

**OPAL HORIZON LIMITED**

**ABN 98 095 974 762**

**General Purpose Financial Report  
for the year ended 31 December 2013**

# OPAL HORIZON LIMITED

ABN 98 095 974 762

## DIRECTORS' REPORT

Your Directors present their report, together with the financial statements, on Opal Horizon Limited ("the Company") for the year ended 31 December 2013.

### 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  
W J Iffe  
J E Siemon

J D I Hargreaves was a director from the beginning of the financial year until his resignation on 31 January 2014.

### 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 2013.

### Review of Operations

The loss of the Company for the financial year ended 31 December 2013 was \$179,874 (2012: loss \$359,470).

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 its internal international opal marketing division.

Efforts continued during the period under review to raise capital through private placement. The placement will be used as seed capital for the penultimate phase of the Company's growth strategy which is to reintroduce opal into selected international luxury markets. In particular, Opal Horizon Ltd intends to consolidate a number of international strategic partnerships with top-tier jewellery companies and jewellery designers by supplying them with classified and graded precious opal. At the same time, educational, promotional and marketing material will be made available. This phase

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of the Company's activities should be completed by the end of 2015. At, or before that time, the final phase of the Company's expansion - which is to substantially ramp up production - will begin.

The Company's mandate agreement with Libertas Capital Corporate Finance Limited in the UK to raise £2.5M seed capital was terminated towards the end of 2013 on the basis of non-performance on the part of Libertas. Opal Horizon Limited has subsequently entered into a non-exclusive agreement with newly-formed UK-based broker and corporate adviser, Element 22 Limited to raise this capital. The Company expects this raising to be completed within the second quarter of 2014.

The Company's current projects as of 31 December 2013 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

\*\*\*offered for grant

## Significant Changes in State of Affairs

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

	2013
	\$
An increase in contributed equity of \$120,000 (from \$5,090,711 to \$5,210,711) as a result of:	
Placements of 600,000 fully paid ordinary shares	120,000
	<hr/>
	120,000
Less: Transaction costs arising on share issues, net of current income tax	-
	<hr/>
Net increase in share capital	120,000
	<hr/> <hr/>

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## DIRECTORS' REPORT (continued)

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

The Company made a placement of 275,000 fully paid ordinary shares on 31 January 2014 at an issue price of 20 cents each raising a total of \$55,000 in contributed equity.

There have been no matters or circumstances that 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 2013.

### Likely developments and expected results of operations

The agreement with Element22 Ltd is expected to see the raising of £2.5m (A\$4.5m) through private placement by late April 2014. This will allow the Company to develop strategic partnerships with a number of international jewellery companies and luxury jewellery designers as well as put in place its marketing objectives including the completion of its classification and grading scheme for precious opal. By late 2015, the Company should be in a position to consider raising further capital for major expansion of all of its vertically-integrated activities – exploration, mining, purchasing, processing, sales and marketing. The quantum of capital required for this second raising as well as the means by which it is acquired (e.g. debt, equity, IPO etc) will be determined over the next 18 months.

### 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.

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## DIRECTORS' REPORT (continued)

### Information on Directors

**David John Horton M.Sc, MGSA, MAIG, MSEG.** *Managing Director – Executive. Age 63*

***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.

666,667 options over ordinary shares in Opal Horizon Limited.

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

Age 50

***Experience and expertise***

New York based, 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***

Executive Director – Sales & Marketing.

***Interests in shares and options***

None.

**John Edward Siemon MSc MAIG FGSA** *Non-executive Chairman. Age 67*

***Experience and expertise***

Mr Siemon has 44 years' experience in exploration for and evaluation of industrial minerals, aggregates and gemstones.

***Other current directorships***

None.

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

Alternate Director for Mr D Horton, Opal Horizon Limited 2012

***Special responsibilities***

Chairman.

Audit Committee.

Remuneration Committee.

***Interests in shares and options***

1,793,334 ordinary shares in Opal Horizon Limited.

**DIRECTORS' REPORT (continued)**

**Information on Directors (continued)**

**John David Ian Hargreaves Dip. Mining (UK), FGS, FIMMM** *Non-executive director. Age 73*  
Mr Hargreaves resigned as a Director of the Company on 31 January 2014.

