018 Shares	<b>2019 \$'000</b>	2018 \$'000
Ordinary shares - issued and fully paid	<b>76,530,617</b>	76,530,617	<b>29,671</b>	29,671
<b>Total contributed equity</b>	<b>76,530,617</b>	76,530,617	<b>29,671</b>	29,671

### (b) Movements in ordinary share capital

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$'000</b>
1 July 2017	Opening balance	76,530,617		29,671
30 June 2018	Balance	76,530,617		29,671
1 July 2018	Opening balance	76,530,617		29,671
30 June 2019	Balance	76,530,617		29,671

## 17 Contributed equity (continued)

### (c) 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.

### (d) 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.

The Group has in place a Group cash management policy ("Treasury Policy: Credit Risk") to ensure that up to 540 days (2018: 540 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 28: Financial risk management)

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 2019 this was \$11.282 million (2018: \$13.795 million).

## 18 Dividends

### (a) Ordinary shares

No final dividend was paid for the year ended 30 June 2019 (2018: Nil)

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

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

## 19 Remuneration of auditors

	2019 \$	2018 \$
Amounts received or due and receivable by Ernst & Young for:		
Audit and review of financial statements	48,700	45,000
Tax and other services	12,500	18,265
	<u>61,200</u>	<u>63,265</u>

## 20 Contingencies

The Group had no contingent liabilities at 30 June 2019 (2018: nil).

## 21 Commitments

### (a) Capital commitments

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<i>Mineral tenements expenditure commitments</i>		
Not later than one year	<b>1,414</b>	2,399
Later than one year but not later than five years	<b>2,291</b>	8,957
Later than five years	<b>10,513</b>	23,980
	<b>14,218</b>	35,336

## 22 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 ("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. This Agreement has been extended by mutual agreement to 22 December 2019. 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 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 \$331,000 (2018: \$439,000) for Services provided by the Executive Management Team of Panoramic.

## 22 Related party transactions (continued)

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

Key management personnel of the Group (as defined by AASB 124: *Related Party Transactions*) include the following:

P J Harold	Chairman (Non-Executive)
P J Venn	Director (Non-Executive)
P W Bennett	Director (Non-Executive)
T R Eton	Chief Financial Officer and Company Secretary
T S Mason	Manager - Projects
J D Hicks	General Manager - Exploration

The aggregate compensation made to the directors of the Group is set out below:

	<b>2019</b>	2018
	\$	\$
Short-term employee benefits	<b>137,334</b>	138,892

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

For the period 1 July 2018 to 30 June 2019, in accordance with the Management Agreement between the Company and Panoramic, the Group incurred management fees amounting to \$331,000 for services provided by the Executive Management Team. Of this amount, \$50,000, \$18,000 and \$67,000 was incurred by the Group for services provided by T R Eton, T S Mason and J D Hicks, respectively, as a member of the Executive Management Team (inclusive of the 28.6% fixed office overhead). This amount was not payable to the employee.

## 23 Subsidiaries

### (a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2019 %	2018 %
Panoramic Gold Pty Ltd	Australia	Ordinary	<b>100</b>	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.



## 24 Events occurring after the reporting period

### *Non-Executive Chairman*

On 20 August 2019, Panoramic announced that Peter Harold will be leaving Panoramic on or before 19 August 2020. As a result, as at the time of his departure or before, Mr Harold will no longer be Panoramic's representative on the Board. The Company and Panoramic are currently in discussions as to his replacement on the Board and as to the timing for his replacement to occur.

In the interval between the end of the financial year and the date of this report, apart from the matter mentioned above, 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 of the state of affairs of the consolidated entity, in future financial years.

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

	2019 \$'000	2018 \$'000
Loss for the year	(2,576)	(14,764)
Impairment / (reversal) of assets	-	12,569
Interest income	(95)	(189)
Unwinding of discount - rehabilitation	101	464
Exploration and evaluation written off	901	619
Loss on remeasurement of liability	377	-
Change in operating assets and liabilities:		
Increase in trade debtors and others	2	26
(Increase)/decrease in prepayments	(13)	9
Decrease in trade creditors	(259)	(95)
Increase in provisions	1	7
<b>Net cash outflow from operating activities</b>	<b>(1,561)</b>	<b>(1,354)</b>

## 26 Loss per share

### (a) Basic loss per share

	2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(3.4)	(19.3)
<b>Total basic loss per share attributable to the ordinary equity holders of the Company</b>	<b>(3.4)</b>	<b>(19.3)</b>

### (b) Diluted loss per share

	2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(3.4)	(19.3)
<b>Total diluted loss per share attributable to the ordinary equity holders of the Company</b>	<b>(3.4)</b>	<b>(19.3)</b>

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

	2019 \$'000	2018 \$'000
<i>Basic loss per share</i>		
Loss from continuing operations	(2,576)	(14,764)
<b>Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share</b>	<b>(2,576)</b>	<b>(14,764)</b>
<i>Diluted loss per share</i>		
Loss from continuing operations	(2,576)	(14,764)
<b>Loss attributable to the ordinary equity holders of the Company used in calculating diluted loss per share</b>	<b>(2,576)</b>	<b>(14,764)</b>

