

OPAL HORIZON LIMITED

ABN 98 095 974 762

**General Purpose Financial Report
for the year ended 31 December 2015**

OPAL HORIZON LIMITED

ABN 98 095 974 762

DIRECTORS' REPORT

Your Directors present their report on Opal Horizon Limited ("the Company") for the year ended 31 December 2015.

Directors

The following persons were Directors of the Opal Horizon Limited 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

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:

- (a) sought funding to provide working capital for its activities; and
- (b) undertook trial field studies on its granted mining lease in preparation for selective high-grade mining in 2016

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 2015.

Review of Operations

The loss of the Company for the financial year ended 31 December 2015 was \$156,738 (2014: loss \$154,971).

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 up until 2014 were primarily aimed at setting up its internal international opal marketing division. However the development of new geophysical techniques which ultimately could allow the company to selectively high-grade mine its opal deposits, saw a change in focus of the company's activities during 2015.

When the company suspended mining in 2009, there were no suitable techniques available to detect high-grade runs or pockets of opal mineralisation on any of the company's projects. Previous exploration by the company had been very successful in locating a number of opal fields which are in effect "clusters" of opal runs.

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DIRECTORS' REPORT (continued)

Locating individual high-grade runs within a field is very much a hit or miss exercise as any opal miner in Australia will attest. Very recent advances in ground penetrating radar (GPR), together with other geophysical techniques currently being considered by the Company, offer great promise of being able to detect these concentrations of opal. An advance GPR program was conducted over the Company's Raindance deposit, near Jundah, in May 2015. The high clay content of the sediments at Raindance prevented the GPR achieving depth penetration to the deepest levels of opal mineralisation. However a number of targets were defined in shallower ground.

Trial exploratory mining of these targets was undertaken over a brief two week period at the end of 2015. The rough material obtained from mining at Raindance, once cut in early 2016, produced over \$100,000 worth of high-quality precious gem and specimen opal material.

As a direct result of the 2015 field programs together with prior knowledge of deposits, the Company has since identified two separate large areas in deeper ground on the Mining Lease, one on the Raindance deposit and the other on The Big Girl deposit, which appear likely to contain some of the richest concentrations of precious opal on the mining lease.

Funds are currently being raised through (a) sale of the company's opal inventory and (b) issue of a Preference Share offer to fund the selective high-grade mining of these two very significant targets during 2016.

The Company's current projects as of 31 December 2015 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	Everygy	Everygy	100%

Significant Changes in State of Affairs

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

	2015
	\$
An increase in contributed equity of \$200,000 (from \$5,331,711 to \$5,531,711) as a result of:	
Placements of 360,000 fully paid ordinary share at \$0.20 each	72,000
Placement of 128,000 fully paid preference shares at \$1.00 each	128,000

Less: Transaction costs arising on share issues, net of current income tax	-

Net increase in share capital	200,000
	=====

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DIRECTORS' REPORT (continued)

Matters Subsequent to the end of the Financial Year

Since the end of the financial year the Company has made placements of 151,000 fully paid preference shares at an issue price of \$1 each. A total of \$151,000 was raised, of which \$71,000 has been received as cash and \$80,000 received by way of non-cash offset against amounts owing to the Company at 31 December 2015.

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 2015.

Likely developments and expected results of operations

The company is part-way through a raising capital exercise through (a) sale of the company's opal inventory and (b) issue of a Preference Share offer to fund selective high-grade mining of two targets on its Mining Lease during 2016. On completion of this exercise and with the expected production of a significant volume and value of precious opal, the company will be poised to resume its exploration and international marketing activities.

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

D J Horton M.Sc, MGSA, MAIG, MSEG. <i>Managing Director – Executive</i>		
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	
Former directorships in last three years	None.	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary shares	1,990,574
	Preference shares	20,000
	Options over ordinary shares	666,667

W J Ife BS (Communications / Advertising) <i>Executive Director – Sales & Marketing</i>		
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 three years	None	
Special responsibilities	Executive Director – Sales & Marketing	
Interests in shares and options	Ordinary shares	Nil
	Preference shares	20,000
	Options over ordinary shares	Nil

J E Siemon MSc MAIG FGSA <i>Non-executive Chairman</i>		
Experience and expertise	Mr Siemon has 45 years' experience in exploration for and evaluation of industrial minerals, aggregates and gemstones.	
Other current directorships	None.	
Former directorships in last three years	Alternate Director for Mr D Horton, Opal Horizon Limited 2012	
Special responsibilities	Chairman of the Board Member of the Audit Committee Member of the Remuneration Committee	
Interests in shares and options	Ordinary shares	2,018,334
	Preference shares	30,000
	Options over ordinary shares	Nil