***Experience and expertise***

London based, Mr Hargreaves is a mining engineer by trade with almost 50 years' experience in the resources industry. He has been a stockbroker / mining analyst at which he still practices. However, he is an acknowledged world-wide authority and expert on the gemstone industry.

***Other current directorships***

None.

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

None.

***Special responsibilities***

Audit Committee and Remuneration Committee.

***Interests in shares and options***

None.

**Company Secretary**

The 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.

On 30 January 2013, the Canadian Company Secretary and Chief Financial Officer, Paul Robertson, CA, resigned as the Company is no longer seeking a TSX-V listing.

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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 2013, 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	3	3	1	1
W J Iffe	2	3	1	1
J E Siemon	3	3	1	1
J D I Hargreaves	2	3	1	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: 2007	30/06/2014	\$1.50	1,866,667
2008	30/06/2014	\$1.50	250,000

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 2013 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.

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**DIRECTORS' REPORT (continued)**

**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.

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.

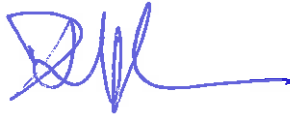
**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

**Auditor**

BDO Audit Pty Ltd 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, 15 April 2014



## DECLARATION OF INDEPENDENCE BY CHRISTOPHER SKELTON TO THE DIRECTORS OF OPAL HORIZON LIMITED

As lead auditor of Opal Horizon Limited for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Christopher Skelton  
Director

**BDO Audit Pty Ltd**

Brisbane, 15 April 2014

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## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 32 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 2013 and of its performance for the financial year ended on that date, and
- (b) with regard to Note 1(a) going concern principle, 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, 15 April 2014

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$	2012 \$
<b>Revenue</b>	5	156,019	86,484
<b>Other income</b>	6	1,887	16,998
<b>Expenditure</b>			
Cost of gems sold		-	-
Exploration expenditure (written off)/reversal		(74)	6,269
Mining operations		(7,889)	(30,270)
Drill rig operating costs		(8,071)	(2,855)
Employment costs		(121,965)	(113,200)
Professional services		(40,690)	(40,390)
Depreciation and amortisation expense		(23,459)	(34,362)
Borrowing costs		(2,328)	(3,321)
Occupancy costs		(20,654)	(19,444)
Capital raising costs		(36,058)	(104,229)
Administration costs		(76,592)	(121,150)
Loss before income tax from operations		<u>(179,874)</u>	<u>(359,470)</u>
Income tax expense	8	-	-
<b>Loss after income tax</b>	19	<u>(179,874)</u>	<u>(359,470)</u>
<i>Other comprehensive income</i>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>(179,874)</u> =====	<u>(359,470)</u> =====
		<b>Cents</b>	<b>Cents</b>
<b>Earnings (loss) per share</b>			
Basic earnings (loss) per share	27	(0.7)	(1.5)
Diluted earnings (loss) per share	27	(0.7)	(1.5)

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

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## BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	50,680	89,907
Trade and other receivables	10	49,578	18,725
Inventories	11	88,908	88,908
<b>Total Current Assets</b>		<u>189,166</u>	<u>197,540</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	94,468	118,163
Exploration costs and mine properties	13	631,855	626,388
Other assets	14	14,800	14,800
<b>Total Non-Current Assets</b>		<u>741,123</u>	<u>759,351</u>
<b>Total Assets</b>		<u>930,289</u> =====	<u>956,891</u> =====
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	114,193	80,543
Short term interest bearing liabilities	16	9,737	10,886
<b>Total Current Liabilities</b>		<u>123,930</u>	<u>91,429</u>
<b>Non-Current Liabilities</b>			
Provisions	17	4,873	4,102
<b>Total Non-Current Liabilities</b>		<u>4,873</u>	<u>4,102</u>
<b>Total Liabilities</b>		<u>128,803</u> =====	<u>95,531</u> =====
<b>Net Assets</b>		<u>801,486</u> =====	<u>861,360</u> =====
<b>Equity</b>			
Contributed equity	18	5,210,711	5,090,711
Accumulated losses	19	(4,409,225)	(4,229,351)
<b>Total Equity</b>		<u>801,486</u> =====	<u>861,360</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 2013

