

**OPAL HORIZON LIMITED**

**ABN 98 095 974 762**

**General Purpose Financial Report  
for the year ended 31 December 2011**

# OPAL HORIZON LIMITED

ABN 98 095 974 762

## DIRECTORS' REPORT

Your Directors present their report on the Company for the year ended 31 December 2011.

### Directors

The following persons were Directors of the Company during the whole of the financial year and continue in office at the date of this report:

D J Horton  
D H Hall

L J Litzow was a Director from the beginning of the financial year until his resignation on 17 March 2011.

A J Fawdon was a Director from the beginning of the financial year until his resignation on 2 September 2011.

W Ife was appointed a Director on 2 September 2011 and continues in office at the date of this report.

### Principal Activities

The principal continuing activities of the Company has been the exploration for opals in Australia by the identification of target areas, and the mining of precious opals.

During the year exploration and mining activities were kept to a minimum while the Company sought:

- (a) funding to provide working capital for its activities; and
- (b) international markets for its opal products.

### Dividends

No dividend has been paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the financial year ended 31 December 2011.

### Review of Operations

The loss of the Company for the financial year ended 31 December 2011 was \$508,115 (2010: loss \$544,901).

The Company was incorporated in February 2001. It is a vertically integrated company involved in all aspects of the opal industry from exploration through to mining, purchasing, processing, wholesaling and international marketing.

The Directors and management of the Company have extensive experience in mineral exploration, mining, gemstone marketing and financing. The Company's Managing Director is a geologist who is one of Australia's leading researchers on practical aspects of opal exploration. The Company has developed exploration methodologies specifically targeting large deposits of precious opal in central Australia.

Opal Horizon Limited currently holds a number of exploration and mining projects in western Queensland (listed below). These projects were being actively worked by the Company up until 2009. However, Company activities since then have been primarily aimed at setting up an internal international opal marketing division and working towards listing on the Toronto Stock Exchange.

During 2011, the Company advanced the development of its grading and classification scheme for natural precious opal and presented a preliminary version of the scheme at the Gemmological

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## DIRECTORS' REPORT (continued)

Institute of America Symposium in California in May. The scheme received extensive coverage in the world trade press and generated a lot of interest for the company.

During the year, three trips were made to Canada and the USA with the objective of gathering investor and broker support towards listing the company on TSXV. Following the second trip in July, the board decided that Opal Horizon Limited should list on the Toronto Venture Exchange (TSXV) as a Foreign Issuer. In preparation for this, the board was advised to consolidate its shares and options on a 3 for 1 basis and this resolution was passed at a special meeting of members in October.

In September, the third trip to Canada had the aim of beginning the listing process including preparation of a prospectus, the establishment of a sponsoring broker and raising of seed capital. Unfortunately this trip, which lasted for a total of 11 weeks, coincided with adverse market conditions due to the global financial crisis and the company's plans have been temporarily delayed pending an improvement in market conditions.

The Company's current projects as of 31 December 2011 are detailed below:

Tenement	Name	Project	Interest
EPM 17045*	Opalton West	Opalton	100%
EPM 17046*	Opalton East	Opalton	100%
EPM 14310**	Kurran South	Kurran	100%
ML 95542**	The Big Girl	Lina Glen	100%
EPM 15970**	Hayfield	Lina Glen	100%
EPM 17863*	Evergy	Evergy	100%
EPM 15991*	Thylungra	Thylungra	100%

\*under application

\*\*granted

### Significant Changes in State of Affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

	2011
	\$
An increase in contributed equity of \$377,600 (from \$4,419,111 to \$4,796,711) as a result of:	
Placement of 1,558,667 fully paid ordinary shares (post share consolidation)	377,600
	-----
	377,600
Less: Transaction costs arising on share issues, net of current income tax	-
	-----
Net increase in share capital	377,600
	=====

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## DIRECTORS' REPORT (continued)

### Matters Subsequent to the end of the Financial Year

There have been no matter or circumstance have arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company; the results of those operations; or the state of affairs of the Company, in financial years subsequent to 31 December 2011.

### Likely developments and expected results of operations

With adverse market conditions currently hampering its aim to list on TSXV as a Foreign Issuer, the company is currently exploring a number of other opportunities to list, not only on TSXV but also on ASX and AIM, through possible reverse takeover, acquisition or merger.

### Environmental Regulation

The Company is not subject to any significant environmental regulation (apart from normal requirements under its exploration and mining tenements) in respect of its operations.

The following policy has been adopted as the official Environmental Policy of the Company:

Opal Horizon Limited is committed to being an efficient and effective mineral exploration / mining company embracing sound environmental management practices and world best practices.

It is the Company's policy to:

- abide by the concepts and principles of sustainable development;
- carry out operations in an environmentally responsible manner having consideration for individual and community welfare;
- ensure that, at a minimum, business is conducted in compliance with existing environmental legislation and regulations; and
- educate staff and employees in the importance of understanding their environmental responsibilities for the sensitive implementation of all Company operations.

### Information on Directors

**David John Horton M.Sc, MGSA, MAIG, MSEG.** *Managing Director – Executive.* Age 61

#### ***Experience and expertise***

Mr Horton has over 35 years experience in mineral exploration, project and prospect generation, management and resource evaluation.