Company Secretary

The Company Secretary is Suzanne Yeates, CA, B.Bus. She was appointed to the position of Company Secretary in October 2014. Suzanne Yeates currently is the principal of Outsourced Accounting Solutions Chartered Accountants and holds the office of Company Secretary with other 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 2015, 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	4	4	1	1
W J Ife	4	4	1	1
J E Siemon	4	4	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

There are no unissued ordinary shares of Opal Horizon Limited under option at the date of this report.

Shares issued on the exercise of options

No ordinary shares of Opal Horizon Limited were issued during the year ended 31 December 2015 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 7.

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, 29 April 2016

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AUDITOR'S DECLARATION OF INDEPENDENCE



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Australia

DECLARATION OF INDEPENDENCE BY C J SKELTON TO THE DIRECTORS OF OPAL HORIZON LIMITED

As lead auditor of Opal Horizon Limited for the year ended 31 December 2015, 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.

A handwritten signature in black ink, appearing to read 'C J Skelton', with a long horizontal flourish extending to the right.

C J Skelton
Director

BDO Audit Pty Ltd

Brisbane, 29 April 2016

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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 2015 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 as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



D J Horton
Managing Director

Brisbane, 29 April 2016

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Revenue from operations	5	31,005	82,130
Other income	6	-	1,966
Expenditure			
Administration costs		(25,986)	(29,126)
Borrowing costs		(2,290)	(1,970)
Capital raising costs		(1,467)	(12,539)
Cost of gems sold		-	(5,485)
Depreciation and amortisation expense		(15,054)	(23,008)
Drill rig operating costs		(4,077)	(4,246)
Employment costs		(82,842)	(98,327)
Mining operations		(8,549)	(7,696)
Occupancy costs		(21,698)	(20,490)
Professional services		(25,780)	(36,180)
Total expenditure		<u>(187,743)</u>	<u>(239,067)</u>
Loss before income tax from operations		(156,738)	(154,971)
Income tax expense	8	-	-
Loss after income tax	19	<u>(156,738)</u>	<u>(154,971)</u>
<i>Other comprehensive income</i>			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>(156,738)</u></u>	<u><u>(154,971)</u></u>
		Cents	Cents
Earnings (loss) per share			
Basic earnings (loss) per share	27	(0.6)	(0.6)
Diluted earnings (loss) per share	27	(0.6)	(0.6)

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 2015

	Note	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	9	41,019	45,943
Trade and other receivables	10	18,388	18,918
Inventories	11	125,524	83,423
Total Current Assets		<u>184,931</u>	<u>148,284</u>
Non-Current Assets			
Property, plant and equipment	12	55,736	70,790
Exploration costs and mine properties	13	687,454	640,866
Other assets	14	14,800	14,800
Total Non-Current Assets		<u>757,990</u>	<u>726,456</u>
Total Assets		<u>942,921</u> =====	<u>874,740</u> =====
LIABILITIES			
Current Liabilities			
Trade and other payables	15	119,314	94,578
Short term interest bearing liabilities	16	9,053	9,400
Total Current Liabilities		<u>128,367</u>	<u>103,978</u>
Non-Current Liabilities			
Provisions	17	3,777	3,247
Total Non-Current Liabilities		<u>3,777</u>	<u>3,247</u>
Total Liabilities		<u>132,144</u> =====	<u>107,225</u> =====
Net Assets		<u>810,777</u> =====	<u>767,515</u> =====
Equity			
Contributed equity	18	5,531,711	5,331,711
Accumulated losses	19	(4,720,934)	(4,564,196)
Total Equity		<u>810,777</u> =====	<u>767,515</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 2015

	Ordinary shares \$	Accumulated losses \$	Total \$
Balance at 1 January 2014	5,210,711	(4,409,225)	801,486
Loss for the year	-	(154,971)	(154,971)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(154,971)	(154,971)
Shares issued during the year	121,000	-	121,000
Sub total	5,331,711	(4,564,196)	767,515
Dividends paid or provided for	-	-	-
Balance at 31 December 2014	<u>5,331,711</u>	<u>(4,564,196)</u>	<u>767,515</u>
Balance at 1 January 2015	5,331,711	(4,564,196)	767,515
Loss for the year	-	(156,738)	(156,738)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(156,738)	(156,738)
Shares issued during the year	200,000	-	200,000
Sub total	5,531,711	(4,720,934)	810,777
Dividends paid or provided for	-	-	-
Balance at 31 December 2015	<u>5,531,711</u>	<u>(4,720,934)</u>	<u>810,777</u>