	Ordinary shares \$	Accumulated losses \$	Total \$
<b>Balance at 1 January 2012</b>	4,796,711	(3,869,881)	926,830
Loss for the year	-	(359,470)	(359,470)
Total other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	(359,470)	(359,470)
Shares issued during the year	294,000	-	294,000
<b>Sub total</b>	5,090,711	(4,229,351)	861,360
Dividends paid or provided for	-	-	-
<b>Balance at 31 December 2012</b>	5,090,711	(4,229,351)	861,360
<b>Balance at 1 January 2013</b>	5,090,711	(4,229,351)	861,360
Loss for the year	-	(179,874)	(179,874)
Total other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	(179,874)	(179,874)
Shares issued during the year	120,000	-	120,000
<b>Sub total</b>	5,210,711	(4,409,225)	801,486
Dividends paid or provided for	-	-	-
<b>Balance at 31 December 2013</b>	5,210,711	(4,409,225)	801,486

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 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts (GST inclusive)		123,865	90,352
Payments to suppliers and employees (GST inclusive)		(292,686)	(427,149)
Interest received		1,489	2,844
Borrowing costs paid		(2,328)	(3,321)
<b>Net cash flows from operating activities</b>	23	<u>(169,660)</u>	<u>(337,274)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,058)	-
Exploration expenditure		(5,541)	(9,432)
Proceeds from sale of property, plant and equipment		3,181	49,785
<b>Net cash flows from investing activities</b>		<u>(3,418)</u>	<u>40,353</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		135,000	285,000
Repayment of borrowings		(19,568)	(2,550)
Proceeds of borrowings		18,419	-
<b>Net cash flows from financing activities</b>		<u>133,851</u>	<u>282,450</u>
Net increase/(decrease) in cash held		(39,227)	(14,471)
Cash at beginning of the year		89,907	104,378
<b>Cash at the end of the year</b>	9	<u>50,680</u> =====	<u>89,907</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 2013

### 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 ("the Company") 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 Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were authorised for issue on 15 April 2014 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*

Except for cash flow information, 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 assumption*

The Company has reported a loss of \$179,874 (2012: loss of \$359,470) and cash outflows from operations of \$169,660 (2012: \$337,274) and cash outflows from investing of \$3,418 (2012 inflow: \$40,353). 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 2013

### 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 2013

### 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. When production commences, the accumulated costs are 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 2013

### 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

ABN 98 095 974 762

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 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 mandatory or early adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

*AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).*

*This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.*

*This Standard is not expected to significantly impact the Company's financial report as a whole because:*

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Company; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

#### *AASB 9 Financial Instruments*

*AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.*

*Must be applied for financial years commencing on or after 1 January 2017.*

*This Standard is not expected to significantly impact the Company's financial report as a whole because the company does not have any complex financial assets and financial liabilities and does not use hedges.*

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 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:

	2013 \$	2012 \$
<b>Financial assets</b>		
Cash and cash equivalents	50,680	89,907
Trade and other receivables	36,956	4,642
Security deposits	14,800	14,800
	102,436	109,349
<b>Financial liabilities</b>		
Trade and other payables	73,336	39,457
Interest bearing liabilities	9,737	10,886
	83,073	50,343

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.

	2013 \$	2012 \$
<b>Cash at bank and short-term bank deposits</b>		
A rated	50,680	89,907

#### 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 \$1,000 (2012: \$15,374) 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 2013</b>	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	73,336	-	-	-	-	73,336	73,336
Interest bearing liabilities	9,737	-	-	-	-	9,737	9,737
	83,073	-	-	-	-	83,073	83,073
<b>At 31 December 2012</b>	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	39,457	-	-	-	-	39,457	39,457
Interest bearing liabilities	10,886	-	-	-	-	10,886	10,886
	50,343	-	-	-	-	50,343	50,343

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$
<b>5. Revenue</b>		
Management services	94,520	84,101
Equipment rental	60,240	-
Interest	1,259	2,383
	<u>156,019</u> =====	<u>86,484</u> =====
<b>6. Other income</b>		
Net gain on disposal of property, plant and equipment	1,887	16,998
	<u>1,887</u> =====	<u>16,998</u> =====
<b>7. Expenses</b>		
Loss before income tax expense includes the following specific expenses:		
Exploration expenditure written off (reversal)	74	(6,269)
Depreciation expense charged	23,459	34,362
Interest and finance charges paid/payable	2,328	3,321
<b>8. Income Tax Expense</b>		
<b>(a) The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:</b>		
Net profit / (loss) before income tax expense	(179,874)	(359,470)
	<u>(179,874)</u> =====	<u>(359,470)</u> =====
Tax at the Australian tax rate of 30% (2012 – 30%)	(53,962)	(107,841)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	-	-
	<u>(53,962)</u> =====	<u>(107,841)</u> =====
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	53,962	107,841
	<u>53,962</u> =====	<u>107,841</u> =====
Income tax expense	-	-
	<u>-</u> =====	<u>-</u> =====