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

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b>76,530,617</b>	76,530,617

## 27 Parent entity financial information

### (a) Summary financial information

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

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Balance sheet</b>		
Current assets	<b>1,858</b>	6,738
Non-current assets	-	6,433
	<hr/>	<hr/>
<b>Total assets</b>	<b>1,858</b>	13,171
Current liabilities	<b>77</b>	85
Non-current liabilities	-	-
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>77</b>	85
<i>Shareholders' equity</i>		
Contributed equity	<b>29,671</b>	29,671
Accumulated losses	<b>(27,890)</b>	(16,585)
	<hr/>	<hr/>
<b>Capital and reserves attributable to owners of Horizon Gold Limited</b>	<b>1,781</b>	13,086
<b>Loss for the year</b>	<b>11,333</b>	16,024
	<hr/>	<hr/>
<b>Total comprehensive loss</b>	<b>-</b>	-
	<hr/>	<hr/>

## 28 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 (2018: 540 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 \$1,030,000 (2018: \$5,180,000) on deposit in interest bearing accounts earning a weighted average interest rate of 1.85% (2018: 2.6%).

#### *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 (2018: +/- 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%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>At 30 June 2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,879	(1)	-	1	-
<b>Total increase/ (decrease)</b>		(1)	-	1	-

	Carrying amount \$'000	Interest rate risk			
		-0.25%		+0.25%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>At 30 June 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	7,160	(4)	-	4	-
<b>Total increase/ (decrease)</b>		(4)	-	4	-

## **28 Financial risk management (continued)**

### **(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.

## **Appendix A**

### **New and amended accounting standards issued but not yet effective**

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation, effective 1 January 2019

This Standard amends AASB 9 Financial Instruments to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.

The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss

The Group is in the process of evaluating the impact of the above amendment.

- AASB 16 Leases, effective 1 January 2019

AASB 16 provides a new lessee accounting model which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leases asset and a lease liability representing its obligations to make lease payments. The depreciation of the right-of-use asset and interest on the lease liability will be recognised in the income statement.

#### Transition to AASB 16

The Group plans to adopt the modified retrospective approach on transition with the initial date of application being 1 July 2019. The lease liability will be measured at the present value of future lease payments, discounted using the incremental borrowing rate for the Group at the date of transition. Using this approach, the right-of-use asset will be set to equal the lease liability. Prior period comparative financial statements are not required to be restated under this transition method.

The Group has reviewed and implemented changes to its contracting process and system to ensure ongoing compliance with AASB 16. The Group has progressed with its impact assessment of AASB 16 and expect there to be no material impact on the consolidated financial position on transition.

Adopted of AASB 16 is expected to result in lower operating costs and higher finance and depreciation costs as the accounting profile of the lease payments changes under the new model.

## **Appendix A (continued)**

### **New and amended accounting standards issued but not yet effective (continued)**

- AASB 2018-1 Annual Improvements to IFRS Standards 2015-2017 Cycle, effective 1 January 2019

The amendments clarify certain requirements in:

- ▶ AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation
- ▶ AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- ▶ AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

The Group is in the process of evaluating the impact of the above amendment.

- AASB 2017-7 Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures, effective 1 January 2019

This Standard amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

The Group is in the process of evaluating the impact of the above amendment.

- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards, effective 1 January 2019

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 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 Group is in the process of evaluating the impact of the above amendment.

## **Appendix A (continued)**

### **New and amended accounting standards issued but not yet effective (continued)**

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business, effective 1 January 2020

The Standard amends the definition of a business in AASB 3 Business Combinations. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The Group is in the process of evaluating the impact of the above amendment.

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material, effective 1 January 2020

This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The Group is in the process of evaluating the impact of the above amendment.

- Conceptual Framework AASB 2019-1 Conceptual Framework for Financial Reporting, Amendments to Australian Accounting Standards - Reference to the Conceptual Framework, effective 1 January 2020
- The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- ▶ Chapter 1 - The objective of financial reporting
- ▶ Chapter 2 - Qualitative characteristics of useful financial information
- ▶ Chapter 3 - Financial statements and the reporting entity
- ▶ Chapter 4 - The elements of financial statements
- ▶ Chapter 5 - Recognition and derecognition
- ▶ Chapter 6 - Measurement
- ▶ Chapter 7 - Presentation and disclosure
- ▶ Chapter 8 - Concepts of capital and capital maintenance

AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.

The Group is in the process of evaluating the impact of the above amendment



## **Appendix A (continued)**

### **New and amended accounting standards issued but not yet effective (continued)**

- 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 2022

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 deferred the mandatory effective date (application date) of AASB 2014-10 so that the amendments were required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. AASB 2017-5 further defers the effective date of the amendments made in AASB 2014-10 to periods beginning on or after 1 January 2022.

The Group is in the process of evaluating the impact of the above amendment.