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 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Receipts (GST inclusive)		44,782	113,811
Payments to suppliers and employees (GST inclusive)		(220,823)	(216,850)
Interest received		493	984
Borrowing costs paid		(2,290)	(1,970)
Net cash flows from operating activities	23	<u>(177,838)</u>	<u>(104,025)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,273)
Payment for exploration costs and mine properties		(46,738)	(9,011)
Proceeds from sale of property, plant and equipment		-	4,909
Net cash flows from investing activities		<u>(46,738)</u>	<u>(6,375)</u>
Cash flows from financing activities			
Proceeds from issue of shares		220,000	106,000
Repayment of borrowings		(17,968)	(16,660)
Proceeds of borrowings		17,620	16,323
Net cash flows from financing activities		<u>219,652</u>	<u>105,663</u>
Net increase/(decrease) in cash held		(4,924)	(4,737)
Cash at beginning of the year		45,943	50,680
Cash at the end of the year	9	<u>41,019</u> =====	<u>45,943</u> =====

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 29 April 2016 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 principle

The Company has reported a loss of \$156,738 (2014: loss of \$154,971) and cash outflows from operations of \$177,838 (2014: \$104,025) and cash outflows from investing of \$46,738 (2014 outflow: \$6,375). 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 ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through private placement of equity, successful exploration and subsequent exploitation of the company's tenements and sale of inventory. The Directors and Management are confident that on the basis of successful capital raising both before and after year end and other current plans, that the company will be successful in raising necessary funds. 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.

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 material uncertainty which may cast doubt on the ability of the company to 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 2015

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 valued at the lower of cost and 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.

Prior to 2015, uncut opals were not recognised as inventory due to the uncertainty regarding the quality and the value of the opal until cut. In 2015 \$42,101 has been recognised as work-in-progress, comprising mining costs incurred during the year, on the basis that the expected net realisable value of saleable product will exceed costs incurred to date. This change in accounting policy had no effect on the prior year comparative information.

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Summary of Significant Accounting Policies (continued)

(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

(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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Summary of Significant Accounting Policies (continued)

(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.

(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 Australian Corporate 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Summary of Significant Accounting Policies (continued)

(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.

(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) Adoption of new and revised Accounting Standards and Interpretations

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There has been no material impact on the financial statements by their adoption.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The potential financial impact of these changes is not yet possible to determine.

OPAL HORIZON LIMITED

ABN 98 095 974 762

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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:

	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	41,019	45,943
Trade and other receivables	5,517	5,275
Security deposits	14,800	14,800
	-----	-----
	61,336	66,018
	-----	-----
Financial liabilities		
Trade and other payables	95,921	84,622
Interest bearing liabilities	9,053	9,400
	-----	-----
	104,974	94,022
	-----	-----

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.

	2015	2014
	\$	\$
Cash at bank and short-term bank deposits		
A rated	41,019	45,943
	-----	-----

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 (2014: \$1,000) 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
At 31 December 2015	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	95,921	-	-	-	-	95,921	95,921
Interest bearing liabilities	9,053	-	-	-	-	9,053	9,053
	-----	-----	-----	-----	-----	-----	-----
	104,974	-	-	-	-	104,974	104,974
At 31 December 2014	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	84,622	-	-	-	-	84,622	84,622
Interest bearing liabilities	9,400	-	-	-	-	9,400	9,400
	-----	-----	-----	-----	-----	-----	-----
	94,022	-	-	-	-	94,022	94,022
	-----	-----	-----	-----	-----	-----	-----

OPAL HORIZON LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 \$470,628 (2014: \$455,767) and \$216,826 (2014: \$185,099) respectively in accordance with the accounting policies set out in Note 1(h). 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.

Preference Shares

Refer to the terms of the shares in Note 18(e) the directors have considered these terms and assessed that the shares are of the definition of equity.