# OPAL HORIZON LIMITED

ABN 98 095 974 762

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$
<b>5. Revenue</b>		
Management services	94,520	84,101
Equipment rental	60,240	-
Interest	1,259	2,383
	<u>156,019</u> =====	<u>86,484</u> =====
<b>6. Other income</b>		
Net gain on disposal of property, plant and equipment	<u>1,887</u> =====	<u>16,998</u> =====
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Tax at the Australian tax rate of 30% (2012 – 30%)	(53,962)	(107,841)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	-	-
	<u>(53,962)</u> =====	<u>(107,841)</u> =====
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	53,962	107,841
Income tax expense	<u>-</u> =====	<u>-</u> =====

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$
<b>8. Income Tax Expense (continued)</b>		
<b>(b) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Exploration expenditure	134,027	132,387
Borrowing costs	84	69
Property, plant and equipment	8,427	8,427
Mine properties expenditure	55,530	55,530
Total deferred tax liabilities	<u>198,068</u>	<u>196,413</u>
Set-off of deferred tax assets pursuant to set-off provisions	(198,068)	(196,413)
Net deferred tax liabilities	<u>-</u>	<u>-</u>
<b>(c) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Tax losses	1,467,884	1,403,753
Capital losses	43,413	50,789
Accruals	6,450	6,900
Employee entitlements	6,260	6,500
Other	672	1,120
Total deferred tax assets	<u>1,524,679</u>	<u>1,469,062</u>
Set-off of deferred tax assets pursuant to set-off provisions	(198,068)	(196,413)
Net adjustment for deferred tax assets not recognised	(1,326,611)	(1,272,649)
Net deferred tax assets	<u>-</u>	<u>-</u>
<b>(d) Unrecognised deferred tax assets</b>		
Unused tax losses for which no deferred tax asset has been recognised	4,422,037	4,242,163
Potential tax effect at 30%	1,326,611	1,272,649

Unused tax losses which have not been recognised as an asset, 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 the law; 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 2013

	2013	2012
	\$	\$
<b>9. Current Assets – Cash and cash equivalents</b>		
Cash at bank and on hand	49,680	74,533
Short-term bank deposit	1,000	15,374
	<u>50,680</u>	<u>89,907</u>
	=====	=====
<b>10. Current Assets – Trade and other receivables</b>		
Trade receivables	36,956	4,412
Other receivables	470	1,850
Prepayments	12,152	12,463
	<u>49,578</u>	<u>18,725</u>
	=====	=====
<b>11. Current Assets – Inventories</b>		
Finished goods at net realisable value		
Cut Opals	49,992	49,992
Opal Jewellery	38,916	38,916
	<u>88,908</u>	<u>88,908</u>
	=====	=====

Inventories of cut opals have been independently valued by Roy Beattie FGAA, DipDT to have a wholesale value of \$55,547 (2012: \$55,547). 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 \$38,916 (2011: \$38,916).



# OPAL HORIZON LIMITED

ABN 98 095 974 762

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$
<b>9. Current Assets – Cash and cash equivalents</b>		
Cash at bank and on hand	49,680	74,533
Short-term bank deposit	1,000	15,374
	<u>50,680</u>	<u>89,907</u>
	=====	=====
<b>10. Current Assets – Trade and other receivables</b>		
Trade receivables	36,956	4,412
Other receivables	470	1,850
Prepayments	12,152	12,463
	<u>49,578</u>	<u>18,725</u>
	=====	=====
<b>11. Current Assets – Inventories</b>		
Finished goods at net realisable value		
Cut Opals	49,992	49,992
Opal Jewellery	38,916	38,916
	<u>88,908</u>	<u>88,908</u>
	=====	=====

Inventories of cut opals have been independently valued by Roy Beattie FGAA, DipDT to have a wholesale value of \$55,547 (2012: \$55,547). 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 \$38,916 (2011: \$38,916).

