Horizon Gold Limited

ABN: 27 614 175 923

Interim Report for the period ended 31 December 2016

This Interim Financial Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Horizon Gold Limited ABN 27 614 175 923

Interim Financial Report
For the period ended 31 December 2016

Contents

The financial statements in this interim financial report are for Horizon Gold Limited and its wholly owned subsidiary. The interim financial report is presented in Australian dollars.

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

The Company's registered office is:

Horizon Gold Limited
Level 9
553 Hay Street
Perth WA 6000

Appendix 4D - Interim Financial Report
for the period ended 31 December 2016

Results for announcement to the market:

		% movement		2015 $'000 (*Note 1*)		**2016 $'000**
Revenue from ordinary activities	n/a	n/a	from	n/a	to	**n/a**
Net profit/(loss) after tax from ordinary activities	Up	130.5%	from	(30,584)	to	**9,330**
Net profit/(loss) after tax attributable to members	Up	130.5%	from	(30,584)	to	**9,330**

Note 1 – the previous corresponding financials for the period ending 31 December 2015 are for the Company's wholly owned entity, Panoramic Gold Pty Ltd, as explained in Horizon Gold Limited's Interim Report for the period ended 31 December 2016 which accompanies this Interim Financial Report (Appendix 4D).

Dividends

No dividend has been paid or declared at the end of the reporting period.

Net tangible assets per share

	31 December 2015 $ per share	**31 December 2016 $ per share**
Net tangible asset backing (per share)	n/a	**$0.38**

Entities over which control has been gained or lost during the period:

(i) The Company gained control of the following entity during the period:

- Panoramic Gold Pty Ltd (ABN 23 148 832 973) on 6 December 2016.

Other information required by Listing Rule 4.2A:

Except for the matters noted above and subject to the requirements being applicable to the Company, all the disclosure requirements pursuant to ASX Listing Rule 4.2A.3 are contained within Horizon Gold Limited's Interim Report for the period ended 31 December 2016 which accompanies this Interim Financial Report (Appendix 4D).

Directors' report

The directors present their report on the consolidated entity consisting of Horizon Gold Limited and the entity it controlled at the end of, or during, the interim period ended 31 December 2016.

Directors

The names of the directors of the Company during the period and until the date of this report are as below. Directors were in office for the entire interim period unless otherwise stated.

Peter J Harold (*appointed 10 August 2016*)
Peter J Venn (*appointed 31 August 2016*)
Paul W Bennett (*appointed 31 August 2016*)
Terry J Strong (*from 10 August 2016 to 31 August 2016*)
Geoffrey J Rogers (*from 10 August 2016 to 31 August 2016*)

Company secretary

Trevor R Eton (*appointed 10 August 2016*)
Timothy J Shervington – alternate Company Secretary (*appointed 31 August 2016*)

Basis of preparation

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

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

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

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

Operating and Financial Review

Operating Result for the Period

The consolidated entity recorded a profit after tax for the interim period ended 31 December 2016 of $9,330,000 (2015: loss after tax of $30,584,000).

The results, in comparison to the previous corresponding period, reflect:

- an increase in the Gum Creek Gold Project care and maintenance expenses to $942,000 (2015: $545,000);
- total costs of approximately $1.4 million incurred by the Company for the initial public offer (IPO) conducted in November 2016, of which $487,000 were expensed to the consolidated income statement (2015: nil) ; and
- as a result of a review of the carrying value of the Gum Creek Gold Project, an impairment charge reversal of $9,178,00 was made during the period. In the previous corresponding period, an impairment charge of $41,837,000 was booked against the assets of the project.

Review of operations

Exploration and Development Project

The tenements comprising the Gum Creek Gold Project are at various stages of exploration and development. During the period, the consolidated entity undertook:

- initial planning for staged programs of ground electromagnetic (EM) surveys, induced polarisation (IP) surveys and air-core drilling. These programs are to be undertaken in 2017 to better define and prioritise regional geophysical, geochemical and structural targets; and
- studies to confirm the suitability of the Wilsons refractory mineralisation to treatment by a moderate temperature and pressure oxidation process.

Corporate Activities

Debt Forgiveness and Release

On 31 August 2016, Panoramic Gold (then a wholly-owned subsidiary of Panoramic) entered into a Deed of Forgiveness and Release where all inter-company loans payable to related entities, being entities controlled by Panoramic were forgiven, except for an amount of $15.6 million payable to Panoramic by Panoramic Gold (as described in note 9 of the "Notes to the Consolidated Interim Financial Statements").