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 2015

	2015 \$	2014 \$
5. Revenue		
Sale of gems	-	5,472
Management services	30,512	75,674
Interest	493	984
	<u>31,005</u>	<u>82,130</u>
	=====	=====
6. Other income		
Net gain on disposal of property, plant and equipment	-	1,966
	=====	=====
7. Expenses		
Loss before income tax expense includes the following specific expenses:		
Depreciation expense charged	15,053	23,008
Interest and finance charges paid/payable	2,290	1,970
8. Income Tax Expense		
(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	(156,738)	(154,971)
	=====	=====
Tax at the Australian tax rate of 30% (2014 – 30%)	(47,021)	(46,491)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	-	-
	<u>(47,021)</u>	<u>(46,491)</u>
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	47,021	46,491
	<u>47,021</u>	<u>46,491</u>
Income tax expense	-	-
	=====	=====

OPAL HORIZON LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
8. Income Tax Expense (continued)		
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Exploration expenditure	141,188	136,730
Mine properties expenditure	55,530	55,530
Property, plant and equipment	8,427	8,427
Total deferred tax liabilities	<u>205,145</u>	<u>200,687</u>
Set-off of deferred tax assets pursuant to set-off provisions	(205,145)	(200,687)
Net deferred tax liabilities	<u>-</u>	<u>-</u>

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

Accruals	11,820	8,487
Capital losses	13,189	43,413
Employee entitlements	2,151	3,960
Other	224	672
Tax losses	1,596,831	1,531,082
Total deferred tax assets	<u>1,624,215</u>	<u>1,587,614</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	(205,145)	(200,687)
Net adjustment for deferred tax assets not recognised	(1,419,070)	(1,386,927)
Net deferred tax assets	<u>-</u>	<u>-</u>

(d) Unrecognised net deferred tax assets

At 31 December 2015 the Company has \$5,322,770 (2014: \$5,103,608) of unused tax losses available to offset future taxable income.

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 2015

	2015 \$	2014 \$
9. Current Assets – Cash and cash equivalents		
Cash at bank and on hand	40,019	44,943
Short-term bank deposit	1,000	1,000
	<u>41,019</u>	<u>45,943</u>
	=====	=====
10. Current Assets – Trade and other receivables		
Trade receivables	283	5,275
Other receivables	5,234	320
Prepayments	12,871	13,323
	<u>18,388</u>	<u>18,918</u>
	=====	=====
11. Current Assets – Inventories		
Work in progress at cost		
Uncut opals	42,101	-
Finished goods at net realisable value		
Cut opals	49,992	49,992
Opal jewellery	33,431	33,431
	<u>125,524</u>	<u>83,423</u>
	=====	=====

Prior to 2015, uncut opals were not recognised as inventory due to the uncertainty regarding the quality and the value of the opal until cut. In 2015 \$42,101 has been recognised as work-in-progress, comprising mining costs incurred during the year, on the basis that the expected net realisable value of saleable product will exceed costs incurred to date. This change in accounting policy had no effect on the prior year comparative information.

Inventories of cut opals have been independently valued by Roy Beattie FGAA, DipDT to have a wholesale value of \$55,547 (2014: \$55,547). The net realisable value of opals represents the wholesale valuation less expected costs of selling which have been estimated at 10%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

12. Non-Current Assets – Property, plant and equipment

	<i>Office equipment</i>	<i>Field equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
At 1 December 2013				
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
Year ended 31 December 2014				
Opening net book amount	3,780	22,650	68,038	94,468
Additions	-	2,273	-	2,273
Disposals	-	(2,943)	-	(2,943)
Depreciation charge	(2,101)	(7,300)	(13,607)	(23,008)
Closing net book amount	1,679	14,680	54,431	70,790
At 31 December 2014				
Cost	23,760	114,552	223,091	361,403
Accumulated depreciation	(22,081)	(99,872)	(168,660)	(290,613)
Net book amount	1,679	14,680	54,431	70,790
Year ended 31 December 2015				
Opening net book amount	1,679	14,680	54,431	70,790
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charge	(1,177)	(2,991)	(10,886)	(15,054)
Closing net book amount	502	11,689	43,545	55,736
At 31 December 2015				
Cost	23,760	114,552	223,091	361,403
Accumulated depreciation	(23,258)	(102,863)	(179,546)	(305,667)
Net book amount	502	11,689	43,545	55,736