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 12. 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 December 2012</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
<b>Year ended 31 December 2012</b>				
Opening net book amount	4,482	39,462	141,368	185,312
Additions	1,355	-	-	1,355
Disposals	-	-	(34,142)	(34,142)
Depreciation charge	(1,556)	(9,578)	(23,228)	(34,362)
Closing net book amount	4,281	29,884	83,998	118,163
<b>At 31 December 2012</b>				
Cost	22,702	131,490	223,091	377,283
Accumulated depreciation	(18,421)	(101,606)	(139,093)	(259,120)
Net book amount	4,281	29,884	83,998	118,163
<b>Year ended 31 December 2013</b>				
Opening net book amount	4,281	29,884	83,998	118,163
Additions	1,058	-	-	1,058
Disposals	-	(1,294)	-	(1,294)
Depreciation charge	(1,559)	(5,940)	(15,960)	(23,459)
Closing net book amount	3,780	22,650	68,038	94,468
<b>At 31 December 2013</b>				
Cost	23,760	125,480	223,091	372,331
Accumulated depreciation	(19,980)	(102,830)	(155,053)	(277,863)
Net book amount	3,780	22,650	68,038	94,468

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$
<b>13. Non-Current Assets – Exploration costs and mine properties</b>		
<b>Exploration phase property costs</b>		
Deferred geological, geophysical, drilling and other expenditure - at cost	446,755	441,289
Mine properties – at cost	499,210	499,210
Less: Accumulated amortisation	(314,111)	(314,111)
	<u>185,099</u>	<u>185,099</u>
Total mine properties	185,099	185,099
	<u>631,855</u>	<u>626,388</u>
Total exploration costs and mine properties	631,855	626,388
	=====	=====
The above capitalised expenditure carried forward above has been determined as follows:		
<b>Exploration expenditure</b>		
Opening balance	441,289	438,126
Expenditure incurred (refunded) during the year	5,540	(3,106)
Expenditure transferred to mine properties	-	-
(Exploration abandoned) payment refunded	(74)	6,269
	<u>446,755</u>	<u>441,289</u>
Closing balance as shown above	446,755	441,289
	=====	=====
<b>Mine properties</b>		
Opening balance	185,099	185,099
Expenditure transferred from exploration expenditure	-	-
Expenditure incurred during the year	-	-
Amortisation during the year	-	-
	<u>185,099</u>	<u>185,099</u>
Closing balance as shown above	185,099	185,099
	=====	=====
<b>14. Non-Current Assets – Other assets</b>		
Security deposits	14,800	14,800
	<u>14,800</u>	<u>14,800</u>
	=====	=====
<b>15. Current Liabilities – Trade and other payables</b>		
Trade payables	49,752	39,977
Other payables	64,441	40,566
	<u>114,193</u>	<u>80,543</u>
	=====	=====
<b>16. Current Liabilities – Short term interest bearing liabilities</b>		
Finance loan	9,737	10,886
	<u>9,737</u>	<u>10,886</u>
	=====	=====

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 \$	2012 \$		
<b>17. Non-Current Liabilities – Provisions</b>				
Employee benefits – Long service leave	4,873	4,102		
	<u>=====</u>	<u>=====</u>		
<b>18. Equity – Contributed equity</b>				
	2013 Shares	2012 Shares	2013 \$	2012 \$
<b>(a) Share capital</b>				
Ordinary shares Fully paid	26,527,127	25,927,127	5,210,711	5,090,711
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

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

Date	Details	Number of Shares	Issue Price	\$
1 January 2012	Opening balance	22,987,127		4,796,711
20 March 2012	Shares issued	500,000	\$0.10	50,000
26 March 2012	Shares issued	500,000	\$0.10	50,000
13 August 2012	Shares issued	200,000	\$0.10	20,000
10 September 2012	Shares issued	200,000	\$0.10	20,000
18 September 2012	Shares issued	25,000	\$0.10	2,500
26 October 2012	Shares issued	615,000	\$0.10	61,500
3 December 2012	Shares issued	400,000	\$0.10	40,000
13 December 2012	Shares issued	200,000	\$0.10	20,000
18 December 2012	Shares issued	300,000	\$0.10	30,000
31 December 2012	Closing balance	25,927,127		5,090,711
14 March 2013	Shares issued	100,000	\$0.20	20,000
29 April 2013	Shares issued	150,000	\$0.20	30,000
26 August 2013	Shares issued	300,000	\$0.20	60,000
5 November 2013	Shares issued	50,000	\$0.20	10,000
31 December 2013	Closing balance	<u>26,527,127</u>		<u>5,210,711</u>