#### ***Other current directorships***

Non-executive Director of Superior Resources Limited since 2005.

Non-executive Chairman of Superior Resources Limited since December 2010.

#### ***Former directorships in last 3 years***

None.

#### ***Special responsibilities***

Managing Director.

#### ***Interests in shares and options***

1,990,574 ordinary shares in Opal Horizon Limited.

1,628,620 options over ordinary shares in Opal Horizon Limited.

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## DIRECTORS' REPORT (continued)

**David Hugh Hall B.Sc(Geol)., GDESc. *Non-executive director. Age 58***

### ***Experience and expertise***

Mr Hall is a geologist with over 30 years experience in both field exploration and office administration. During this time, he has developed skills and experience in exploration and corporate management. He has specialist experience in project maintenance and tenement administration, government / landholder / native title liaison and public / private company dealings.

### ***Other current directorships***

Executive director of Diatreme Resources Limited since 2001.

### ***Former directorships in last 3 years***

Non-executive Director of Garimpos Limited until April 2009.

Non-executive Director of Xtreme Resources Limited until April 2009.

### ***Special responsibilities***

None.

### ***Interests in shares and options***

1,416,667 ordinary shares in Opal Horizon Limited.

1,025,000 options over ordinary shares in Opal Horizon Limited.

**Walter John Ife BS(Communications / Advertising). *Executive Director – Sales & Marketing. Age 48***

### ***Experience and expertise***

Mr Ife has over 25 years experience in marketing and advertising, mostly in jewellery diamonds and luxury product categories. He served as Executive Director of the Diamond Promotion Service leading the trade marketing efforts for DeBeers in the US for 9 years.

### ***Other current directorships***

None.

### ***Former directorships in last 3 years***

None.

### ***Special responsibilities***

Audit Committee.

### ***Interests in shares and options***

None.

## **Company Secretaries**

The Australian Company Secretary is Ms Leni Pia Stanley, CA, B.Com. She was appointed to the position of Company Secretary in February 2011. Ms Stanley currently is a partner with a Chartered Accounting firm and holds the office of Company Secretary with other companies.

The Canadian Company Secretary and Chief Financial Officer is Paul Robertson, CA. He is a Canadian-based chartered accountant with 16 years experience and is the Chief Financial Officer and Company Secretary for numerous TSE-listed companies.

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## DIRECTORS' REPORT (continued)

### Meetings of Directors

The number of meetings of the Company's board of directors held during the year ended 31 December 2011, and the number of meetings attended by each director were:

	Full Meetings of Directors		Meetings of Audit Committee	
	A	B	A	B
D J Horton	9	9	2	2
D H Hall	9	9	2	2
W J Ife	1	2	-	-
A J Fawdon	8	8	1	2
L J Litzow	3	4	-	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year.

### Shares under option

Unissued ordinary shares of Opal Horizon Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of shares	Number under option
Various dates during:			
2001	30/06/2013	\$0.60	3,483,333
2002	30/06/2013	\$0.60	327,148
2003	30/06/2013	\$0.60	366,917
2004	30/06/2013	\$0.60	113,547
2005	30/06/2013	\$0.60	22,795
2006	30/06/2013	\$0.60	1,167,401
2007	30/06/2013	\$0.60	960,209
2007	30/06/2014	\$1.50	1,933,334
2008	30/06/2014	\$1.50	250,000
2008	30/06/2013	\$0.60	56,500
2009	30/06/2013	\$0.60	1,324,667
2010	30/06/2013	\$0.60	761,667
2011	30/06/2013	\$0.60	479,334

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

### Shares issued on the exercise of options

No ordinary shares of Opal Horizon Limited were issued during the year ended 31 December 2011 on the exercise of options. No shares on the exercise of options have been issued since that date.

### Insurance of officers

During the financial year Opal Horizon Limited has not paid a premium to insure the directors and secretaries of the Company.

### Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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**DIRECTORS' REPORT (continued)**

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

**Auditor**

Lawler Hacketts Audit continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

D J Horton  
Managing Director  
Brisbane, 20 March 2012



**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF OPAL HORIZON LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2011 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

**Lawler Hacketts Audit**



**Liam Murphy**

**Partner**

Brisbane, 20<sup>th</sup> March 2012



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## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the entity's financial position as at 31 December 2011 and of its performance for the financial year ended on that date, 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



D J Horton  
Managing Director  
Brisbane, 20 March 2012

# OPAL HORIZON LIMITED

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
<b>Revenue from operations</b>	5	145,386	260,761
<b>Expenditure</b>			
Cost of gems sold		-	(4,374)
Exploration expenditure written off		(5,104)	(1,500)
Mining operations		(21,064)	(25,255)
Drill rig operating costs		(4,699)	(3,614)
Employment costs		(147,536)	(226,118)
Professional services		(44,740)	(49,390)
Depreciation and amortisation expense		(97,131)	(165,834)
Borrowing costs		(3,996)	(10,844)
Occupation costs		(23,408)	(31,584)
Capital raising costs		(108,789)	(49,069)
Administration costs		(197,034)	(238,080)
Loss before income tax from operations	6	(508,115)	(544,901)
Income tax expense	7	-	-
<b>Loss after income tax</b>	18	(508,115)	(544,901)
<i>Other comprehensive income</i>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		(508,115)	(544,901)
<b>Loss after income tax and total comprehensive income attributable to owners of the Company</b>		(508,115)	(544,901)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings (loss) per share</b>			
Basic earnings (loss) per share	26	(2.3)	(2.6)
Diluted earnings (loss) per share	26	(2.3)	(2.6)

