

OPAL HORIZON LIMITED
ABN 98 095 974 762

INTERIM FINANCIAL REPORT
For the half-year ended 30 June 2010

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the Annual Report of Opal Horizon Limited for the year ended 31 December 2009 and any public announcements by Opal Horizon Limited during the half-year ended 30 June 2010 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

Your Directors present their report on Opal Horizon Limited ("the company") for the half-year ended 30 June 2010.

Directors

The following persons were Directors of the company during the whole of the half-year and up to the date of this report:

A J Fawdon
L J Litzow

D J Horton
D H Hall

Principal activities

During the half-year the principal continuing activities of the company has been the exploration for, and mining of, precious opals in Australia. However, during the half-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.

Review of operations

The loss attributable to members of the company for the half-year was \$268,077 (2009: loss of \$145,241). The loss reflects the nature of the company's principal activities.

Events subsequent to balance date

No matters or circumstance have arisen since the end of the half-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 years subsequent to 30 June 2010.

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 2.

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

D Horton
Managing Director

Brisbane, 6 September 2010

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF OPAL HORIZON LIMITED**

In relation to our review of the interim financial report of Opal Horizon Limited for the half-year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Lawler Hacketts Audit

L J Murphy
Partner

Brisbane, 6 September 2010

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 4 to 11:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory financial reporting requirements; and
- (b) give a true and fair view of the company's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) having regard to the matters described in Note 1(a) to the financial statements, there are reasonable grounds to believe that Opal Horizon Limited will be able to pay its debts as and when they become due and payable.

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

D Horton
Managing Director

Brisbane, 6 September 2010

OPAL HORIZON LIMITED

ABN 98 095 974 762

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

	Note	Half-Year 2010 \$	Half-Year 2009 \$
Revenue	3	155,568	267,114
Other income	3	10,602	-
Cost of sales		(4,158)	(12,258)
Exploration expenditure written off		-	(1,948)
Drill rig expenses		(2,512)	(31,573)
Mining operations		(11,842)	(13,608)
Employment costs		(140,431)	(139,902)
Professional services		(19,790)	(23,610)
Depreciation and amortisation expense		(87,499)	(91,017)
Borrowing costs		(9,275)	(2,977)
Occupation costs		(15,394)	(14,081)
Administration costs		(143,346)	(81,381)
Loss before income tax	4	(268,077)	(145,241)
Income tax expense		-	-
Loss for the half year		(268,077)	(145,241)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half year attributable to owners of Opal Horizon Limited		(268,077)	(145,241)
		Cents	Cents
Basic earnings per share	5	(0.43)	(0.27)
Diluted earnings per share	5	(0.43)	(0.27)

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

OPAL HORIZON LIMITED

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	June 2010	December 2009
	\$	\$
Current Assets		
Cash and cash equivalents	294,241	252,631
Receivables	30,431	28,455
Inventories	88,698	92,856
Total Current Assets	<u>413,370</u>	<u>373,942</u>
Non Current Assets		
Property, plant and equipment	259,020	321,058
Exploration costs and mine properties	706,775	754,645
Other assets	14,800	17,300
Total Non Current Assets	<u>980,595</u>	<u>1,093,003</u>
Total Assets	<u>1,393,965</u>	<u>1,466,945</u>
Current Liabilities		
Payables	65,750	55,642
Short term interest bearing liabilities	18,234	26,793
Short term borrowings	-	-
Total Current Liabilities	<u>83,984</u>	<u>82,435</u>
Non Current Liabilities		
Long term interest bearing liabilities	10,812	28,264
Total Non Current Liabilities	<u>10,812</u>	<u>28,264</u>
Total Liabilities	<u>94,796</u>	<u>110,699</u>
Net Assets	<u>1,299,169</u>	<u>1,356,246</u>
Equity		
Contributed equity	4,384,111	4,173,111
Accumulated losses	(3,084,942)	(2,816,865)
Total Equity	<u>1,299,169</u>	<u>1,356,246</u>

The above Statement of Financial Position should be read in conjunction
with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

	Ordinary shares \$	Retained earnings \$	Total \$
Balance at 1 January 2009	3,738,511	(2,387,393)	1,351,118
Loss for the period	-	(145,241)	(145,241)
Total other comprehensive income	-	-	-
Total comprehensive income	3,738,511	(145,241)	(145,241)
Shares issued during the period	234,600	-	234,600
Sub total	3,973,111	(2,532,634))	1,440,477
Dividends paid or provided for	-	-	-
Balance at 30 June 2009	3,973,111	(2,532,634)	1,440,477
Balance at 1 January 2010	4,173,111	(2,816,865)	1,356,246
Loss for the period	-	(268,077)	(268,077)
Total other comprehensive income	-	-	-
Total comprehensive income	-	(268,077)	(268,077)
Shares issued during the period	211,000	-	211,000
Sub total	4,384,111	(3,084,942)	1,299,169
Dividends paid or provided for	-	-	-
Balance at 30 June 2010	4,384,111	(3,084,942)	1,299,169

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 HALF-YEAR ENDED 30 JUNE 2010**

	Half-Year 2010 \$ Inflows / (Outflows)	Half-Year 2009 \$ Inflows / (Outflows)
Cash flows from operating activities		
Receipts from customers (GST inclusive)	160,844	307,384
Payments to suppliers and employees (GST inclusive)	(340,381)	(342,549)
Borrowing costs	(9,275)	(671)
Interest received	4,921	5,140
Net cash inflow(outflow) from operating activities	(183,891)	(30,696)
Cash flows from investing activities		
Payments for mine properties	(4,989)	-
Payments for exploration expenditure	-	(10,153)
Payments for property, plant and equipment	-	(6,833)
Proceeds from sale of property, plant and equipment	38,000	-
Refund / (payment) of security deposits	2,500	7,500
Net cash inflow(outflow) from investing activities	35,511	(9,486)
Cash flows from financing activities		
Repayment of borrowings	(26,010)	(20,889)
Proceeds of borrowings	-	13,746
Proceeds on issue of shares	216,000	217,000
Net cash inflow(outflow) from financing activities	189,990	209,857
Net increase (decrease) in cash held	41,610	169,675
Cash at beginning of the half-year	252,631	210,340
Cash at the end of the half-year	294,241	380,015

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

1. Accounting Policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by Opal Horizon Limited during the interim reported period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies include the preparation of the financial report on a going concern basis and the capitalisation of exploration costs and mine properties.

(a) Going concern

The company has reported a loss of \$268,077 (2009 : loss of \$145,241) and cash outflows from operations of \$183,891 (2009 : \$30,696). 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, fund expenditure obligations and raise further share capital. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010

1. Accounting Policies (continued)

(b) Capitalisation of exploration costs and mine properties

As at 30 June 2010 exploration costs and mine properties capitalised amounts to \$706,775 (December 2009: \$754,645). 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 or otherwise of opals, technical feasibility and/or commercial viability of the relevant tenements and the company's intention 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 development of mines will depend upon the raising of necessary funding. The Directors are of the opinion that the exploration costs and mine properties are recoverable for the amount stated in the financial report.

2. Segment information

The company operates in one segment being the mining of precious opals in Australia.

	Half-Year 2010 \$	Half-Year 2009 \$
3. Revenue		
<i>From continuing operations</i>		
Interest	5,297	2,942
Drill rig hire income	562	225,702
Sale of gems	4,167	12,667
Fair value adjustment to inventory	-	25,775
Other	27	28
Management services	145,515	-
	155,568	267,114
<i>Other income</i>		
Profit on sale of fixed assets	10,602	-
	166,170	267,114
Total revenue	166,170	267,114

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

	Half-Year 2010 \$	Half-Year 2009 \$
4. Loss for the half-year		
Loss before income tax has been arrived at after recording the following specific items:		
Expenses		
Exploration expenditure written off	-	1,948
Depreciation	87,499	91,017
Borrowing costs	9,275	2,977
	Half-Year 2010 No.	Half-Year 2010 \$
5. Equity securities issued		
Opening balance as at 1 January 2010	59,715,259	4,173,111
Placements	4,220,000	211,000
Capital raising costs	-	-
Balance as at 30 June 2010	<u>63,935,259</u>	<u>4,384,111</u>
Weighted average number of shares	<u>61,908,961</u>	
	Half-Year 2009 No.	Half-Year 2009 \$
Opening balance as at 1 January 2009	51,767,258	3,738,511
Placements	3,948,001	234,600
Exercise of options	-	-
Capital raising costs	-	-
Balance as at 30 June 2009	<u>55,715,259</u>	<u>3,973,111</u>
Weighted average number of shares	<u>53,004,628</u>	
6. Events subsequent to balance date		
No matters or circumstance have arisen since the end of the half-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 years subsequent to 30 June 2010.		

7. Contingent liabilities

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.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Opal Horizon Limited. The half-year financial report comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, for Opal Horizon Limited, together with a summary of significant accounting policies, other selected explanatory notes and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of Opal Horizon Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Opal Horizon Limited's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Opal Horizon Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Opal Horizon Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of Opal Horizon Limited's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty regarding Going Concern and capitalised Exploration Costs and Mine Properties

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

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

Lawler Hacketts Audit

**L J Murphy
Partner**

Brisbane, 6 September 2010