



Horizon Gold Limited

ABN: 27 614 175 923

Interim Report for the period ended 31 December 2017

Interim Financial Report

For the period ended 31 December 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Horizon Gold Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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 2017.

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
Peter J Venn
Paul W Bennett

Company secretary

Trevor R Eton
Timothy J Shervington – alternate Company Secretary

Operating and Financial Review

Operating Result for the Period

The consolidated entity recorded a loss after tax for the interim period ended 31 December 2017 of \$866,000 (2016: profit after tax of \$9,330,000).

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

- higher Interest income \$98,000 was earned over the reporting period (2016: \$9,000);
- a \$225,000 decrease in the Gum Creek Gold Project care and maintenance expenses to \$717,000 (2016: \$942,000); and
- no adjustment to the carrying value of the Gum Creek Gold Project was made at the end of the interim period (2016: an impairment charge reversal of \$9,178,000 was booked against the assets of the project).

Review of operations

Exploration and Evaluation Activities

Since the completion of the initial public offer (IPO) and listing of the Company on the Australian Securities Exchange ("ASX") in December 2016, the exploration focus of the Company has been on the evaluation and drill testing of high priority regional targets on the Gum Creek Project tenements. This activity involved a series of staged geophysical surveying in the first half of 2017, which resulted in the identification of twenty additional prospect areas for follow-up reverse circulation (RC) and aircore (AC) drill testing during the interim period.

The follow-up drilling programs included 39 reverse circulation (RC) holes for 4,969 drill metres at 13 prospects and 440 aircore (AC) holes for 20,118 drill metres at eight prospects. The most significant RC assay results were returned at the Psi Prospect, while encouraging results were also received at Toedter, Ray Charles and Shiraz South. Various encouraging AC intercepts were returned at the Gidgee South, Melbourne Bitter and Orion Prospects. A combination of AC and RC drilling is planned in 2018 to follow-up on the higher-grade gold intersections.

Review of operations

Exploration and Evaluation Activities (continued)

Also during the period, the consolidated entity engaged a consultant geochemist, GCXplore Pty Ltd, to undertake a comprehensive review of the Gum Creek Project geochemical database. The aim of this work was to generate new drill targets and to assist in the planning for new exploration activities. From this work, several targets have been identified for drill testing in 2018.

Development Activities

During the interim period, the consolidated entity undertook:

- a review of previous studies on a Wilsons-only refractory operation using fine grinding and mild pressure oxidation and concluding that the project's production target derived from the Wilsons Mineral Resource is currently too small to justify the upfront capital cost; and
- further studies on an alternative route-to-market through the transport and sale of a gold concentrate, which would lower the upfront capital cost and processing risk from omitting the refractory processing circuit.

Interim Dividend

No interim dividend was or has been declared for the period ended 31 December 2017 (2016: Nil).

Subsequent events

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

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 4.

Signed in accordance with a resolution of the directors.



Peter Harold
Chairman

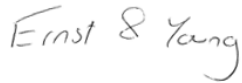
Perth, 14 March 2018

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 2017, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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



P Teale
Partner
14 March 2018

Independent auditor's review report to the members of Horizon Gold Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Horizon Gold Limited (the Company) and its subsidiaries (collectively the Group), which comprises consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Teale'.

Philip Teale
Partner
Perth
14 March 2018

**Horizon Gold Limited
Directors' declaration
31 December 2017**

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 2017:
 - (i) gives a true and fair view of the consolidated entity's financial position as at 31 December 2017 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, 14 March 2018

Horizon Gold Limited
Consolidated income statement
For the interim period ended 31 December 2017

| | Consolidated | |
|--|---------------------|-------------|
| | Period ended | |
| Notes | 31 December | 31 December |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Other income | 224 | 9 |
| Care and maintenance expenses | (717) | (942) |
| IPO expenses | - | (487) |
| Corporate and administration costs | (286) | (72) |
| Reversal of impairment loss | 5 | 9,178 |
| Finance costs | 3 | (70) |
| (Loss) / profit before income tax | (866) | 7,616 |
| Income tax benefit | - | 1,714 |
| (Loss) / profit for the period | (866) | 9,330 |
| | | |
| (Loss) / profit for the period is attributable to: | | |
| Owners of Horizon Gold Limited | (866) | 9,330 |
| | Cents | Cents |
| | | |
| (Loss) / earnings per share attributable to the ordinary equity holders of the Company: | | |
| Basic (loss) / earnings per cents/share | (1.1) | 89.2 |
| Diluted (loss) / earnings per cents/share | (1.1) | 89.2 |