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

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

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

On 21 December 2016, the Company began trading on the ASX with an initial market capitalisation of approximately $30.61 million. The Panoramic shares are restricted from trading on the ASX for two years until 21 December 2018.

Interim Dividend

No interim dividend was or has been declared for the period ended 31 December 2016 (2015: Nil).

Subsequent events

Tax Funding Agreement

On 17 February 2017, the Company and Panoramic Gold executed a Tax Funding Agreement (TFA).

Exemption from Section 323D(5) of the Corporation Act 2001 (Cth)

On 3 March 2017, the Company lodged an application with the Australian Securities and Investments Commission (ASIC) to be granted relief from the reporting and audit requirements under section 323D(5) of the *Corporations Act 2001 (Cth)* ("the Act") for the Company's first financial half-year, which in the Company's case is for the six months from incorporation (10 August 2016) to 10 February 2017.

The Company is also required to report under ASX Listing Rules for the earlier period of 10 August 2016 to 31 December 2016. It is the Company's opinion that the preparation of two sets of financial reports for overlapping periods may confuse investors as to the Group's financial performance and financial position. In addition, the preparation of two sets of interim financial reports would be costly and an inefficient use of management's time.

On 14 March 2017, ASIC issued Instrument 17-0248 granting the Company relief from the requirements under section 323D(5) of the Act.

Other than the matters set out above, there were no other events occurring after the reporting period.

Rounding

The amounts contained in this report and in the interim 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 Independence Declaration

A copy of the auditor's independence declaration is set out on page 6.

Signed in accordance with a resolution of the directors.

Peter Harold
Chairman

Perth, 16 March 2017

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

As lead auditor for the review of Horizon Gold Limited for the interim period ended 31 December 2016, 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 review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Horizon Gold Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

P Teale
Partner
16 March 2017

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Independent review report to members of Horizon Gold Limited

Report on the 31 December 2016 interim financial report

We have reviewed the accompanying interim financial report of Horizon Gold Limited, which comprises the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the interim period end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report is not presented fairly, in all material respects, in accordance with AASB 134 *Interim Financial Reporting.* As the auditor of Horizon Gold Limited, ASRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial report of Horizon Gold Limited does not present fairly, in all material respects, the company's financial position as at 31 December 2016 and its financial performance and its cash flows for the period ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Ernst & Young

Ernst & Young
Perth
16 March 2017

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

In the directors' opinion:

(a) the interim financial statements and notes of Horizon Gold Limited for the interim period ended 31 December 2016:

(i) gives a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and

(ii) complies with Accounting Standard AASB134: Interim Financial Reporting; and

(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.

On behalf of the Board

Peter Harold
Chairman

Perth, 16 March 2017

	Notes	**Consolidated Period ended 31 December 2016 $'000**	31 December 2015 $'000
Other income	4	**9**	-
Care and maintenance expenses		**(942)**	(545)
IPO expenses		**(487)**	-
Corporate and administration costs		**(72)**	-
Share based payments		**-**	(5)
Impairment loss	8	**-**	(41,837)
Reversal of impairment loss	8	**9,178**	-
Finance costs	5	**(70)**	(753)
Profit / (loss) before income tax		**7,616**	(43,140)
Income tax benefit	6	**1,714**	12,556
Profit / (loss) for the period		**9,330**	(30,584)
Profit / (loss) for the period is attributable to:			
Owners of Horizon Gold Limited		**9,330**	(30,584)
		$	$
Earnings / (loss) per share attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per $/share		**0.9**	(6,116,800.0)
Diluted earnings / (loss) per $/share		**0.9**	(6,116,800.0)

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

	Consolidated Period ended 31 December 2016 $'000	31 December 2015 $'000
Profit / (loss) for the period	**9,330**	(30,584)
Other comprehensive income / (loss) for the period, net of tax	-	-
Total comprehensive income / (loss) for the period	**9,330**	(30,584)
Total comprehensive income / (loss) for the period is attributable to:		
Owners of Horizon Gold Limited	**9,330**	(30,584)