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

# OPAL HORIZON LIMITED

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## BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	2011	2010
<b>ASSETS</b>		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	8	104,378	111,638
Trade and other receivables	9	23,895	33,056
Inventories	10	88,758	88,450
<b>Total Current Assets</b>		<u>217,031</u>	<u>233,144</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	185,312	230,822
Exploration costs and mine properties	12	623,225	662,124
Other assets	13	14,800	14,800
<b>Total Non-Current Assets</b>		<u>823,337</u>	<u>907,746</u>
<b>Total Assets</b>		<u>1,040,368</u> =====	<u>1,140,890</u> =====
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	98,154	53,317
Short term interest bearing liabilities	15	15,384	27,678
<b>Total Current Liabilities</b>		<u>113,538</u>	<u>80,995</u>
<b>Non-Current Liabilities</b>			
Long term interest bearing liabilities	16	-	2,550
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>2,550</u>
<b>Total Liabilities</b>		<u>113,538</u> =====	<u>83,545</u> =====
<b>Net Assets</b>		<u>926,830</u> =====	<u>1,057,345</u> =====
<b>Equity</b>			
Contributed equity	17	4,796,711	4,419,111
Accumulated losses	18	(3,869,881)	(3,361,766)
<b>Total Equity</b>		<u>926,830</u> =====	<u>1,057,345</u> =====

The above Balance Sheet should be read in conjunction with the accompanying notes

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Ordinary shares \$	Accumulated losses \$	Total \$
<b>Balance at 1 January 2010</b>	4,173,111	(2,816,865)	1,356,246
Loss for the year	-	(544,901)	(544,901)
Total other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	(544,901)	(544,901)
Shares issued during the year	246,000	-	246,000
<b>Sub total</b>	4,419,111	(3,361,766)	1,057,345
Dividends paid or provided for	-	-	-
<b>Balance at 31 December 2010</b>	4,419,111	(3,361,766)	1,057,345
<b>Balance at 1 January 2011</b>	4,419,111	(3,361,766)	1,057,345
Loss for the year	-	(508,115)	(508,115)
Total other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	(508,115)	(508,115)
Shares issued during the year	377,600	-	377,600
<b>Sub total</b>	4,796,711	(3,869,881)	926,830
Dividends paid or provided for	-	-	-
<b>Balance at 31 December 2011</b>	4,796,711	(3,869,881)	926,830

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

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## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Receipts (GST inclusive)		156,460	235,618
Payments to suppliers and employees (GST inclusive)		(485,732)	(645,944)
Exploration expenditure		(18,887)	(11,974)
Interest received		3,839	10,014
Borrowing costs paid		(3,996)	(10,379)
<b>Net cash flows from operating activities</b>	22	<u>(348,316)</u>	<u>(422,665)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,700)	-
Proceeds from sale of property, plant and equipment		-	38,000
Payments for security deposits		-	-
Refund of security deposits		-	2,500
<b>Net cash flows from investing activities</b>		<u>(1,700)</u>	<u>40,500</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		357,600	266,000
Repayment of borrowings		(14,844)	(24,828)
<b>Net cash flows from financing activities</b>		<u>342,756</u>	<u>241,172</u>
Net increase/(decrease) in cash held		(7,260)	(140,993)
Cash at beginning of the year		111,638	252,631
<b>Cash at the end of the year</b>	8	<u>104,378</u> =====	<u>111,638</u> =====

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

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover Opal Horizon Limited as an individual entity. The Company is an unlisted public company incorporated and domiciled in Australia.

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

The financial statements were authorised for issue on 20 March 2012 by the directors of the Company.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the *Corporations Act 2001*.

##### *Compliance with IFRS*

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *Historical cost convention*

The financial statements have been prepared on an accruals basis and under the historical cost convention.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

##### *Going concern principle*

The Company has reported a loss of \$508,115 (2010 : loss of \$544,901) and cash outflows from operations of \$348,316 (2010 : \$422,665) and cash outflows from investing of \$1,700 (2010 inflow: \$40,500). Given the losses and net cash outflow of the Company the ability of the Company to continue as a going concern, including the ability of the Company to pay its debts as and when they fall due, needs to be considered.

The continuation of the Company as a going concern is dependent upon its ability to obtain either finance facilities or additional capital, and the generation of future cash inflows to enable the funding of cash requirements. The Directors are of the opinion that the operations of the Company can be structured so as to retain the Company's assets, satisfy its current liabilities and fund expenditure obligations. It is on this basis that the Directors have prepared the financial statements on a going concern basis.