**(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.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

#### (d) Options

Unissued ordinary shares under option as at 31 December 2013 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	Options cancelled during the year 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	3,483,333	-	-	(3,483,333)	-	-
2002	30/6/13	\$0.60	327,148	-	-	(327,148)	-	-
2003	30/6/13	\$0.60	366,917	-	-	(366,917)	-	-
2004	30/6/13	\$0.60	113,547	-	-	(113,547)	-	-
2005	30/6/13	\$0.60	22,795	-	-	(22,795)	-	-
2006	30/6/13	\$0.60	1,167,401	-	-	(1,167,401)	-	-
2007	30/6/13	\$0.60	960,209	-	-	(960,209)	-	-
2008	30/6/13	\$0.60	56,500	-	-	(56,500)	-	-
2009	30/6/13	\$0.60	1,324,667	-	-	(1,324,667)	-	-
2010	30/6/13	\$0.60	761,667	-	-	(761,667)	-	-
2011	30/6/13	\$0.60	479,334	-	-	(479,334)	-	-
<i>Issued under employee option plan</i>								
2/4/07	30/6/14	\$1.50	1,600,000	-	-	-	1,600,000	1,600,000
9/4/07	30/6/14	\$1.50	266,667	-	-	-	266,667	266,667
28/2/08	30/6/14	\$1.50	250,000	-	-	-	250,000	250,000
			<u>11,180,185</u>	-	-	<u>(9,063,518)</u>	<u>2,116,667</u>	<u>2,116,667</u>

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 26.

#### 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 2013 totals \$9,737 (2012: \$10,886). The Company will continue to use capital market issues to satisfy anticipated funding requirements.

#### 19. Accumulated losses

	2013 \$	2012 \$
Accumulated losses at the beginning of the financial year	(4,229,351)	(3,869,881)
Loss for the year	(179,874)	(359,470)
Accumulated losses at the end of the financial year	<u>(4,409,225)</u>	<u>(4,229,351)</u>

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 20. Key management personnel disclosures

#### (a) Directors

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

D J Horton – *Executive director*

W J Ife – *Executive director*

J D I Hargreave – *Non-executive director*

J E Siemon – *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.

2013						
Name	Balance at the start of the year	Granted during the year	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of Opal Horizon Limited</b>						
D J Horton	1,628,620	-	(961,953)	-	666,667	666,667
W J Ife	-	-	-	-	-	-
J D I Hargreaves	-	-	-	-	-	-
J E Siemon	388,334	-	(388,334)	-	-	-

2012						
Name	Balance at the start of the year	Granted during the year	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Directors of Opal Horizon Limited</b>						
D J Horton	1,628,620	-	-	-	1,628,620	1,628,620
W J Ife	-	-	-	-	-	-
D H Hall	1,025,000	-	-	(1,025,000)*	-	-
J D I Hargreaves	-	-	-	-	-	-
J E Siemon	-	-	-	388,334*	388,334	388,334

\* Ceased / appointed a director during the year.

##### (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.

2013				
Name	Balance at the start of the year	Placements during the year	Other changes during the year	Balance at the end of the year
<b>Directors of Opal Horizon Limited</b>				
D J Horton	1,990,574	-	-	1,990,574
W J Ife	-	-	-	-
J D I Hargreaves	-	-	-	-
J E Siemon	1,543,334	250,000	-	1,793,334

2012				
Name	Balance at the start of the year	Placements during the year	Other changes during the year	Balance at the end of the year
<b>Directors of Opal Horizon Limited</b>				
D J Horton	1,990,574	-	-	1,990,574
W J Ife	-	-	-	-
D H Hall	1,416,667	-	(1,416,667)*	-
J D I Hargreaves	-	-	-	-
J E Siemon	-	600,000	943,334*	1,543,334

\* Ceased / appointed a director during the year.