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

Horizon Gold Limited
Consolidated statement of comprehensive income
For the interim period ended 31 December 2017

| | Consolidated | |
|--|---------------------|--------------------|
| | Period ended | |
| | 31 December | 31 December |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| (Loss) / profit for the period | (866) | 9,330 |
| Other comprehensive income / (loss) for the period, net of tax | - | - |
| Total comprehensive (loss) / income for the period | (866) | 9,330 |
| Total comprehensive (loss) / income for the period is attributable to: | | |
| Owners of Horizon Gold Limited | (866) | 9,330 |

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 31 December 2017

| | | Consolidated entity | |
|--------------------------------------|---|----------------------------|---------|
| | | 31 December | 30 June |
| | | 2017 | 2017 |
| | | \$'000 | \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 8,399 | 11,705 |
| Trade and other receivables | | 51 | 47 |
| Prepayments | | 45 | 24 |
| Total current assets | | 8,495 | 11,776 |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 4,296 | 4,263 |
| Exploration and evaluation | 5 | 24,712 | 22,670 |
| Total non-current assets | | 29,008 | 26,933 |
| Total assets | | 37,503 | 38,709 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 447 | 641 |
| Borrowings | | - | 116 |
| Provisions | | 50 | 43 |
| Total current liabilities | | 497 | 800 |
| Non-current liabilities | | | |
| Provisions | | 9,339 | 9,377 |
| Total non-current liabilities | | 9,339 | 9,377 |
| Total liabilities | | 9,836 | 10,177 |
| Net assets | | 27,667 | 28,532 |
| EQUITY | | | |
| Contributed equity | 6 | 29,671 | 29,671 |
| Accumulated losses | | (2,004) | (1,139) |
| Total equity | | 27,667 | 28,532 |

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 interim period ended 31 December 2017

| Consolidated entity | Contributed equity \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|--|--|------------------------------------|
| Balance 1 July 2016 | - | (37,276) | (37,276) |
| 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: | | | |
| Contributions of equity, net of transaction costs and tax | 14,069 | - | 14,069 |
| Elimination of equity accounts on insertion of new parent | (26,569) | 27,196 | 627 |
| Contributions from shareholders | 26,569 | - | 26,569 |
| Shares issued in consideration of settlement of debt | 15,612 | - | 15,612 |
| Balance at 31 December 2016 | 29,681 | (750) | 28,931 |

| Consolidated entity | Contributed equity \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|--|--|------------------------------------|
| Balance at 1 July 2017 | 29,671 | (1,138) | 28,533 |
| Loss for the period | - | (866) | (866) |
| Total comprehensive loss for the period | - | (866) | (866) |
| Balance at 31 December 2017 | 29,671 | (2,004) | 27,667 |

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 interim period ended 31 December 2017

| | Consolidated | |
|---|-----------------------|----------------|
| | Period ended | |
| Notes | 31 December | 31 December |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Payments to suppliers and employees (inclusive of goods and services tax) | (1,202) | (1,155) |
| Net cash outflow from operating activities | <u>(1,202)</u> | <u>(1,155)</u> |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (33) | - |
| Interest received | 98 | 9 |
| Exploration and evaluation expenditure | (2,042) | (893) |
| Net cash outflow from investing activities | <u>(1,977)</u> | <u>(884)</u> |
| Cash flows from financing activities | | |
| Proceeds from issues of shares (net of cost) | - | 14,069 |
| (Repayment of) / proceeds from borrowings from related parties | (127) | 1,594 |
| Net cash (outflow) / inflow from financing activities | <u>(127)</u> | <u>15,663</u> |
| Net (decrease) / increase in cash and cash equivalents | (3,306) | 13,624 |
| Cash and cash equivalents at the beginning of the financial period | <u>11,705</u> | - |
| Cash and cash equivalents at end of the period | 4 <u>8,399</u> | <u>13,624</u> |

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 2017 was authorised for issue in accordance with a resolution of the directors on 14 March 2018.