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

	Notes	Consolidated entity 31 December 2016 $'000	30 June 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**13,624**	-
Trade and other receivables		**81**	128
Total current assets		**13,705**	128
Non-current assets			
Property, plant and equipment	8	**4,263**	1,179
Exploration and evaluation	8	**21,090**	14,285
Total non-current assets		**25,353**	15,464
Total assets		**39,058**	15,592
LIABILITIES			
Current liabilities			
Trade and other payables		**280**	62
Borrowings	9	**345**	41,013
Provisions		**35**	55
Total current liabilities		**660**	41,130
Non-current liabilities			
Deferred tax liabilities		**-**	1,714
Provisions		**9,467**	9,397
Total non-current liabilities		**9,467**	11,111
Total liabilities		**10,127**	52,241
Net assets		**28,931**	(36,649)
EQUITY/(SHAREHOLDERS DEFICIT)			
Contributed equity	10	**29,681**	-
Reserves		**-**	627
Accumulated losses		**(750)**	(37,276)
Total equity / (deficit)		**28,931**	(36,649)

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

Consolidated entity	**Contributed equity $'000**	**Share- based payment reserve $'000**	**Accum -ulated losses $'000**	**Total equity $'000**
Balance 1 July 2015	-	617	(6,889)	(6,272)
Loss for the period	-	-	(30,584)	(30,584)
Total comprehensive income for the period	**-**	**-**	**(30,584)**	**(30,584)**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	5	-	5
Balance at 31 December 2015	**-**	**622**	**(37,473)**	**(36,851)**

Consolidated entity	**Contributed equity $'000**	**Share- based payment reserve $'000**	**Accum- ulated losses $'000**	**Total equity $'000**
Balance at 1 July 2016	-	627	(37,276)	(36,649)
Profit for the period	-	-	9,330	9,330
Total comprehensive income for the period	**-**	**-**	**9,330**	**9,330**
Transactions with owners in their capacity as owners:				
Share issued, net of transaction costs and tax	14,069	-	-	14,069
Share issued in settlement of loan	15,612	-	-	15,612
Contributions from shareholders (Note 9)	26,569	-	-	26,569
Elimination of equity on insertion of new parent	(26,569)	(627)	27,196	-
	29,681	(627)	27,196	56,250
Balance at 31 December 2016	**29,681**	**-**	**(750)**	**28,931**

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

	Notes	Consolidated Period ended 31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,155)**	(548)
Net cash outflow from operating activities		**(1,155)**	(548)
Cash flows from investing activities			
Interest received		**9**	-
Exploration and evaluation expenditure		**(893)**	(763)
Net cash outflow from investing activities		**(884)**	(763)
Cash flows from financing activities			
Proceeds from issues of shares (net of cost)		**14,069**	-
Proceeds from borrowings from related parties		**1,594**	1,311
Net cash inflow from financing activities		**15,663**	1,311
Net increase / (decrease) in cash and cash equivalents		**13,624**	-
Cash and cash equivalents at end of the period	7	**13,624**	-

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

1 Basis of Preparation of interim financial report

The interim financial report of Horizon Gold Limited (the Company) for the period ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 16 March 2017.

Horizon Gold Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is also recommended that the interim financial report be considered together with any public announcements made by Horizon Gold Limited and its controlled entity during the period ended 31 December 2016 in accordance with the continuous disclosure obligations arising under ASX listing rules.

(a) Basis of preparation of interim financial report

The interim financial report is a condensed general purpose financial report, which has been prepared in accordance with the requirements of the AASB 134 Interim Financial Reporting. The interim financial report has been prepared on a historical cost basis. For the purpose of preparing the interim financial report, the period ended 31 December 2016 has been treated as a discrete reporting period.

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

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

In preparing the interim financial report for the period ended 31 December 2016, which covers the Company's first Australian-Accounting Standards Financial Statements, the Company has applied AASB 1 First-time Adoption of Australian Accounting Standards ("AASB 1"). The Company's financial statements for the year ended 30 June 2016 were prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements. Accordingly, except as required by AASB 1, the Company has adopted all Australian Accounting Standards and interpretations effective 1 July 2016 and applied these retrospectively. The adoption of these Standards and Interpretations has had no impact on:

- the total equity as at 30 June 2015, 31 December 2015 and 30 June 2016; and
- the net profit/(loss) after tax or cash flows for the half year ended 31 December 2015 or the year ended 30 June 2016.

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

1 Basis of Preparation of interim financial report (continued)

(b) Income tax

Following the exit of the Company and Panoramic Gold from the Panoramic Resources Limited tax consolidated group on 6 December 2016, income tax for the consolidated entity is accounted for as follows:

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

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

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

• except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

• except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

1 Basis of Preparation of interim financial report (continued)

(b) Income tax (continued)

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 Company.

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

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid - for example, cash set aside to cover rehabilitation obligations.