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

	2013	2012
	\$	\$
Payment of management or consultant fees to a Director related entities on normal commercial terms and conditions:		
Horton Geoscience Pty Ltd (related entity of David Horton)	47,606	79,600
lfe Industries, Inc (related entity of Walter lfe)	30,973	43,491
The Permian Company Ltd (related entity of David Hargreaves)	3,000	-
	<u>81,580</u>	<u>123,091</u>
	=====	=====
Sales to Horton Geoscience Pty Ltd	737	-
	<u>737</u>	<u>-</u>
	=====	=====

### 21. 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:

	2013	2012
	\$	\$
<i>BDO Audit Pty Ltd</i>		
Audit or review of the financial report	18,600	-
<i>Lawler Hacketts Audit</i>		
Audit or review of the financial report	-	21,000

### 22. 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) Following Opal Horizon Limited listing on a recognised stock exchange or completing a minimum capital raising of AUD\$1m, the Company will have an obligation to pay David Horton an amount of up to \$140,000 and Walter lfe an amount of up to \$40,000, as compensation for past services for which they have not been remunerated.

(iii) 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 2013, are as follows:

# OPAL HORIZON LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 22. Commitments and Contingent Liabilities (continued)

	2013 \$	2012 \$
Exploration expenditure commitments		
Payable within 1 year	25,000	25,000
Payable between one and five years	35,000	60,000
	<u>60,000</u>	<u>85,000</u>
	=====	=====
Rental on granted tenements		
Payable within 1 year	2,990	5,634
Payable between one and five years	11,958	9,412
Payable greater than five years	23,100	27,431
	<u>38,048</u>	<u>42,477</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 (2012: \$14,800) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

	2013 \$	2012 \$
<b>23. Reconciliation of net profit / (loss) to net cash flows from operating activities</b>		
Profit / (loss) for the year	(179,874)	(359,470)
Depreciation and amortisation	23,459	34,362
Profit on sale of fixed assets	(1,887)	(16,998)
Share based payment	-	9,000
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	(31,372)	5,169
Decrease / (increase) in inventories	-	(150)
Increase / (decrease) in payables	20,815	(9,187)
Increase / (decrease) in provisions	(801)	-
Net cash flows from operating activities	<u>(169,660)</u>	<u>(337,274)</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	<u>50,680</u>	<u>89,907</u>
	=====	=====

### 24. Related party transactions

#### (a) Key management personnel

Disclosures relating to key management personnel are set out in note 20.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

The Company made a placement of 275,000 fully paid ordinary shares on 31 January 2014 at an issue price of 20 cents each raising a total of \$55,000 in contributed equity.

There have been no other matters or circumstances 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 2012.

### 26. Share-based payments

#### (a) Employee Option Plan

Options were 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	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
02/04/2007	30/06/2014	\$1.50	1,600,000	-	-	-	1,600,000	1,600,000
09/04/2007	30/06/2014	\$1.50	266,667	-	-	-	266,667	266,667
28/02/2008	30/06/2014	\$1.50	250,000	-	-	-	250,000	250,000

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.5 years (2012 – 1.5 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.

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

<b>27. Earnings (loss) per share</b>	<b>2013</b>	<b>2012</b>
	<b>Cents</b>	<b>Cents</b>
<b>(a) Basic earnings (loss) per share</b>		
Loss attributable to ordinary equity holders of the Company	(0.7)	(1.5)
	=====	=====
<b>(b) Diluted earnings (loss) per share</b>		
Loss attributable to ordinary equity holders of the Company	(0.7)	(1.5)
	=====	=====
	<b>2013</b>	<b>2012</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	(179,874)	(359,470)
	=====	=====
<i>Diluted earnings (loss) per share</i>		
Loss from operations	(179,874)	(359,470)
	=====	=====
<b>(d) Weighted average number of shares used as the denominator</b>		
	<b>2013</b>	<b>2012</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>	26,222,195	24,078,168
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>	26,222,195	24,078,168
	=====	=====

### Note 28 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, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the 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.

#### 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), 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*.

#### 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 judgement, 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 company's preparation of the financial report that gives a true and fair view 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 company'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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Opal Horizon Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## 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 consolidated entity's financial position as at 31 December 2013 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(a).

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd



Christopher Skelton  
Director

Brisbane, 15 April 2014