The financial statements have been prepared on a going concern basis which assumes that the Company will realise its assets and extinguish its liabilities in the normal course of business. Given the past losses, the current financial environment of reduced liquidity and difficulty to refinance funding facilities or raising of additional share capital, there is significant uncertainty that the Company will continue as a going concern, and, therefore, whether its will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the going concern basis of the preparation of the financial statements not be appropriate.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Summary of Significant Accounting Policies (continued)

#### (b) Income Tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

#### (c) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand, and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

#### (d) Inventories

Inventories are stated at net realisable value. Net realisable value represents the estimated wholesale selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Stock on hand represents stocks of cut opals and opal jewellery. Uncut opals are not recognised as stock due to the uncertainty regarding the quality and the value of the opal until it is cut.

#### (e) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

#### (f) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs.

#### (g) Depreciation of property, plant and equipment

Depreciation on property, plant and equipment has been calculated on diminishing value basis. Estimates of remaining useful lives are made on a regular basis for all assets. The depreciation rates used for each class of assets are as follows:

Office equipment	37.5%	Diminishing value
Field equipment	20% - 37.5%	Diminishing value
Motor vehicles	20%	Diminishing value

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Summary of Significant Accounting Policies (continued)

#### (h) Exploration Expenditure

Expenditure is accumulated separately for each area of interest until such time as the area is abandoned or sold. The realisation of the value of the expenditure carried forward depends on any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Some exploration expenditure may also be written off where areas of interest are partly relinquished. In cases where uncertainty exists as to the value, provisions for possible diminution in value are established.

#### (i) Mine Properties Expenditure

Mine properties expenditure represents exploration and evaluation expenditure accumulated in respect of tenement or area of interest subject to mine development and or mining activities. Mine properties expenditure is accumulated separately for each tenement or area of interest and amortised over the estimated life of the mining activities for the tenement or area of interest.

Costs associated with mining operations are expensed in the Statement of Comprehensive Income as incurred.

#### (j) Trade and Other Creditors

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

#### (k) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

#### (l) Earnings (loss) per share

##### (i) *Basic earnings (loss) per share*

Basic earnings per share is calculated by dividing the profit (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) *Diluted earnings (loss) per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings (loss) per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Summary of Significant Accounting Policies (continued)

#### (m) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*

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

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimate future cash outflows.

#### (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated 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 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 statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

#### (o) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. The Company recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(i) *Equipment rental*

Equipment rental income is recognised in the accounting period in which the equipment has been provided to the customer for their use.

(ii) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) *Provision of services*

Provision of services income is recognised in the accounting period in which the service has been provided to the customer for their use.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. Summary of Significant Accounting Policies (continued)

#### (p) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

#### (q) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (r) New Accounting Standards and Interpretations not yet effective

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* requires that gains or losses on financial liabilities measured at fair value are recognized in profit or loss, except that the effects of changes in the liability's credit risk are recognized in other comprehensive income. The entity does not have any financial liabilities measured at fair value through profit or loss. There will be no impact on the financial statements when these amendments to AASB 9 are first adopted.

(ii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Opal Horizon Limited is a public company and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 2. Financial risk management

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk.

The Company holds the following financial instruments:

	2011 \$	2010 \$
<b>Financial assets</b>		
Cash and cash equivalents	104,378	111,638
Trade and other receivables	23,895	33,056
	-----	-----
	128,273	144,694
	-----	-----
<b>Financial liabilities</b>		
Trade and other payables	98,154	53,317
Interest bearing liabilities	15,384	30,228
	-----	-----
	113,538	83,545
	-----	-----

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

#### Credit risk

Credit risk arises from cash and cash equivalents and deposits with bank and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

	2011 \$	2010 \$
<b>Cash at bank and short-term bank deposits</b>		
A rated	104,378	111,638
	-----	-----

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due. At the end of the reporting period, the Company held deposits at call of \$15,000 (2010: \$50,000) that are expected to readily generate cash inflows for managing liquidity risk.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows.

#### Maturities of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
<b>At 31 December 2011</b>	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	98,154	-	-	-	-	98,154	98,154
Interest bearing liabilities	15,653	-	-	-	-	15,653	15,384
	-----	-----	-----	-----	-----	-----	-----
	113,807	-	-	-	-	113,807	113,538
	-----	-----	-----	-----	-----	-----	-----
<b>At 31 December 2010</b>							
Trade and other payables	53,317	-	-	-	-	53,317	53,317
Interest bearing liabilities	15,772	13,647	2,588	-	-	32,007	30,228
	-----	-----	-----	-----	-----	-----	-----
	69,089	13,647	2,588	-	-	85,324	83,545
	-----	-----	-----	-----	-----	-----	-----

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 2. Financial risk management (continued)

#### Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets or borrowings that are subject to fluctuating interest rates, the Company's income and operating cash flows are not materially exposed to changes in market interest rates.

#### Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value measurements of the Company's other financial liabilities is level 2 on the hierarchy.

### 3. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report 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 both externally and within the Company.

#### Key judgements

##### *Recoverability of non-current assets*

The business of exploring and mining involves a high degree of risk and there can be no assurance that current exploration programs or mining plans will result in profitable outcomes.