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.

The interim financial report should be read in conjunction with the annual financial report of Horizon Gold Limited as at 30 June 2017.

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 2017 in accordance with the continuous disclosure obligations arising under ASX listing rules.

(a) Basis of preparation of interim financial report

The half-year financial report is a condensed general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2017, except for the adoption of new standards and interpretations as of 1 July 2017.

The adoption of any new and revised standards and interpretation effective 1 July 2017 has not resulted in any changes to the Group's accounting policies and has no material effect on the amounts reported to the current or prior period.

2 Segment information

Description of segments

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

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

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

3 (Loss) / profit for the interim period

| Consolidated | |
|---------------------|-------------|
| Period ended | |
| 31 December | 31 December |
| 2017 | 2016 |
| \$'000 | \$'000 |

(Loss) / profit before income tax includes the following specific expenses:

Finance costs

Unwinding of discount - rehabilitation

| | | |
|--|-----------|-----------|
| | 87 | 70 |
|--|-----------|-----------|

4 Current assets - Cash and cash equivalents

| | Consolidated entity | |
|--------------------------|-------------------------------|---------------------------|
| | 31 December 2017 \$'000 | 30 June 2017 \$'000 |
| Cash at bank and in hand | 1,009 | 586 |
| Deposits at call | 7,390 | 11,119 |
| | 8,399 | 11,705 |

5 Impairment of assets

Gum Creek Gold Project

The deficiency in market capitalisation of the Company compared to its net assets during the half year ended 31 December 2017 led to the Group to make an assessment of the recoverability of the carrying value of its assets at 31 December 2017 under AASB 136 *Impairment of Assets*. The carrying value of the Gum Creek Gold Project CGU was assessed to ensure that the assets within the CGU were being carried at the lower of its carrying value (adjusted for depreciation and amortisation) and recoverable amount (being its fair value less cost to dispose ("FVLCD")). It was determined that the FVLCD of the Gum Creek Gold Project approximated its carrying value.

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 CGU. A 5% increase or decrease in the underlying resources/reserve estimate and the valuation multiples estimate would have resulted in a reversal of previously recognised impairment loss or further impairment of \$1,236,000 respectively.

At 31 December 2016, the carrying value of the Gum Creek Project was reviewed for indicators of impairment or indicators for reversal of impairment loss recognised in prior periods. It was determined that indicators for reversal of impairment loss recognised in prior periods existed. Accordingly, management determined the recoverable amount of the Project at 31 December 2016 and 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 ended 31 December 2016.

The FVLCD of the Gum Creek Gold Project at 31 December 2016 was determined based on comparable market transactions. The fair value methodology adopted in prior period 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.

6 Contributed equity

(a) Ordinary share capital

| | 31 December 2017 Shares | 30 June 2017 Shares | 31 December 2017 \$'000 | 30 June 2017 \$'000 |
|---------------------------------|--|---------------------------|--|---------------------------|
| Ordinary shares - fully paid | 76,530,617 | 76,530,617 | 29,671 | 29,671 |
| Total contributed equity | 76,530,617 | 76,530,617 | 29,671 | 29,671 |

(b) Movements in ordinary share capital

| Date | Details | Number of shares | Issue price | \$'000 |
|------------------|--|---------------------|-------------|---------------|
| 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 | - | | (941) |
| 30 June 2017 | Closing balance | <u>76,530,617</u> | | <u>29,671</u> |
| 1 July 2017 | Opening balance | <u>76,530,617</u> | | <u>29,681</u> |
| 31 December 2017 | Closing balance | <u>76,530,617</u> | | <u>29,681</u> |

7 Dividends

No final dividend was declared for the period ended 31 December 2017 and 31 December 2016.

8 Contingencies

The Group had no contingent liabilities at 31 December 2017 (2016: nil).

9 Commitments

There were no changes in commitments since the last annual financial report.

10 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 \$0.177 million (2016: \$0.318 million) from Panoramic.

11 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

12 Financial Instruments

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