1 Basis of Preparation of interim financial report (continued)

(d) Exploration and evaluation expenditure

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

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

Payments for the acquisition of tenements are initially capitalised.

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

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

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

Impairment

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

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

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

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

1 Basis of Preparation of interim financial report (continued)

(e) Property, plant and equipment

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

Depreciation and amortisation

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

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

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

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

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

Derecognition and disposal

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

(f) 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.

(g) Provisions - rehabilitation

The Company is required to rehabilitate a mine and processing site at the end of their producing lives to a condition acceptable to the relevant authorities. Rehabilitation includes any decommissioning costs together with other rehabilitation activities.

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

1 Basis of Preparation of interim financial report (continued)

(h) Employee benefits

(i) Short-term leave benefits

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

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date of corporate bond rate with terms of maturity and currencies that match, as closely as possible, the estimated future cash outflows.

1 Basis of Preparation of interim financial report (continued)

(h) Employee benefits (continued)

(iii) Share-based payments

Equity-settled transactions

The parent company, Panoramic Resources Limited, provided benefits to employees (including executive directors) of Panoramic Gold in the form of share based payment transactions, whereby employees render services in exchange for rights over shares (‘equity-settled transactions’). These benefits were provided up to the date the Company listed on the ASX.

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

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

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

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

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

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

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

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

(iv) Bonus plans

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

1 Basis of Preparation of interim financial report (continued)

(i) 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.

(j) 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 reporting period but not distributed at the end of the reporting period.

(k) Goods and Services Tax (GST)

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.

2 Critical accounting estimates and judgements

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.

Critical accounting estimates and assumptions

(i) Determination of mineral resources and ore reserves

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

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

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

2 Critical accounting estimates and judgements (continued)

Critical accounting estimates and assumptions (continued)

(ii) Impairment of capitalised exploration and evaluation expenditure

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company 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 Company 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 Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company 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' (being the net present value of expected future cash flows of the relevant cash-generating unit) and 'fair value less costs to sell'.

(iv) Provision for decommissioning and rehabilitation

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

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

The carrying amount of the provision as at 31 December 2016 was $9.467 million. The Company estimates that the costs would be realised towards the end of the mine live and calculates the provision using the DCF method based on expected costs to be incurred to rehabilitate the disturbed area. These costs are discounted at 2.52% 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.

3 Segment information

Description of segments

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

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

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

4 Other income

	Consolidated Period ended	
	31 December 2016 $'000	31 December 2015 $'000
From continuing operations		
Other revenue		
Interest income	**9**	-
	9	-

5 Profit / (loss) for the interim period

	Consolidated Period ended **31 December 2016 $'000**	31 December 2015 $'000
Profit / (loss) before income tax includes the following specific expenses:		
Finance costs		
Unwinding of discount - rehabilitation	**70**	753

6 Income tax benefit

(a) Income tax benefit

	Consolidated Period ended **31 December 2016 $'000**	31 December 2015 $'000
Relating to origination and reversal of temporary differences in current year	**-**	(12,132)
Current tax	**-**	(424)
Tax benefit arising on formation of tax consolidated group	**(1,714)**	-
	(1,714)	(12,556)

6 Income tax benefit (continued)

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

	Consolidated Period ended	
	31 December 2016 $'000	31 December 2015 $'000
Profit / (loss) from continuing operations before income tax benefit	**7,616**	(43,140)
Tax benefit at the Australian tax rate of 30.0% (2015 - 30.0%)	**2,285**	(12,942)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Deferred tax asset not recognised	**(2,273)**	-
Other	**(12)**	384
Share based payments	**-**	2
Tax benefit arising on formation of tax consolidated group	**(1,714)**	-
Income tax benefit	**(1,714)**	(12,556)

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).

7 Current assets - Cash and cash equivalents

	Consolidated entity	
	31 December 2016 $'000	30 June 2016 $'000
Cash at bank and in hand	**624**	-
Deposits at call	**13,000**	-
	13,624	-

Cash equivalents

Short-term deposits are made for varying periods of between 30 days and 90 days and earn interest at the respective short-term deposit rates. These also include certain short-term deposits made for periods exceeding 90 days that can be immediately converted into cash at market cash rates, depending on the Group's immediate cash requirements, without incurring any penalties from the financial institutions.