OPAL HORIZON LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
13. Non-Current Assets – Exploration costs and mine properties		
Exploration phase property costs		
Deferred geological, geophysical, drilling and other expenditure - at cost	470,628	455,767
Mine properties – at cost	530,937	499,210
Less: Accumulated amortisation	(314,111)	(314,111)
	-----	-----
Total mine properties	216,826	185,099
	-----	-----
Total exploration costs and mine properties	687,454	640,866
	=====	=====
<p>The above capitalised expenditure carried forward above has been determined as follows:</p>		
Exploration expenditure		
Opening balance	455,767	446,755
Expenditure incurred (refunded) during the year	14,861	9,012
Expenditure transferred to mine properties	-	-
(Exploration abandoned) payment refunded	-	-
	-----	-----
Closing balance as shown above	470,628	455,767
	=====	=====
Mine properties		
Opening balance	185,099	185,099
Expenditure transferred from exploration expenditure	-	-
Expenditure incurred during the year	31,727	-
Amortisation during the year	-	-
	-----	-----
Closing balance as shown above	216,826	185,099
	=====	=====
14. Non-Current Assets – Other assets		
Security deposits	14,800	14,800
	=====	=====
15. Current Liabilities – Trade and other payables		
Trade payables	56,521	49,919
Other payables	62,793	44,659
	-----	-----
	119,314	94,578
	=====	=====
16. Current Liabilities – Short term interest bearing liabilities		
Finance loan	9,053	9,400
	=====	=====

OPAL HORIZON LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

			2015 \$	2014 \$
17. Non-Current Liabilities – Provisions				
Employee benefits – Long service leave			3,777	3,247
			=====	=====
18. Equity – Contributed equity				
	2015 Shares	2014 Shares	2015 \$	2014 \$
(a) Share capital				
Ordinary shares				
Fully paid	27,492,127	27,132,127	5,403,711	5,331,711
Preference shares				
Fully paid	128,000	-	128,000	-
			-----	-----
Total share capital			5,531,711	5,331,711
			-----	-----
(b) Movements in ordinary share capital:				
Date	Details		Number of Shares	Issue Price
				\$
1 January 2014	Opening balance		26,527,127	
31 January 2014	Shares issued		275,000	\$0.20
15 May 2014	Shares issued		140,000	\$0.20
26 August 2014	Shares issued		15,000	\$0.20
2 September 2014	Shares issued		125,000	\$0.20
29 September 2014	Shares issued		50,000	\$0.20
31 December 2014	Balance		27,132,127	
19 January 2015	Shares issued		50,000	\$0.20
29 April 2015	Shares issued		225,000	\$0.20
17 June 2015	Shares issued		60,000	\$0.20
25 June 2015	Shares issued		25,000	\$0.20
31 December 2015	Closing balance		27,492,127	
			-----	-----
				5,403,711
			-----	-----
(c) Movements in preference share capital:				
Date	Details		Number of Shares	Issue Price
				\$
1 January 2015	Opening balance		-	
20 October 2015	Shares issued		128,000	\$1.00
31 December 2015	Closing balance		128,000	
			-----	-----
				128,000
			-----	-----

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. Equity – Contributed equity (continued)

(d) 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.

(e) Preference shares

Preference shares entitle the holder to participate in dividends, up to a stipulated maximum dividend of \$5 per share, calculated in accordance with the terms and conditions of the Preference Shares document “the Document” dated 25 September 2015. The payment of a dividend is subject to:

- (a) the Directors, at their discretion, declaring or resolving to pay the dividend,
- (b) there being no legal impediment to paying the dividend.

Each preference share will convert to one ordinary share on the date that is the earlier of 3 years from the allotment date, or the date of commencement of winding up of the company. To the extent that the maximum dividend has not been paid in full, then the portion to be paid is converted to ordinary shares at the conversion rate of \$0.20 per ordinary share.

In limited circumstances only, as outlined in the Document, a holder is entitled to one vote on a show of hands and one vote on a poll for each preference share held.

The preference shares rank for payment of the dividend both before and after the winding up of the Company in priority to any other class of shares. The holders are not entitled to participate in the surplus assets of the Company in a winding up.

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 2015 totals \$9,053 (2014: \$9,400). The Company will continue to use capital market issues to satisfy anticipated funding requirements.

	2015 \$	2014 \$
19. Accumulated losses		
Accumulated losses at the beginning of the financial year	(4,564,196)	(4,409,225)
Loss for the year	(156,738)	(154,971)
Accumulated losses at the end of the financial year	<u>(4,720,934)</u> =====	<u>(4,564,196)</u> =====

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

20. Key management personnel disclosures

(a) Directors

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

D J Horton	<i>Executive director</i>
W J Ife	<i>Executive director</i>
J E Siemon	<i>Non-executive director</i>

(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.

2015	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
Name						
Directors of Opal Horizon Limited						
D J Horton	-	-	-	-	-	-
W J Ife	-	-	-	-	-	-
J E Siemon	-	-	-	-	-	-

2014	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
Name						
Directors of Opal Horizon Limited						
D J Horton	666,667	-	(666,667)	-	-	-
W J Ife	-	-	-	-	-	-
J D I Hargraves*	-	-	-	-	-	-
J E Siemon	-	-	-	-	-	-

* 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.

2015	D J Horton		W J Ife		J E Siemon	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Balance at the start of the year	1,990,574	-	-	-	2,018,334	-
Placements	-	-	-	-	50,000	10,000
Other changes	-	-	-	-	-	-
Balance at the end of the year	1,990,574	-	-	-	2,068,334	10,000

2014	D J Horton		W J Ife		J E Siemon	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Balance at the start of the year	1,990,574	-	-	-	1,793,334	-
Placements	-	-	-	-	225,000	-
Other changes	-	-	-	-	-	-
Balance at the end of the year	1,990,574	-	-	-	2,018,334	-

OPAL HORIZON LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

20. Key management personnel disclosures (continued)

(c) Other transactions with key management personnel

There were no other transactions with key management personnel in the current or prior year.

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:

	2015	2014
	\$	\$
<i>BDO Audit Pty Ltd</i>		
Audit of the financial report	12,500	12,000

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 in either cash or shares of up to AUD \$360,000 and Walter Ife an amount of up to AUD \$157,500 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 2015, are as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. Commitments and Contingent Liabilities (continued)

	2015 \$	2014 \$
Exploration expenditure commitments		
Payable within 1 year	54,000	42,200
Payable between one and five years	219,000	238,000
	<u>273,000</u>	<u>280,200</u>
	=====	=====
Rental on granted tenements		
Payable within 1 year	10,337	10,298
Payable between one and five years	19,378	22,491
	<u>29,715</u>	<u>32,789</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 (2014: \$14,800) are currently held by the relevant governing authorities to ensure compliance with granted tenement conditions.

	2015 \$	2014 \$
23. Reconciliation of net profit / (loss) to net cash flows from operating activities		
Profit / (loss) for the year	(156,738)	(154,971)
Depreciation and amortisation	15,054	23,008
Profit on sale of fixed assets	-	(1,966)
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	680	30,660
Decrease / (increase) in inventories	(42,101)	5,485
Increase / (decrease) in payables	11,299	1,425
Increase / (decrease) in provisions	(6,032)	(7,666)
Net cash flows from operating activities	<u>177,838</u>	<u>(104,025)</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	41,019	45,943
	=====	=====

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 2015

25. Events occurring after the balance sheet date

Since the end of the financial year the Company has made placements of 151,000 fully paid preference shares at an issue price of \$1 each. A total of \$151,000 was raised, of which \$71,000 has been received as cash and \$80,000 received by way of non-cash offset against amounts owing to the Company at 31 December 2015.

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 2015.

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.

At 31 December 2015 there are no options on issue under the plan.

(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 2015

27. Earnings (loss) per share	2015 Cents	2014 Cents
(a) Basic earnings (loss) per share		
Loss attributable to ordinary equity holders of the Company	(0.6) =====	(0.6) =====
(b) Diluted earnings (loss) per share		
Loss attributable to ordinary equity holders of the Company	(0.6) =====	(0.6) =====
	2015	2014
	\$	\$
(c) Reconciliation of earnings (loss) used in calculating earnings (loss) per share		
<i>Basic earnings (loss) per share</i>		
Loss from operations	(156,738) =====	(154,971) =====
<i>Diluted earnings (loss) per share</i>		
Loss from operations	(156,738) =====	(154,971) =====
(d) Weighted average number of shares used as the denominator		
	2015	2014
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	27,377,483	26,927,017
Adjustments for calculation of diluted earnings (loss) per share:		
Preference shares	-	-
	-----	-----
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings (loss) per share</i>	27,377,483 =====	26,927,017 =====

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 balance sheet as at 31 December 2015, 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 company's financial position as at 31 December 2015 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 company to continue as a going concern is dependent upon the future successful raising of necessary funding through private placement of equity, successful exploration and subsequent exploitation of the company's tenements and sale of inventory. 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 company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit Pty Ltd



C J Skelton

Director

Brisbane, 29 April 2016