The Company has capitalised exploration costs and mine properties of \$438,126 (2010: \$427,104) and \$185,099 (2010: \$235,020) respectively in accordance with the accounting policy set out in Note 1(i). Given that exploration and mining activities do not permit a reasonable assessment of the existence or otherwise of recoverable opals and the difficulty in forecasting cash flows to assess the fair value of exploration costs and mine properties there is uncertainty as to the carrying value of exploration costs and mine properties. Changes to management's judgement as to the prospective nature, assessment of the existence of otherwise of opals, technical feasibility and / or commercial viability of the relevant tenements and the Company's intentions with respect to the relevant tenements, could affect the assessment of the assets recoverable amount. The ultimate recovery of the carrying value of exploration costs and mine properties is dependent upon the successful development, mining and commercial exploitation or, alternatively, sale of the interest in the tenements. The Directors are of the opinion that the exploration costs and mine properties are recoverable for the amount stated in the financial report.

### 4. Segment Information

The Company has only one operating segment being the mining of precious opal in Australia.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
<b>5. Revenue</b>		
Sale of gems	-	4,407
Management services	94,772	197,614
Equipment rental	46,918	38,841
Interest	3,695	9,271
Other	-	10,628
	<u>145,385</u>	<u>260,761</u>
	=====	=====

### 6. Expenses

Loss before income tax expense includes the following specific expenses:

Exploration expenditure written off	5,104	1,500
Amortisation expense	49,921	102,995
Depreciation expense charged	47,210	62,839
Interest and finance charges paid/payable	3,996	10,844

### 7. Income Tax Expense (Credit)

**(a) The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:**

Net profit / (loss) before income tax expense	(508,115)	(544,901)
	=====	=====
Tax at the Australian tax rate of 30% (2010 – 30%)	(152,435)	(163,470)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	-	80
	<u>(152,435)</u>	<u>(163,390)</u>
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	152,435	163,390
	<u>-</u>	<u>-</u>
Income tax expense	=====	=====

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
<b>7. Income Tax Expense (continued)</b>		
<b>(b) Unrecognised net deferred tax assets</b>		
Unused tax losses for which no deferred tax asset has been recognised	4,310,689	3,879,593
Temporary differences for which no deferred tax asset/(liability) has been recognised:		
- Property, plant and equipment	(28,090)	(28,090)
- Employee entitlements	14,524	7,489
- Accruals	37,420	22,500
- Capital raising costs	165,695	145,524
- Exploration expenditure	(438,125)	(427,104)
- Interest receivable	(691)	(835)
- Pooled project expenditure	6,224	10,373
- Mine properties expenditure	(185,099)	(235,020)
	<u>3,882,547</u>	<u>3,374,430</u>
	=====	=====
Potential tax effect at 30%	1,164,764	1,012,329
	=====	=====

The deferred tax asset has not been brought to account. The future income tax benefit of the income tax losses carried forward will only be obtained if:

- (i) the Company derives future assessable income of a nature and an amount sufficient to enable the losses to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by legislation; and
- (iii) no changes in tax legislation adversely affect the Company in realising the losses.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
<b>8. Current Assets – Cash and cash equivalents</b>		
Cash at bank and on hand	89,378	61,638
Short-term bank deposit	15,000	50,000
	<u>104,378</u>	<u>111,638</u>
	=====	=====
<b>9. Current Assets – Trade and other receivables</b>		
Trade receivables	7,961	12,931
Other receivables	1,505	8,541
Prepayments	14,429	11,584
	<u>23,895</u>	<u>33,056</u>
	=====	=====
<b>10. Current Assets – Inventories</b>		
Finished goods at net realisable value		
Cut Opals	51,342	51,034
Opal Jewellery	37,416	37,416
	<u>88,758</u>	<u>88,450</u>
	=====	=====

Inventories of cut opals have been independently valued by Roy Beattie FGAA, DipDT to have a wholesale value of \$57,046 (2010: \$56,705). The net realisable value of opals represents the wholesale valuation less expected costs of selling which have been estimated at 10%. The balance of inventory represents opal jewellery held in stock and is carried at \$37,416 (2010: \$37,416).

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 11. Non-Current Assets – Property, plant and equipment

	<i>Office equipment</i>	<i>Field equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
<b>At 1 January 2010</b>				
Cost	21,347	129,790	382,713	533,850
Accumulated depreciation	(11,062)	(64,806)	(136,924)	(212,792)
Net book amount	10,285	64,984	245,789	321,058
<b>Year ended 31 December 2010</b>				
Opening net book amount	10,285	64,984	245,789	321,058
Additions	-	-	-	-
Disposals	-	-	(27,397)	(27,397)
Depreciation charge	(3,495)	(15,480)	(43,864)	(62,839)
Closing net book amount	6,790	49,504	174,528	230,822
<b>At 31 December 2010</b>				
Cost	21,347	129,790	328,828	479,965
Accumulated depreciation	(14,557)	(80,286)	(154,300)	(249,143)
Net book amount	6,790	49,504	174,528	230,822
<b>Year ended 31 December 2011</b>				
Opening net book amount	6,790	49,504	174,528	230,822
Additions	-	1,700	-	1,700
Disposals	-	-	-	-
Depreciation charge	(2,308)	(11,742)	(33,160)	(47,210)
Closing net book amount	4,482	39,462	141,368	185,312
<b>At 31 December 2011</b>				
Cost	21,347	131,490	328,828	481,665
Accumulated depreciation	(16,865)	(92,028)	(187,460)	(296,353)
Net book amount	4,482	39,462	141,368	185,312



# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
<b>12. Non-Current Assets – Exploration costs and mine properties</b>		
<b>Exploration phase property costs</b>		
Deferred geological, geophysical, drilling and other expenditure - at cost	438,126	427,104
Mine properties – at cost	499,210	499,210
Less: Accumulated amortisation	(314,111)	(264,190)
	-----	-----
Total mine properties	185,099	235,020
	-----	-----
Total exploration costs and mine properties	623,225	662,124
	=====	=====

The above capitalised expenditure carried forward above has been determined as follows:

<b>Exploration expenditure</b>		
Opening balance	427,104	416,630
Expenditure incurred during the year	16,126	11,974
Expenditure transferred to mine properties	-	-
Exploration abandoned	(5,104)	(1,500)
	-----	-----
Closing balance as shown above	438,126	427,104
	=====	=====
<b>Mine properties</b>		
Opening balance	235,020	338,015
Expenditure transferred from exploration expenditure	-	-
Expenditure incurred during the year	-	-
Amortisation during the year	(49,921)	(102,995)
	-----	-----
Closing balance as shown above	185,099	235,020
	=====	=====

### 13. Non-Current Assets – Other assets

Security deposits	14,800	14,800
	=====	=====

### 14. Current Liabilities – Trade and other payables

Trade payables	54,994	3,328
Other payables	43,160	49,989
	-----	-----
	98,154	53,317
	=====	=====

### 15. Current Liabilities – Short term interest bearing liabilities

Finance loan	15,384	27,678
	=====	=====

Net carrying value of motor vehicles subject to finance arrangements totals \$19,894 (2010: \$46,579)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
<b>16. Non-Current Liabilities – Long term interest bearing liabilities</b>		
Finance loan	-	2,550
	=====	=====

### 17. Equity – Contributed equity

	2011 Shares	2010 Shares	2011 \$	2010 \$
<b>(a) Share capital</b>				
Ordinary shares Fully paid	22,987,127	64,285,259	4,796,711	4,419,111
	=====	=====	=====	=====

### (b) Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price	\$
1 January 2010	Opening balance	59,715,259		4,173,111
23 March 2010	Shares issued	50,000	\$0.05	2,500
24 March 2010	Shares issued	1,300,000	\$0.05	65,000
25 March 2010	Shares issued	80,000	\$0.05	4,000
26 March 2010	Shares issued	200,000	\$0.05	10,000
30 March 2010	Shares issued	340,000	\$0.05	17,000
31 March 2010	Shares issued	400,000	\$0.05	20,000
1 April 2010	Shares issued	1,850,000	\$0.05	92,500
10 November 2010	Shares issued	350,000	\$0.10	35,000
31 December 2010	Closing balance	64,285,259		4,419,111
17 January 2011	Shares issued	300,000	\$0.10	30,000
16 February 2011	Shares issued	100,000	\$0.10	10,000
18 March 2011	Shares issued	750,000	\$0.10	75,000
16 May 2011	Shares issued	250,000	\$0.10	25,000
20 June 2011	Shares issued	200,000	\$0.10	20,000
29 July 2011	Shares issued	860,000	\$0.10	86,000
26 August 2011	Shares issued	366,000	\$0.10	36,600
25 October 2011	Share consolidation (1 for 3)	(44,740,799)		-
26 October 2010	Shares issued	16,667	\$0.30	5,000
9 December 2011	Shares issued	600,000	\$0.15	90,000
31 December 2011	Closing balance	22,987,127		4,796,711

### (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.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 17. Equity – Contributed equity (continued)

#### (d) Options

Unissued ordinary shares under option as at 31 December 2011 are as follows:

Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Impact of share consolidation Number	Balance at the end of the year Number	Vest and exercisable at the end of the year Number
2001	30/6/13	\$0.60	10,450,000	-	-	(6,966,667)	3,483,333	3,483,333
2002	30/6/13	\$0.60	981,445	-	-	(654,297)	327,148	327,148
2003	30/6/13	\$0.60	1,100,750	-	-	(733,833)	366,917	366,917
2004	30/6/13	\$0.60	340,640	-	-	(227,093)	113,547	113,547
2005	30/6/13	\$0.60	68,385	-	-	(45,590)	22,795	22,795
2006	30/6/13	\$0.60	3,502,203	-	-	(2,334,802)	1,167,401	1,167,401
2007	30/6/13	\$0.60	2,880,627	-	-	(1,920,418)	960,209	960,209
2008	30/6/13	\$0.60	169,500	-	-	(113,000)	56,500	56,500
2009	30/6/13	\$0.60	3,974,000	-	-	(2,649,333)	1,324,667	1,324,667
2010	30/6/13	\$0.60	2,285,000	-	-	(1,523,333)	761,667	761,667
2011	30/6/13	\$0.60	-	479,334	-	-	479,334	479,334
<i>Issued under employee option plan</i>								
2/4/07	30/6/14	\$1.50	5,000,000	-	-	(3,333,333)	1,666,667	1,666,667
9/4/07	30/6/14	\$1.50	800,000	-	-	(533,333)	266,667	266,667
28/2/08	30/6/14	\$1.50	750,000	-	-	(500,000)	250,000	250,000
			<b>32,302,550</b>	<b>479,334</b>	<b>-</b>	<b>(21,535,032)</b>	<b>11,246,852</b>	<b>11,246,852</b>

Information relating to the Opal Horizon Employee Share Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 25.

#### Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's strategy to capital risk management is unchanged from prior years.

The capital structure of the Company includes cash and cash equivalents, equity attributable to equity holders, comprising of contributed equity, reserves and accumulated losses. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the Company.

The Company monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure, and mining operations. The Company's exposure to borrowings as at 31 December 2011 totals \$15,384 (2010: \$30,228). The Company will continue to use capital market issues to satisfy anticipated funding requirements.

	2011 \$	2010 \$
<b>18. Accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(3,361,766)	(2,816,865)
Loss for the year	(508,115)	(544,901)
Accumulated losses at the end of the financial year	<u>(3,869,881)</u>	<u>(3,361,766)</u>

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 19. Key management personnel disclosures

#### (a) Directors

The following persons were directors of Opal Horizon Limited during the financial year:

A J Fawdon – *Executive Chairman*

D J Horton – *Executive director*

L J Litzow – *Non-executive director*

D H Hall – *Non-executive director*

W lfe – *Non-executive director*

#### (b) Equity instrument disclosures relating to key management personnel

##### (i) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Opal Horizon Limited and other key management personnel, including their personally related parties, are set out below.

2011	Balance at the start of the year	Granted during the year	Impact of share consolidation	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Name						
<b>Directors of Opal Horizon Limited</b>						
A J Fawdon	2,975,000	-	-	(2,975,000)*	-	-
D J Horton	4,755,861	130,000	(3,257,241)^	-	1,628,620	1,628,620
L J Litzow	3,000,000	-	-	(3,000,000)*	-	-
D H Hall	3,025,000	50,000	(2,050,000)^	-	1,025,000	1,025,000
W lfe	-	-	-	-	-	-

2010	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Name						
<b>Directors of Opal Horizon Limited</b>						
A J Fawdon	2,975,000	-	-	-	2,975,000	2,975,000
D J Horton	4,655,861	100,000	-	-	4,755,861	4,755,861
L J Litzow	3,000,000	-	-	-	3,000,000	3,000,000
D H Hall	3,000,000	25,000	-	-	3,025,000	3,025,000

\* Ceased being a director during the year.

^ During the year a 1 for 3 share consolidation was completed.

##### (ii) Share holdings

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

2011	Balance at the start of the year	Other changes during the year	Impact of Share consolidation	Balance at the end of the year
Name				
<b>Directors of Opal Horizon Limited</b>				
A J Fawdon	4,050,001	(4,050,001)*	-	-
D J Horton	5,711,722	260,000	(3,981,148)	1,990,574
L J Litzow	4,000,001	(4,000,001)*	-	-
D H Hall	4,150,001	100,000	(2,833,334)	1,416,667
W lfe	-	-	-	-

2010	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Opal Horizon Limited</b>				
A J Fawdon	4,050,001	-	-	4,050,001
D J Horton	5,511,722	-	200,000	5,711,722
L J Litzow	4,000,001	-	-	4,000,001
D H Hall	4,100,001	-	50,000	4,150,001

\* Ceased being a director during the year.

^ During the year a 1 for 3 share consolidation was completed.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 19. Key management personnel disclosures (continued)

#### (c) Other transactions with key management personnel

	2011	2010
	\$	\$
Payment of management or consultant fees to a Director related entities on normal commercial terms and conditions	61,913	98,788
Advances to Directors to be refunded	-	388

### 20. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2011	2010
	\$	\$
<i>Lawler Hacketts Audit</i>		
Audit or review of the financial report	23,000	22,000
Other assurance services	-	-

### 21. Commitments and Contingent Liabilities

No provision has been made for the following in the financial statements of the Company:

(i) The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993), may impact on exploration tenements under application. Any substantiated claim may have an effect on the value of the tenement application affected by the claim.

(ii) So as to maintain current rights to tenure of various exploration and mining tenements, the Company will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These outlays (exploration expenditure and rent), which arise in relation to granted tenements, inclusive of tenement applications granted subsequent to 31 December 2011, are as follows:

	2011	2010
	\$	\$
Exploration expenditure commitments		
Payable within 1 year	20,000	15,000
Payable within one and five years	45,000	65,000
	<u>65,000</u>	<u>80,000</u>
	=====	=====
Rental on granted tenements		
Payable within 1 year	7,006	3,330
Payable between one and five years	27,864	4,240
Payable greater than five years	36,330	-
	<u>71,200</u>	<u>7,570</u>
	=====	=====

Outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished. Cash security bonds totalling \$14,800 (2010 : \$14,800) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 \$	2010 \$
<b>22. Reconciliation of net profit / (loss) to net cash flows from operating activities</b>		
Profit / (loss) for the year	(508,115)	(544,901)
Depreciation and amortisation	97,131	165,834
Profit on sale of fixed assets	-	(10,602)
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	17,336	(12,977)
Decrease / (increase) in inventories	(308)	7,366
Decrease / (increase) in exploration interests	(13,783)	(10,474)
Increase / (decrease) in payables	59,423	(16,911)
Net cash flows from operating activities	<u>(348,316)</u> =====	<u>(422,665)</u> =====

### Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash at bank and on hand	104,378	111,638
	<u>=====</u>	<u>=====</u>

### 23. Related party transactions

#### (a) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

#### (b) Transactions with related parties

The following transactions occurred with related parties:

<i>Purchase of goods</i>		
Rent and outgoings	23,408	31,584
<i>Other transactions</i>		
Recoupment of salary and wages from related parties	94,772	197,614
Drill rig & vehicle hire income received from related parties	46,918	38,841

#### (c) Other transactions with related parties

The total number of shares Diatre Resources Limited, a Director related entity, has in the Company as at 31 December 2011 is 881,337 shares (2010 : 881,337 adjusted for impact of share consolidation) and 440,668 options (2010 : 440,668 adjusted for impact of share consolidation).

# OPAL HORIZON LIMITED

ABN 98 095 974 762

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 24. Events occurring after the balance sheet date

There have been no matters or circumstance have arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company; the results of those operations; or the state of affairs of the Company, in financial years subsequent to 31 December 2011.

### 25. Share-based payments

#### (a) Employee Option Plan

Options are granted under the Opal Horizon Limited Employees and Officers Option Plan 2007 which was approved by shareholders at the 2007 Annual General Meeting. All employees, Directors and consultants are eligible to participate in the plan. To determine who is eligible to participate in the plan, the Board may consider, amongst other things, the position held by the employee or contractor, their length of service and the contribution made to the Company. Each option entitles the holder to subscribe for, and be issued, one fully paid share. Options are to be issued for free. The number of options to be issued under the plan shall not exceed 10,000,000. The exercise price of the options are \$1.50 and the options issued under the Option Plan shall be exercisable at any time from six months after the date of issue up to the expiry date of 30 June 2014. Options will lapse if not exercised after the expiry date of 30 June 2014 or where an employee is found guilty of gross misconduct, gross negligence, wilful disobedience or any other cause or action that entitle the Company to dismiss the employee. Options will lapse within 90 days of cessation of the employee's employment, however the Board has a discretion to extend the period in which the options may be exercised if warranted by the circumstances.

A participant may assign the options subject to the rules of the plan. The options do not entitle the holders to participate in rights issues or bonus issues.

Options granted under the plan carry no dividend or voting rights and when exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Impact of share consolidation Number	Balance at end of the year Number	Exercisable at end of the year Number
02/04/2007	30/06/2014	\$1.50	5,800,000	-	-	(3,866,667)	1,933,333	1,933,333
28/02/2008	30/06/2014	\$1.50	750,000	-	-	(500,000)	250,000	250,000

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.50 years (2010 – 3.50 years).

#### *Fair value of options granted*

The assessed fair value at grant date of options granted to the individuals is included in the remuneration tables above as the grant date is also the vesting date. Fair value at grant date was independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

# OPAL HORIZON LIMITED

ABN 98 095 974 762

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

### 25. Share-based payments (continued)

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

Total expenses arising from share-based payment transactions recognised during the year was nil.

26. Earnings (loss) per share	2011 Cents	2010 Cents
<b>(a) Basic earnings (loss) per share</b>		
Loss attributable to ordinary equity holders of the Company	(2.3)	(2.6)
	=====	=====
<b>(b) Diluted earnings (loss) per share</b>		
Loss attributable to ordinary equity holders of the Company	(2.3)	(2.6)
	=====	=====
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Reconciliation of earnings (loss) used in calculating earnings (loss) per share</b>		
<i>Basic earnings (loss) per share</i>		
Loss from operations	(508,115)	(544,901)
	=====	=====
<i>Diluted earnings (loss) per share</i>		
Loss from operations	(508,115)	(544,901)
	=====	=====
<b>(d) Weighted average number of shares used as the denominator</b>		
	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>		
	22,062,144	20,993,433
Adjustments for calculation of diluted earnings (loss) per share:		
Options	-	-
	-----	-----
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings (loss) per share</i>		
	22,062,144	20,993,433
	=====	=====

#### *Share consolidation*

During the financial year the company undertook a 1 for 3 share consolidation (refer note 17).

### Note 27 Entity details

The registered office and principal place of business of the Company is:

Level 2, 87 Wickham Terrace  
Spring Hill, QLD 4000  
Ph (07) 3839 5088



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF OPAL HORIZON LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Opal Horizon Limited ("the company") which comprises the balance sheet as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the company.

*Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF OPAL HORIZON LIMITED  
(continued)**

*Auditor's Opinion*

In our opinion:

- a) the financial report of Opal Horizon Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Emphasis of Matter - Inherent Uncertainty regarding Going Concern and Capitalised Exploration Costs and Mine Properties*

Without qualification to the opinion expressed above, attention is drawn to the following matters:

- a) As a result of the matter described in Note 1(a) to the financial statements, there is significant uncertainty as to whether the company will be able to continue as a going concern and therefore whether the company will realise its assets and extinguish its liabilities in the normal course of business and at the amounts recorded in the financial report; and
- b) As a result of the matter described in Note 3 to the financial statements, there is significant uncertainty as to whether the company will be able to recover the carrying value of capitalised exploration costs and mine properties for the amounts recorded in the financial report.

**Lawler Hacketts Audit**



**Liam Murphy  
Partner**

Brisbane, 20<sup>th</sup> March 2012