8 Impairment loss / (Reversal of impairment)

Gum Creek Gold Project

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

In accordance with AASB 5, immediately before the classification of Gum Creek as assets held for sale, the carrying value of Gum Creek was assessed to ensure that it was being carried at the lower of its carrying value and “fair value less cost to dispose” (FVLCD). Accordingly, an impairment loss of $41.837 million (property, plant and equipment: $3.084 million and exploration and evaluation asset: $38.571 million) was recognised to reduce the carrying values of Gum Creek to its FVLCD.

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

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

In accordance with AASB 136: Impairment of Assets (“AASB 136”), at 31 December 2016, the carrying value of the Gum Creek Project was reviewed for indicators of impairment reversal to determine whether impairment loss recognised during the year ended 30 June 2016 may no longer exist or may have decreased. As indicators of impairment reversal were identified, management determined the recoverable amount of the Project at 31 December 2016. The FVLCD of Gum Creek was determined to be $25.042 million (30 June 2016: $15.864 million) and accordingly an impairment loss of $9.178 million (property, plant and equipment: $3.084 million and exploration and evaluation asset: $6.094 million) was reversed during the period.

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

9 Current liabilities - Borrowings

	Consolidated entity	
	31 December 2016 $'000	30 June 2016 $'000
Unsecured		
Loans from related parties	**345**	41,013
Total unsecured current borrowings	**345**	41,013

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

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

As a result, the amounts forgiven by these related parties of $26.6 million was credited to contributed equity. The forgiveness of the loans was credited to equity as it was considered to be "contributions from shareholders" (Note 10).

The remaining loan payable to Panoramic of $15.6 million was assigned to the Company in exchange for 39,030,612 shares in the Company.

10 Contributed equity

(a) Ordinary share capital

	31 December 2016 Shares	30 June 2016 Shares	**31 December 2016 $'000**	30 June 2016 $'000
Ordinary shares - fully paid	**76,530,617**	1	**29,681**	-
Total contributed equity	**76,530,617**	1	**29,681**	-

(b) Capital contributions from ultimate parent

	31 December 2016 $'000	30 June 2016 $'000
Loan forgiveness (Note 9)	**26,569**	-
Eliminated on insertion of new parent entity	**(26,569)**	-
	-	-

10 Contributed equity (continued)

(c) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2015	Opening balance	1		-
30 June 2016	Closing balance	1		-
1 July 2016	Opening balance	1		-
6 December 2016	Adjustment to issued shares on insertion of new parent entity	4		-
6 December 2016	Share Issue (IPO)	37,500,000	$0.40	15,000
6 December 2016	Share Issue to Panoramic to settle loan	39,030,612	$0.40	15,612
	Transaction costs, net of tax	-		(931)
31 December 2016	Closing balance	76,530,617		29,681

11 Dividends

No final dividend was declared for the period ended 31 December 2016 and 31 December 2015.

12 Contingencies

The Group had no contingent liabilities at 31 December 2016 (2015: nil).

13 Commitments

	Consolidated entity	
	31 December 2016 $'000	30 June 2016 $'000
Mineral tenements expenditure commitments		
Not later than one year	**2,759**	2,759
Later than one year but not later than five years	**9,543**	9,543
Later than five years	**27,494**	28,873
	39,796	41,175

13 Commitments (continued)

(a) Capital commitments

14 Related party transactions

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

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

During the period, the Company incurred management fees amounting to $0.318 million from Panoramic in relations to technical services provided for the initial public offering.

15 Events occurring after the reporting period

Tax Funding Agreement

On 17 February 2017, the Company and Panoramic Gold executed a Tax Funding Agreement (TFA).

Exemption from Section 323D(5) of the Corporation Act 2001 (Cth)

On 3 March 2017, the Company lodged an application with the Australian Securities and Investments Commission (ASIC) to be granted relief from the reporting and audit requirements under section 323D(5) of the *Corporations Act 2001 (Cth)* (“the Act”) for the Company’s first financial half-year, which in the Company’s case is for the six months from incorporation (10 August 2016) to 10 February 2017.

The Company is also required to report under ASX Listing Rules for the earlier period of 10 August2016 to 31 December 2016. It is the Company’s opinion that the preparation of two sets of financial reports for overlapping periods may confuse investors as to the Group’s financial performance and financial position. In addition, the preparation of two sets of interim financial reports would be costly and an inefficient use of management’s time.

On 14 March 2017, ASIC issued Instrument 17-0248 granting the Company relief from the requirements under section 323D(5) of the Act.

Other than the matters set out above, there were no other events occurring after the reporting period.

16 Financial Instruments

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount.