DARK HORSE RESOURCES LIMITED
AND CONTROLLED ENTITIES
ACN: 068 958 752

ANNUAL REPORT 2019

CONTENTS

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CHAIRMAN'S REPORT

Dear Shareholder

During the year the Company continued to pursue its Argentinean mineral exploration focus, with a suite of gold and lithium prospective projects in a variety of locations (refer project location map within the Review of Operations). In addition to its suite of existing projects, the Company continues to review project acquisition opportunities as they are made available to the Board and management from a variety of industry sources.

During the year the Company undertook an initial drilling program at the Las Openas Gold Project in the San Juan province. Results from this drilling and the ongoing surface-based exploration have confirmed the existence of widespread high-grade zones of gold and silver mineralization. Given the existence of numerous third party epithermal gold and silver deposits in the region, Dark Horse plans to continue its exploration efforts at Las Openas in the 2019 / 20 summer season.

At the Company's Cachi Gold Project in the Santa Cruz province, Dark Horse geologists have so far identified fifteen (15) large mineralized prospects in the southern portion of the tenement package, with a number being progressed as priority targets for advanced exploration and drill testing. Exploration at Cachi is scheduled to recommence later this year.

Progress at the Company's suite of lithium projects has been delayed by issues with governmental permitting (San Luis) and the vendor's completion of title transfers (San Jorge). The Board is mindful of the current state of the global lithium market, and will take a cautious approach to the future deployment of exploration funds in this regard.

As shareholders would be aware, the Company also holds 10.1 billion shares in ASX-listed Lakes Oil NL. Lakes Oil continues to pursue legal action against the Victorian State Government in relation to the decision to ban onshore gas exploration activities across Victoria. The Victorian State legislative ban is currently scheduled to expire in mid-2020, following which Lakes Oil expects that conventional exploration activity should again be permissible. The Lakes Oil (Rawson) South Australian Nangwarry-1 well is scheduled to be drilled in late 2019, and should take approximately 45 days. The well is targeting a conventional gas resource at a depth of 4,300m. Dark Horse will continue to monitor the Lakes Oil situation with interest.

In late 2018, Mr Neil Stuart retired from public company life after a career of 55 years in the Australian resources industry. Neil joined the Dark Horse Board in October 2014 and provided the basis for the Company's strategic entry into Argentina. Neil was instrumental in forging and sponsoring relationships which have provided numerous Argentinean project opportunities, including the current suite of gold prospects being progressed by Dark Horse. In addition, Neil provided significant equity funding to the Company, and has indicated his intention to remain a substantial shareholder. I am particularly pleased that Neil has agreed to remain available as an advisor to the Company, as his South American contact base and geological experience is invaluable.

This year the Company's Managing Director, Mr David Mason, has again shown his faith and support for the Company and its projects by converting over $250,000 in accrued remuneration and expenses into further shares with the approval of shareholders. The Board acknowledges and sincerely thanks David for this undertaking.

I would once again like to take this opportunity to thank our small but dedicated management team and our shareholders for their ongoing support of Dark Horse and its projects. I am confident in the management team to ultimately deliver on the opportunities touched on. I look forward to updating you on the Company's ongoing developments in the course of the next 12 months.

Yours sincerely

Nick Mather
Chairman

REVIEW OF OPERATIONS

SUMMARY

During the year the Company continued to pursue its Argentine mineral exploration focus around prospective gold and lithium projects in a variety of locations in line with its published objectives and strategies.

The majority of the operational activity this financial year has been focussed on the exploration programs associated with the highly prospective Las Opeñas and Cachi gold projects. Advancement of exploration activity on our lithium projects has been restricted due to delays in finalisation of title transfer at our San Jorge Lithium Brine project and the issue of drilling permits by the San Luis Mining Authority for the Central Argentine Lithium Spodumene project sites.

The Company undertook a first phase drilling program at the Las Opeñas Gold Project in the San Juan province in March – April 2019 confirming high grade gold and silver mineralised zones. The Company completed a detailed mapping and a diamond-sawn rock channel sampling program from May to July 2019 with confirmation of extensive high-grade zones of gold and silver over 2.7km strike length at the major Presagio vein system.

An exploration program including mapping, sampling, trenching and geophysics to define drill targets was carried out at the Cachi Gold project. Significant high value gold and silver assays from surface exploration have identified fifteen (15) large, individual prospects in the southern half of the Cachi tenement over a distance of 12kms.

Further surface exploration and a drilling program is planned for the Las Opeñas and Cachi projects in the summer of 2019/2020 with the target objectives to advance both the projects towards resource definition.

Dark Horse is continuously seeking and reviewing good quality projects to supplement and add to its existing portfolio, because not all projects may attain the necessary metrics to bring them to commercial development and may need to be replaced.

In October 2018, Mr Neil Stuart resigned as a Non-Executive Director of the Company. However, Mr Stuart continues to support the Company as an advisor on technical matters and remains a significant shareholder.

Dark Horse Resources currently holds approximately 10.1 billion ordinary shares (circa 30%) in ASX-listed Lakes Oil NL. Lakes Oil has petroleum exploration permits in PNG, South Australia, Queensland and significant certified gas resources in its exploration permits in the State of Victoria, which implemented an onshore petroleum exploration moratorium in 2016. Lakes Oil is seeking removal of this moratorium through the state legal system. The company recently advised that the appeal against the decision handed down during September 2018, was heard in the Supreme Court of Victoria on 6 August 2019. The results of that hearing are yet to be announced.

During the financial year, the Company's energy-focussed subsidiary Dark Horse Energy Holdings Pty Ltd (DHEH) made an offer to invest in a solar thermal energy business focussed on providing low temperature heat to Agribusiness. The offer was declined and discussions continue. DHEH also reviewed pumped storage hydro projects in New South Wales, integrated solar, wind and pumped hydro storage projects in Queensland, and thermal power generation projects in Argentina.

A detailed summary of the Company's corporate and project developments for the year is set out below.

CORPORATE DEVELOPMENTS

In the last 12 months the Company has expended the majority of funds raised in a June 2018 private placement and Share Purchase Plan on the exploration of its gold and lithium projects, vendor payments, contribution to the Lakes Oil Rights Issue and ongoing corporate management and administration costs.

In May 2019 former Director Neil Stuart (who retired from the Board on 6 November 2018) and his associates provided convertible loan funding of $560,000 to support Dark Horse's ongoing gold and lithium exploration programs in Argentina.

Subsequent to the end of financial year, on 1 August 2019, DHR made a Non-Renounceable Entitlement Offer and Overallotment Offer to raise funds for the ongoing exploration and administration of its gold and lithium projects in Argentina.

The Company continues to focus on its exploration and management activities in an efficient and cost-effective manner.

DARK HORSE PROJECT PORTFOLIO

The Company currently has the following activities and interests:

A. Argentinean Gold Projects
B. Argentinean Lithium Projects
C. Dark Horse Energy Holdings
D. Interest in ASX-listed Lakes Oil NL
E. New Project Opportunities

The Company continues to explore its current large suite of gold and lithium projects and to review new project opportunities presented to it via various business and industry connections. Dark Horse's primary objectives are to:

- discover and define several multimillion-ounce gold deposits; and
- define substantial lithium resources, mine spodumene and brine, and produce high grade lithium products for the domestic and international battery and electronic markets.

Dark Horse's current suite of Argentinean projects is shown in **Figure 1**.

Figure 1. Location of Dark Horse's mineral projects in Argentina.

A. Argentinean Gold Projects

Dark Horse has a large portfolio of gold properties in the San Juan, Santa Cruz and Rio Negro provinces of Argentina (refer **Figure 1**). Across these properties the Company is continuing surface exploration and drilling programs. These projects include:

- The Las Opeñas Gold Project in the San Juan province where a first phase drilling program, detailed mapping and a diamond sawn rock channel sampling has been completed, confirming widespread high grade zones of gold and silver;
- The Cachi project in Santa Cruz where recent exploration has proved many, high potential gold bearing epithermal vein systems;
- Several other properties throughout Santa Cruz province, with high grade gold and silver values from surface sampling; and
- A large suite of properties in the eastern part of the Rio Negro province, previously proven to contain potential for precious and base metals, which are currently being explored.

Las Opeñas Gold Project

Dark Horse Resources entered into an Exploration Agreement with Option to Purchase with Genesis Minerals (Argentina) SA to acquire up to 100% of the Las Opeñas Gold Project in Argentina through a series of staged cash and share payments over 3.5 years, weighted towards the end of the period and earning equity progressively, totalling USD880,000 and 90 million DHR shares.

The Las Opeñas Gold Project is a 1,462ha lease located in thenorth-western region of San Juan Province, Argentina at an elevation of between 2,800m and 3,500m (**Figure 2**). The region is host to numerous third-party, multi-million-ounce epithermal style gold-silver deposits in the Andes Mountains including Veladero, Pascua Lama and Gualcamayo in San Juan Province, and El Indio in neighbouring Chile (refer **Figure 2**).

The Las Opeñas property was previously explored by Teck Resources Limited and Genesis Minerals Limited up to 2014. They located two target areas – a breccia target hosting a gold porphyry system in the south-west, and a vein target hosting an epithermal gold system in the central-west. They focussed principally on the breccia target, and drilled 22 diamond holes for a total meterage of 3,899m.

Dark Horse's initial interest has been on the epithermal gold system where gold-silver mineralization occurs in high grade veins, vein breccias and stockwork zones, principally in a granite. The quartz vein systems were not drill tested by Teck/Genesis.

Figure 2. Location of the Las Opeñas Gold Project in the province of San Juan and other nearby significant gold projects (owned by third parties).

A first phase Reverse Circulation drilling program at the Las Opeñas was completed by Dark Horse in March-April 2019. This initial 17 hole program (1,535m) tested high grade gold, silver and base metal rich quartz veins discovered during surface mapping (refer **Figure 3**).

Six major mineralised vein systems have been identified at Las Opeñas – Tramway, Rock Oven, Presagio, Vultur, Viscacha (renames Presagio West), Presagio East and Presagio Sur (refer **Figures 3 and 4**). Two prospects were tested by the first 11 drill holes for 1,017m at the Tramway and Rock Oven vein targets with significant assay results including:

- LORC-19-05 1.0m of 1.03 g/t gold and 1.1 g/t silver from 42m.
- LORC-19-06 1.0m of 1.70 g/t gold and 4.1 g/t silver from 15m.
- LORC-19-10 1.0m of 1.16 g/t gold and 3.1 g/t silver from 8m. and 1.0m of 1.78 g/t gold and 28.9 g/t silver from 13m.
- LORC-19-11 3.0m of 4.75 g/t gold and 54.9 g/t silver from 101m.

The central part of the Presagio system was then tested with 6 holes for 518m with significant assay results being:

- LORC-19-13 1.0m of 4.84 g/t gold and 349.0 g/t silver from 23m.
- LORC-19-14 1.0m of 0.20 g/t gold and 62.6 g/t silver from 49m.
- LORC-19-15 1.0m of 0.18 g/t gold and 89.5 g/t silver from 56m.
- LORC-19-16 1.0m of 1.54 g/t gold and 14.5 g/t silver from 0m and 7.0m of 0.04 g/t gold and 162.3 g/t silver from 82m including 2.0m of 0.04 g/t gold and 528 g/t silver from 86m.
- LORC-19-17 1.0m of 0.04 g/t gold and 117.4 g/t silver from 87m.

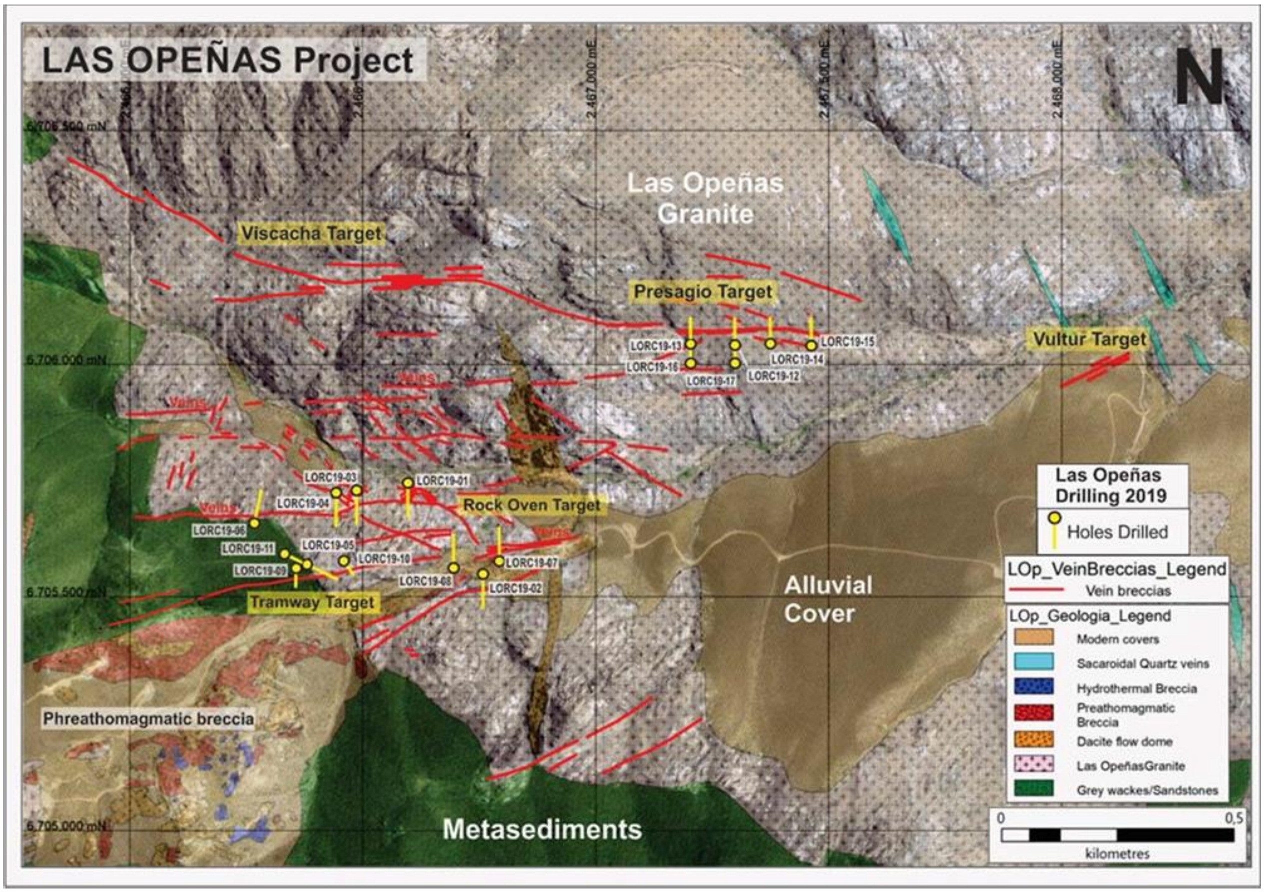

Figure 3. Las Opeñas vein targets and drill hole locations from the DHR March to April 2019 drill program.

Subsequent to the drilling phase, Dark Horse has completed a detailed mapping and a diamond-sawn rock channel sampling program at Presagio, which has confirmed widespread high grade zones of gold and silver over a 2.7km strike length.

Thirty-three (33) channel samples were cut along the Presagio mineralized zone (includes Presagio East, West and Sur), and ten (10) samples were cut over the Vultur mineralized zone (**Figure 4**). Of these, seventeen (17) have gold assays in excess of 1 g/t and five (5) samples have gold grades in excess of 5 g/t. The highest gold grade was 54 g/t and the highest silver grade was 739 g/t.

Best sample results <u>with the highest gold grades</u> are as follows:

- 0.4m @ 54.0 g/t gold, 83.0 g/t silver
- 0.8m @ 17.9 g/t gold, 225.0 g/t silver
- 0.7m @ 10.0 g/t gold, 263.0 g/t silver
- 1.0m @ 7.2 g/t gold, 271.0 g/t silver
- 0.8m @ 7.7 g/t gold, 336.0 g/t silver
- 0.8m @ 4.1 g/t gold, 384.0 g/t silver
- 1.0m @ 2.4 g/t gold, 587.0 g/t silver

The exploration work at Presagio has identified the existence of an altered corridor of 2.7km in length. This includes a 1km long vein-breccia system containing high gold-silver grades with massive sulfides, located to the west of a drillhole area investigated during the March-April 2019 drilling program. The drillhole was LORC-19-13 - the best drilling result from earlier in the year, containing 1.0m @ 4.8 g/t gold and 349.0 g/t silver from 23m depth.

The exploration results indicate that gold and silver mineralization is most significant where northeast and northwest faults intersect. This is common at Las Opeñas. The Presagio vein-breccia system has an extensive width of up to 100m. The gold-silver mineralization is distributed throughout the system in parallel, on-echelon structures (**Figure 4**). A hypothetical geological model of Presagio has been interpreted by the Company's geoscientist team and shows the target mineralization at depth (**Figure 5**).

Positive results of this discovery will be used to target further drilling, which is planned to commence in the summer of 2019/2020.

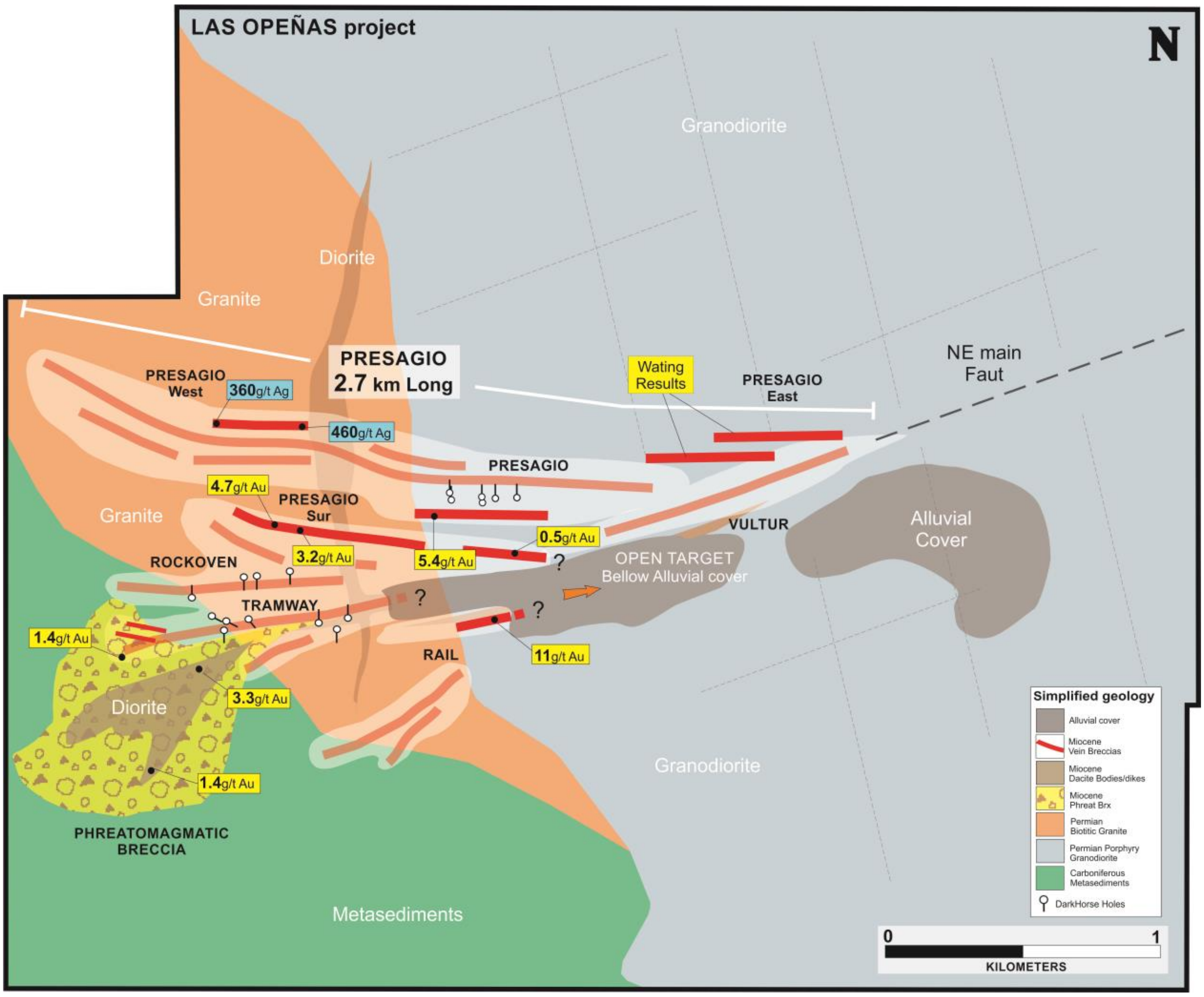

Figure 4. Las Opeñas vein breccia targets and location of Diamond Channel Samples high gold-silver grade assays.

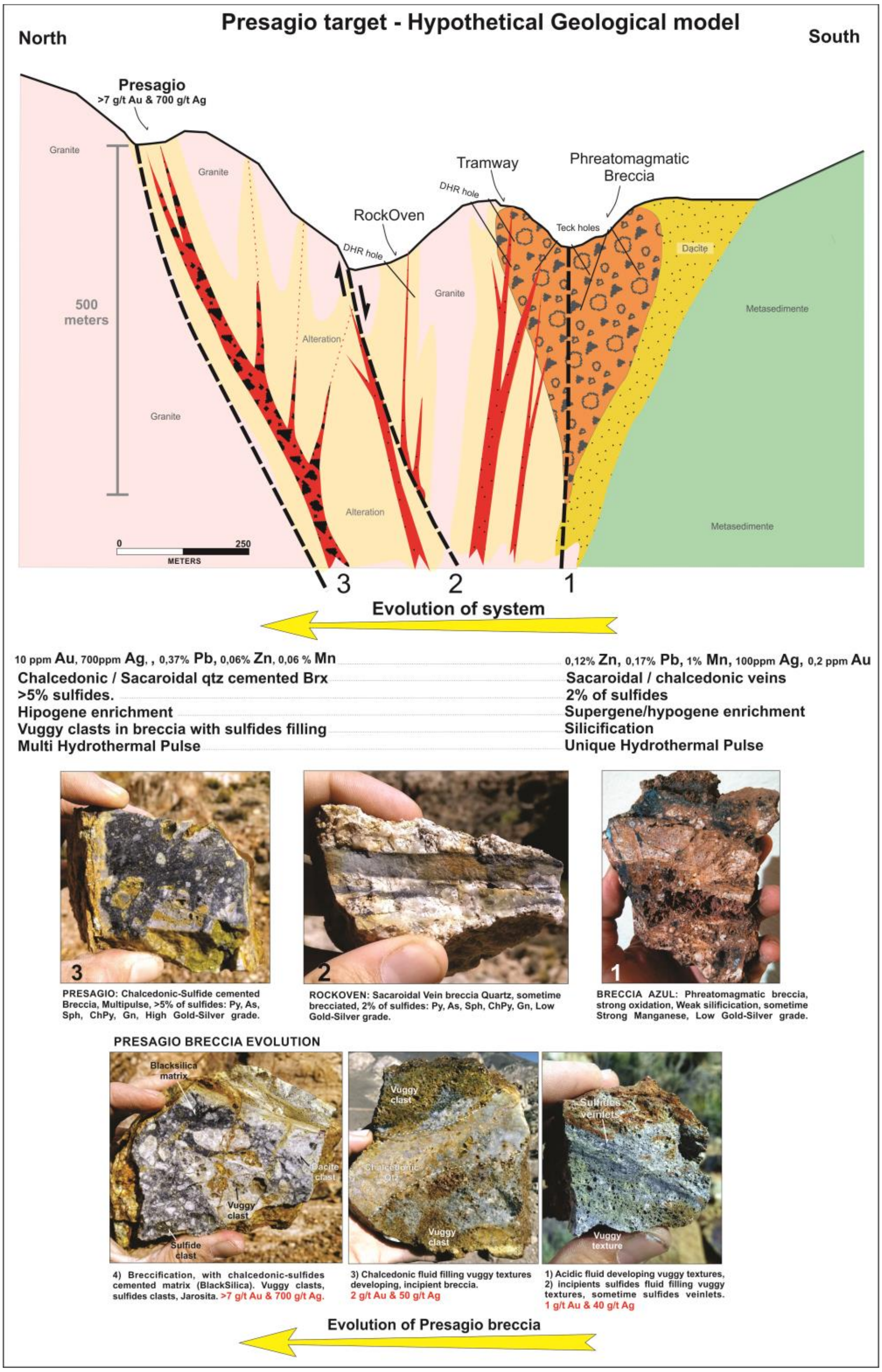

Figure 5. Presagio Hypothetical Geological Model indicating targeted mineralization at depth

Cachi Gold Project

Dark Horse Resources has an extensive portfolio of gold properties in the Santa Cruz and Rio Negro provinces of Argentina. The exploration of these properties is primarily in search of near surface epithermal vein systems. Across these properties the Cachi Gold Project is currently the most advanced and major target of Dark Horse.

Cachi Gold Project is a 46,892ha lease package located in the central-western region of Santa Cruz Province, Argentina. The region is host to numerous multi-million-ounce, epithermal style gold-silver deposits including Cerro Vanguardia owned by AngloGold Ashanti and Cerro Negro owned by Goldcorp (**Figure 6**).

Cachi Gold Project is located in a prime position, in the heart of advanced, high grade precious metal deposits. It is bordered to the east by Patagonia Gold's Las Mellizas Project and very close to Panamerican Silver's advanced Joaquín and Cose projects.

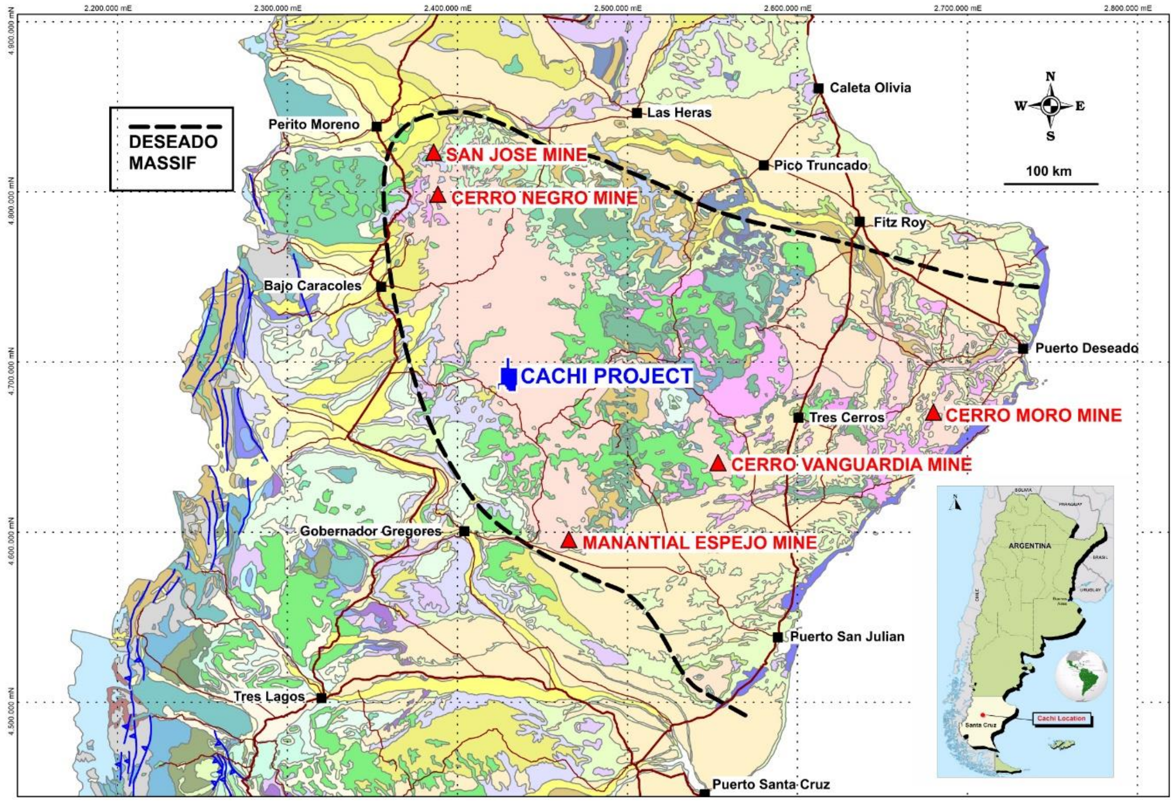

Figure 6. Map of the location of the Cachi Gold Project.

Prior to Dark Horse Resources holding the property, the project had not been examined comprehensively. IamGold carried out general reconnaissance exploration, and De Grey Mining carried out rock chip, lag sampling and geophysics, as well as drilled several diamond holes in the vein breccia zone target of the adjacent Sierra Morena Project.

The particular geological setting of Cachi Gold Project, is due to a specific sequence of volcanic intrusions, which has brought the precious metal, mineralized fluids into the system. The project is that of a caldera complex developed in the older volcanic rocks of the Chon Aike Formation. Within the caldera there is a felsic volcanic center filled with younger volcanic rocks and rhyolite domes of the La Matilde Formation. The precious metal mineralization in many of the Santa Cruz deposits has been dated to this onset of the La Matilde volcanic event.

The whole Cachi system is anomalous in gold and silver with individual results to date detected up to 9.7 g/t gold. Arsenic, antimony and molybdenum are all elevated, indicating that the system is fertile. The types of quartz found in most of the veins on the property, suggests that the deposit is relatively high in the epithermal system.

Mapping, ground magnetics, Induced Polarisation (IP) and rock-chip sampling programs have recently been completed at the Cachi property. The drilling program is planned to commence in the summer of 2019/2020.

Seventeen mineralised prospects have been identified within the Cachi property, with the five main ones being Vetas Cachi, Morena, Vetas NW, Patricia and Puma (**Figures 7 and 8**). Results of these mineralized prospects point to the Cachi Gold Project as having significant potential for the discovery of a large precious metal system, similar to others in the region. Dark Horse is committed to implementing systematic, planned surface work and drilling to test this.

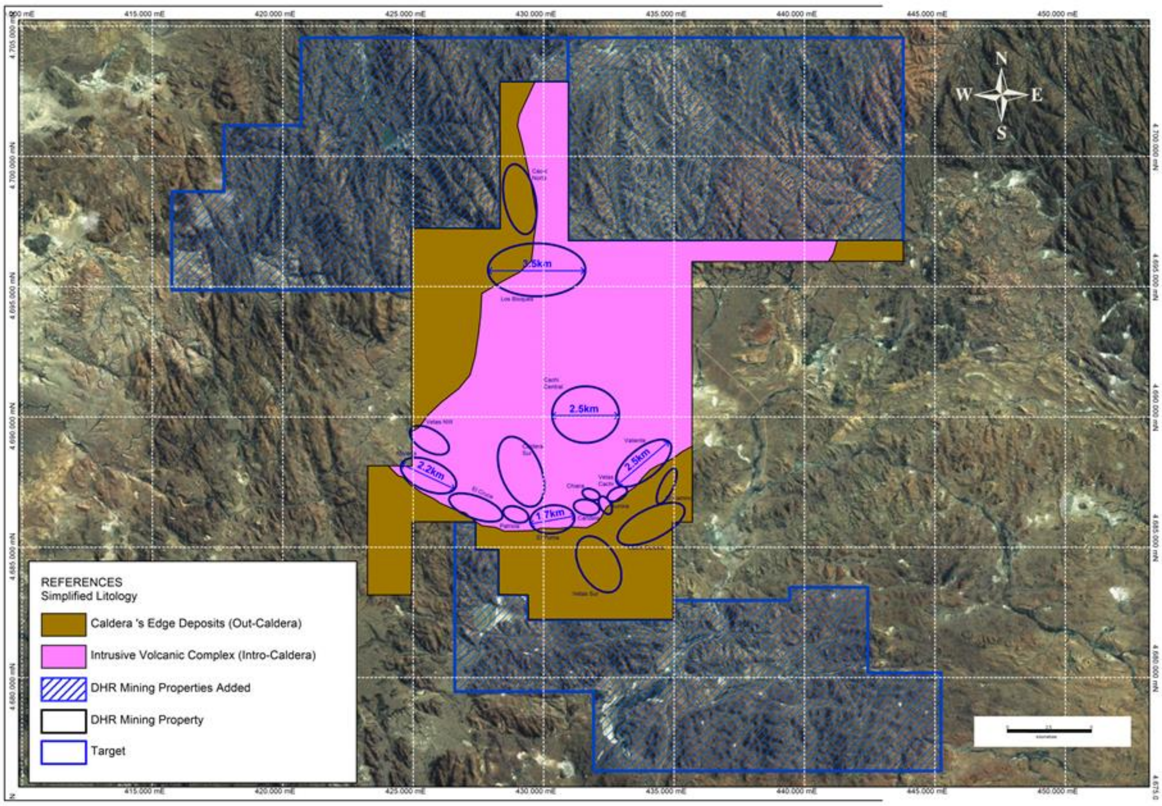

Figure 7. Cachi Lease Location, Geology, Lithology and main Prospects.

The following table summarises these main prospects:

TARGET	RESULTS	PREVIOUS DRILLING
VETAS CACHI	Contains an extensive array of mineralized quartz veins over a length of 1.5km which are anomalous in gold and arsenic with local antimony, silver, lead, zinc and molybdenum - system is fertile and is worth drilling.	None
MORENA	Contains an extensive array of mineralized quartz veins over a length of 1.5km which are anomalous in gold and arsenic with local antimony, silver, lead, zinc and molybdenum - system is fertile and is worth drilling.	Two previous drill holes by De Grey mining in 2013, which targeted a northwest – southeast vein in this area. One of those holes returned a 2.4m intersection of 21.5 g/t silver, 17.1% zinc and 4.2% lead from 135.8m.
VETAS NW	Several previous rock chip results over 100 g/t silver, and up to 573 g/t silver. DHR has taken several samples of that vein and four of those samples confirmed anomalous silver values between 20.2 and 51.7 g/t.	None
PATRICIA	This target shows lithological and structural setting similarities to the established Zoe shoot at Yamana's Cerro Moro mine (and is included in their future mining schedule). Some archival rock chip results were recently found to contain a selected rock chip result of 0.5 g/t gold, 110.9 g/t silver, >1% arsenic, 382 ppm antimony, 0.36% copper, >1% lead and 0.64% zinc. The sample site was located in the field and found to be part of a 30m wide stockwork zone. A recent DHR sample confirmed this result returning 0.87 g/t gold, 182.5 g/t silver and high values of the other minerals. The high copper, lead and zinc values are considered significant when compared to the geochemistry of the Cerro Moro deposit (from Matt Houston, former Cerro Moro senior geologist).	None
PUMA	At the Puma prospect there is a one kilometre long, east-west zone of abundant white quartz float. At the western end there is a rubbly, iron rich sub-crop zone with a single DHR sample of 0.26 g/t gold, 75.2g/t silver, 361ppm arsenic, 940ppm antimony, and 14ppm molybdenum. This mineral assemblage is considered significant due to the lack of outcrop in the area and the fact that only the white quartz has survived the weathering with the possibility of a non-outcropping, softer gossanous structure below.	None

The main areas of quartz veining are located on structures close to a significant caldera margin. These are cut-back structures, interpreted to be deep seated and related to the late stages of caldera collapse. The structures act as channel pathways for mineralising fluids entering the system. Veining occurs over a significant area of 10km by 6km. The caldera margin is well mapped by ground magnetics (**Figure 8**).

Subsequent to 30 June 2019, mapping and assays results have identified another anomalous gold target, named El Camino in the southern half of the Cachi tenement. The El Camino prospect is another high potential mineralised structure close to the southeastern border of the caldera. Fourteen (14) rock chip samples collected from over 900m of vein subcrop have returned anomalous gold and arsenic values averaging 0.4 g/t Gold and 540 g/t Arsenic, with maximum values of 1.1g/t Gold, and 982 g/t Arsenic.

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This association of gold with high arsenic values appears to place EL Camino, along with Aurora, Vetas Cachi and Valiente, near the top of the mineralized epithermal system (see Genetic Model - Figure 9) opening potential for high grade gold discoveries with drilling.

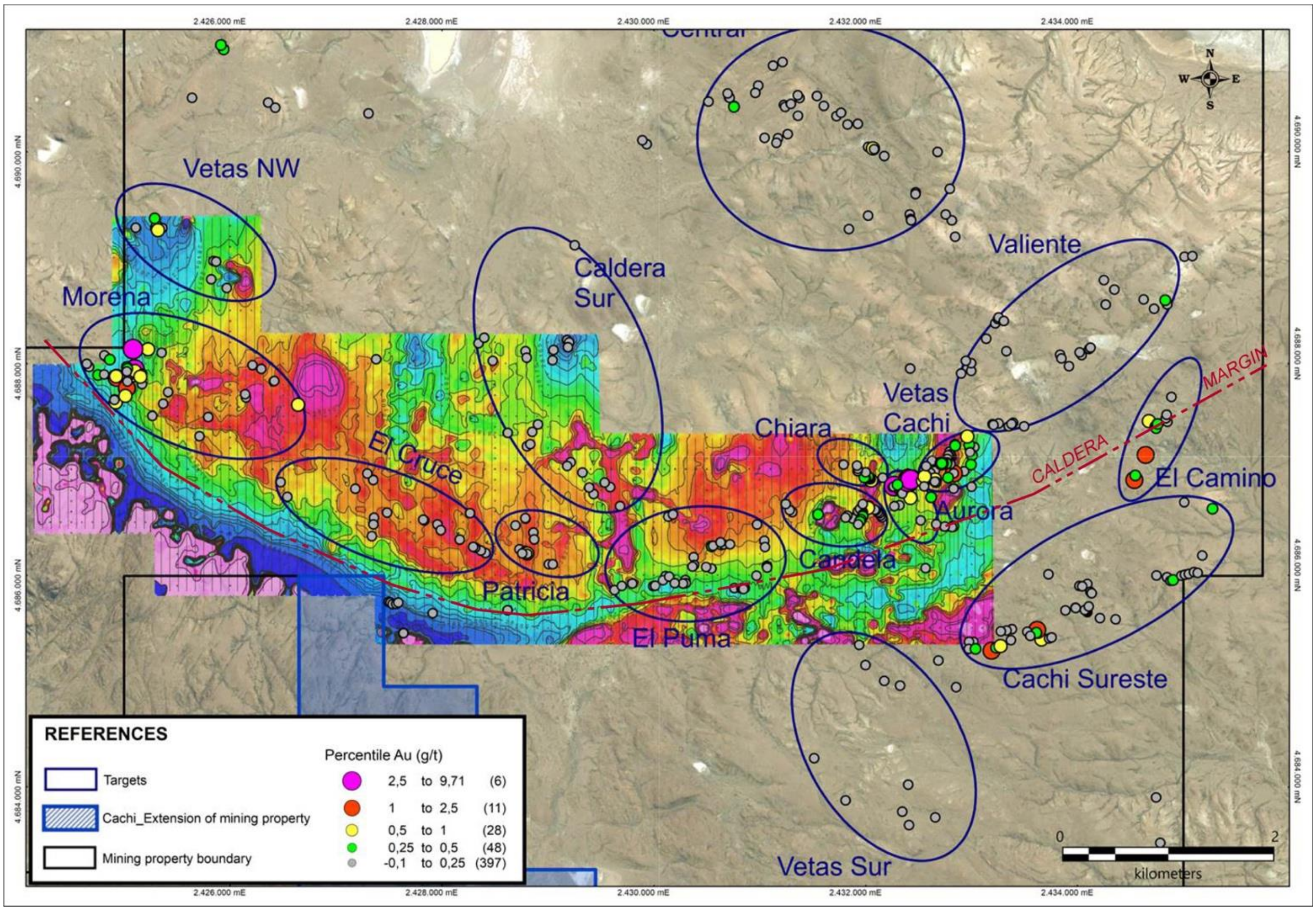
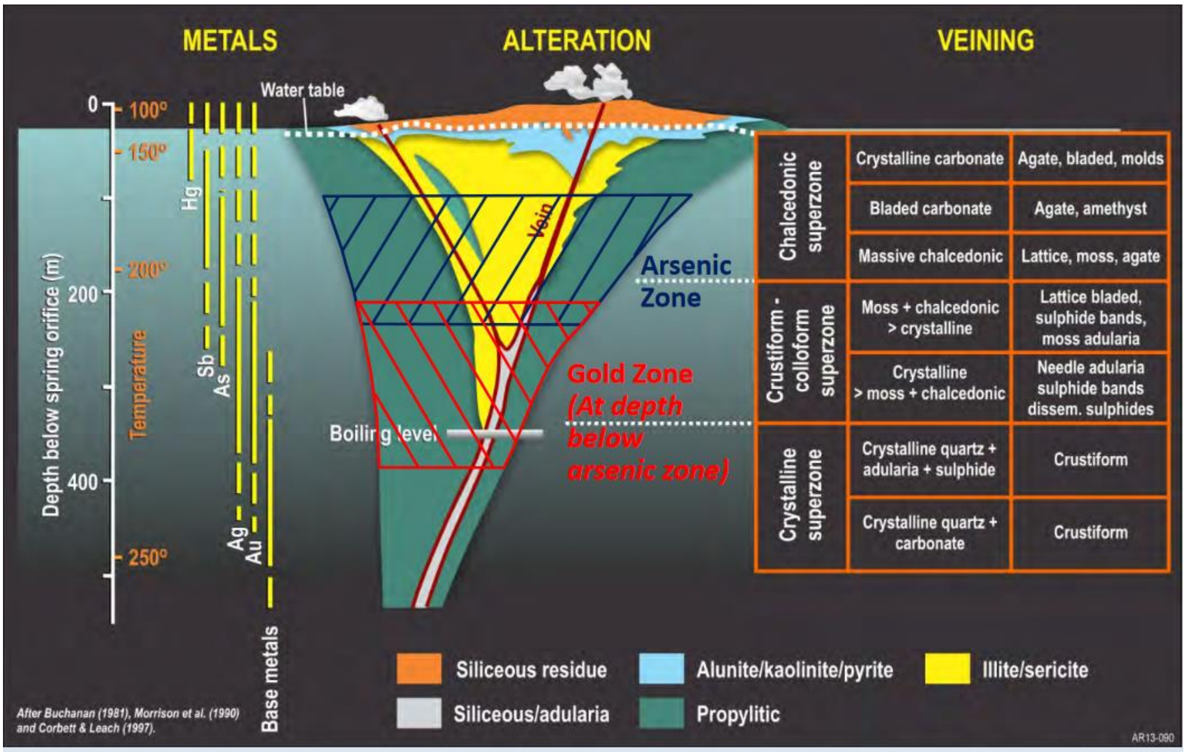


Figure 8. Detailed ground magnetics over the southern portion of the Cachi tenement showing the southern caldera boundary (the curved feature marked in red broken line) and DHR's numerous targets along the boundary (blue ellipsoids), including El Camino on the far right.



(After Buchanan (1981), Morrison et al. (1990) and Corbett & Leach (1997)).

Figure 9. Generic Model of Epithermal systems showing the relationship of gold (red zone) with pathfinder metals including arsenic (blue zone).

The association of gold with high arsenic values can be an indicator, which locates prospects near the top of the mineralized epithermal system, opening potential for high grade gold discoveries at depth.

B. Argentinean Lithium Projects

The Company holds an extensive portfolio of lithium spodumene projects in the provinces of San Luis and Cordoba shown in (Figure 10), through an agreement to acquire Argentinian company, Pampa Litio SA. Dark Horse currently owns 25% of Pampa Litio SA. Whilst the Company awaits the San Luis Mining Authority to issue permits for drilling, an extension of time has been agreed between the parties before the next stage of obligations is met (payment of 20 million DHR shares to take the Company's holding in Pampa Litio to 45%).

Dark Horse also continues its due diligence on the San Jorge Project, a lithium brine property in the Catamarca province, Argentina shown in (Figure 11) with deal conclusion expected by the end of the year.

The Company's short-term objective is to produce spodumene concentrate from the central Argentinean projects creating early cash flow and introducing lithium products to the market. Dark Horse has a defined work program which includes resource definition, JORC Reporting and feasibility, culminating in mining and infrastructure development. Dark Horse is seeking a strategic partner to support and fund this work program. In return, Dark Horse will provide a 100% lithium products offtake. Future sales may extend into a new domestic market for lithium products as the economy in Argentina continues to transform under the market-reformed government.

The Company's long-term strategic objective with respect to Lithium is to define large, high grade lithium brine and spodumene resources and produce high grade Lithium Carbonate and/or Hydroxide.

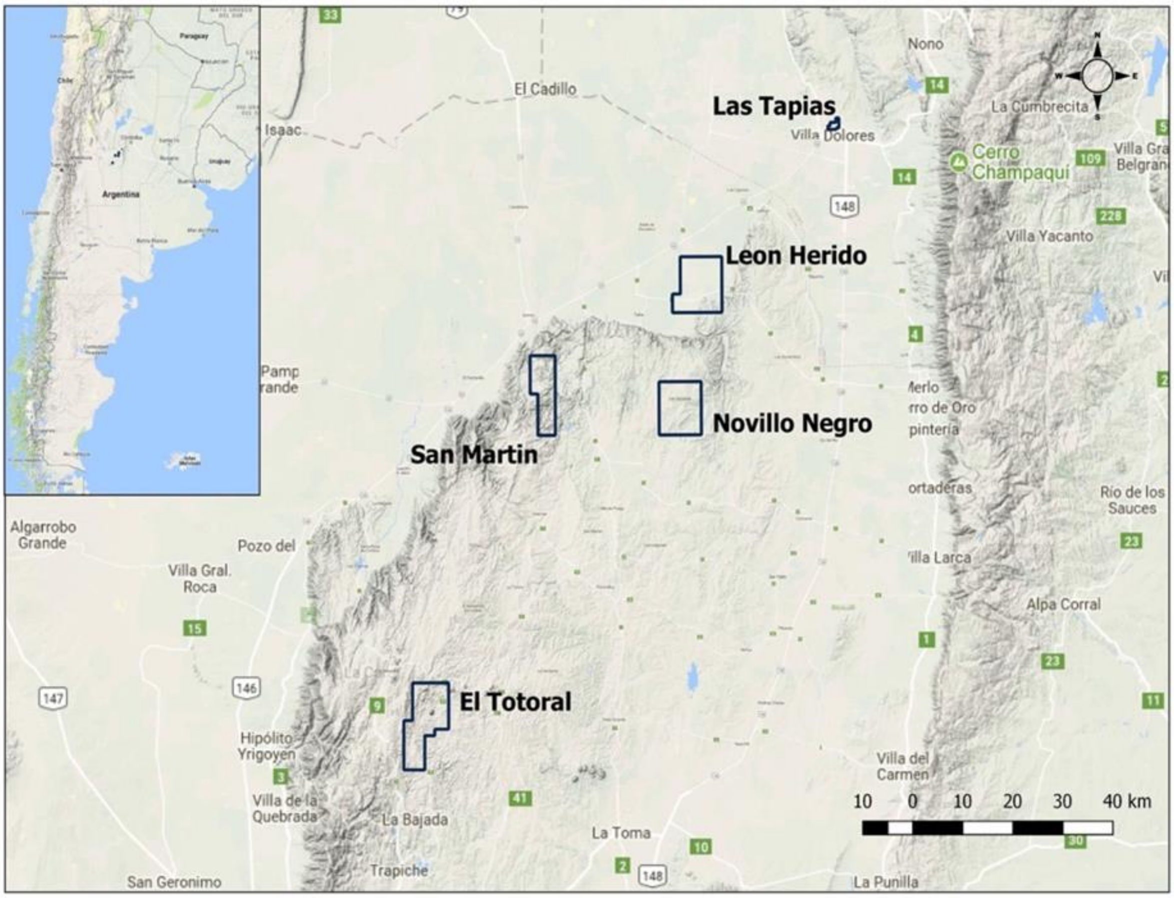


Figure 10. Location of Dark Horse Spodumene Lithium projects in Argentina.

Central Argentina Lithium Spodumene Projects

The government situation in San Luis province has not materially changed since the 2018 Operations Report and the Company awaits the San Luis Mining Authority to issue permits for drilling. Additionally, we understand the government is considering establishing an updated mining code as per other Argentine provinces. There were recent provincial government elections for which the incumbent Governor was re-elected. We are actively seeking information on the status of these matters so that Dark Horse can recommence its exploration activities.

Initial drill targets have been identified at the San Luis Mine pegmatite sequence within the El Totoral exploration lease, which shows abundant spodumene throughout.

San Jorge Lithium Brine Project

Dark Horse entered into an exclusivity agreement for the option to acquire up to 100% of the San Jorge Project in Catamarca province through a series of staged payments and annual exploration commitments. Dark Horse is carrying out the legal due diligence on the San Jorge Project and is finalising the Definitive Agreement with the vendor. Thirteen (13) exploration licences of the total 15 have been successfully certified, and the remaining two require some additional time for the vendor to complete administrative matters. The parties have agreed to an extension to the due diligence period to allow sufficient time for this to occur.

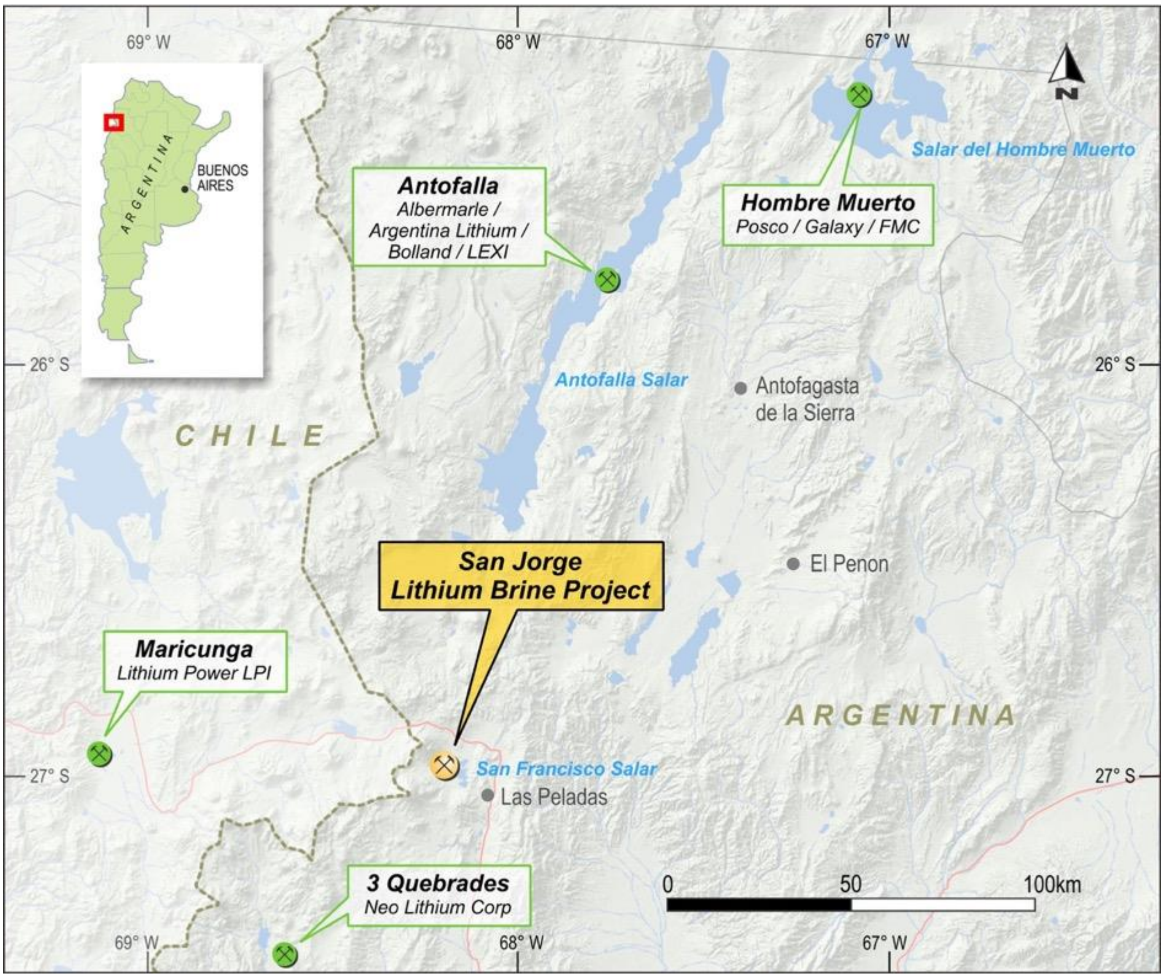


Figure 11. Location map showing the location of the San Jorge lithium brine project in Catamarca province surrounded by other significant lithium brine projects.

The San Jorge Project is a group of 15 Exploration Licences in Catamarca province, Argentina covering an area of 36,600 hectares over the San Francisco salt lake basin (Figure 12). The nucleus of the salar (San Francisco) is approximately 7,000 hectares in area and the project leases covers all of it except a small section in the north (Photo 1).

The design of the initial exploration program is completed, which will consist of shallow brine fluid sampling to test the near surface lithium content and geophysics to determine the basin size, depth, structure and potential brine zones.

This work will commence immediately following deal conclusion and will provide data to allow the design of a sub-surface drilling program to test the lithium grades and hydrology at depth, and subsequently lithium resources. Dark Horse expects to be able to commence this work during the next quarter.

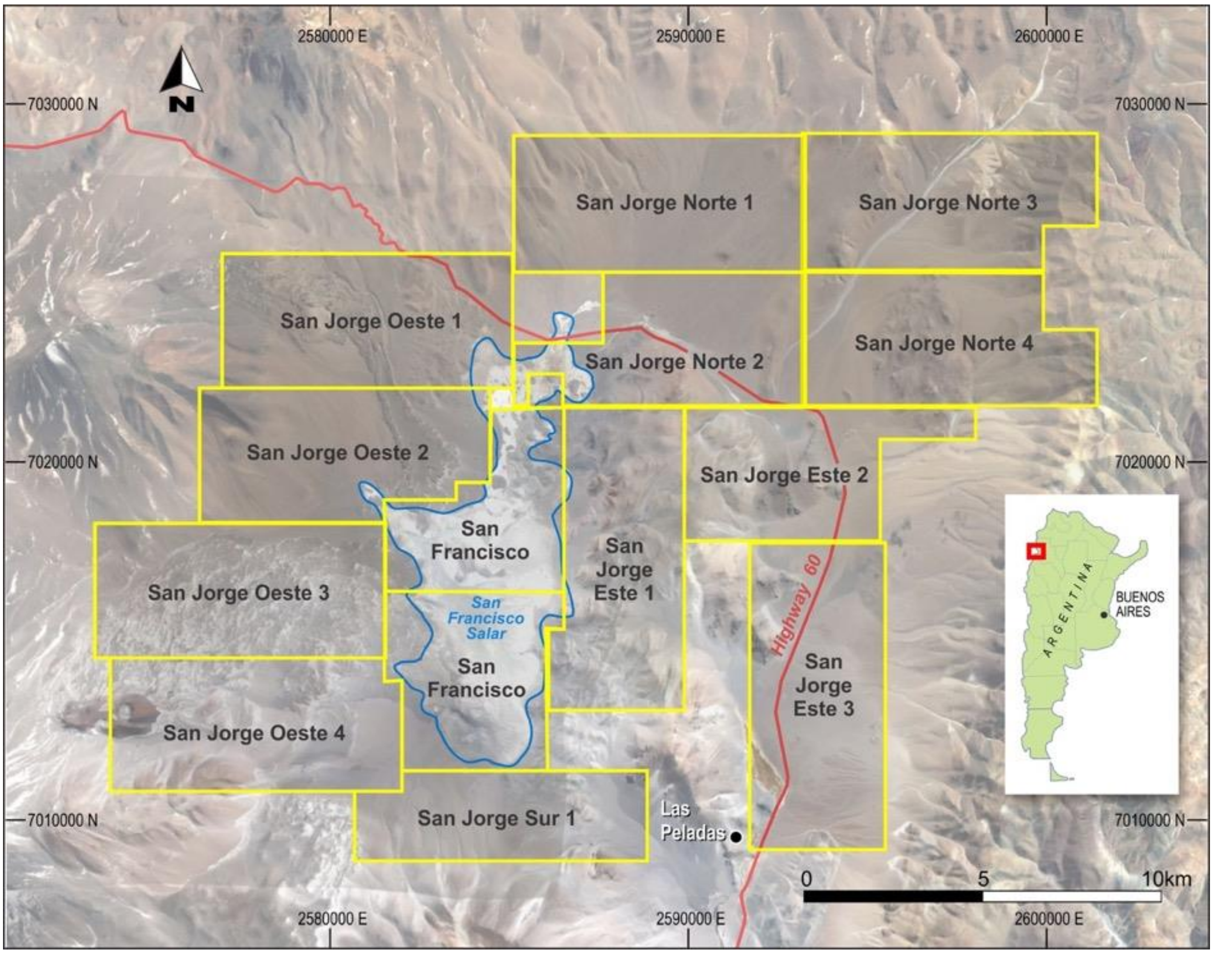


Figure 12. Tenure map of the San Jorge lithium brine project showing the outline of the large surface San Francisco salar lake.

Photo 1. The San Francisco Salar at surface.

C. Dark Horse Energy Holdings

During the financial year Dark Energy Holdings Pty Ltd made an offer to invest in a solar thermal energy business focussed on providing low temperature heat to Agribusiness. The offer was declined and discussions continue.

DHEH reviewed a number of power projects including

- an early stage integrated pumped storage hydro, solar and wind project in Queensland
- pumped storage hydro project in New South Wales, and
- a thermal power generation project in Argentina.

DHE continues to look at thermal power and renewable energy power opportunities in Australia, Argentina and other parts of the world.

D. Interest in Lakes Oil NL

Dark Horse Resources currently holds approximately 10.1 billion ordinary shares (circa 30%) in ASX-listed Lakes Oil NL.

During the year Lakes Oil received subscriptions totalling approximately $2.08 million from an Entitlement Offer for which DHR contributed the sum of $500,000. A key purpose of the Entitlement Offer was to raise funds for drilling of the Nangwarry-1 well in the South Australian portion of the onshore Otway Basin.

It is anticipated drilling of the Nangwarry-1 well will commence in October/November 2019 and will take around 45 days. Chris Tonkin, Chairman of Lakes Oil, said "drilling of the Nangwarry-1 well is an important step toward Lakes Oil becoming a commercial producer of gas for the supply-constrained, high-priced southeast Australian gas market."

Lakes Oil also made an all script acquisition of Rawson Oil and Gas Ltd providing Lakes access to permits in PNG and the onshore Otway Basin, South Australia.

Lakes Oil recently advised that the appeal against the decision of his Honour Justice Macaulay on the current onshore exploration moratorium in Victoria handed down during September 2018, has now been heard in the Supreme Court of Victoria on 6 August 2019, judgement is awaited.

E. New Project Opportunities

Dark Horse Resources continues to receive multiple offers of project opportunities. These opportunities are reviewed by the Company's in-house geological team and the Board.

The Company is continuing to evaluate and consider suitable project opportunities that strengthen and / or compliment the Company's current project focus, and will provide updates to the market should any suitable arrangements be negotiated.

Competent Persons Statement

The information herein that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Jason Beckton, who is a member of The Australian Institute of Geoscientists. Mr Jason Beckton is a Director of Dark Horse Resources Ltd.

Mr Beckton has more than fifteen years' experience which is relevant to the style of mineralisation and types of deposits being reported and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (the JORC Code). This public report is issued with the prior written consent of the Competent Person(s) as to the form and context in which it appears.

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2019.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Nicholas Mather
Brian Moller
Neil Stuart – retired 31 October 2018
David Mason
Jason Beckton

Nicholas Mather – Non Executive Chairman
BSc (Hons,Geol), MAusIMM

Mr Nick Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies, Mr Mather brings a wealth of valuable experience.

During the past three years Mr Mather has also served as a Director of the following listed companies:

- DGR Global Limited
- Aus Tin Mining Limited
- Armour Energy Limited
- Lakes Oil NL
- SolGold plc, which is listed on the London Stock Exchange (LSE) and Toronto Stock Exchange (TSX)
- IronRidge Resources Limited, which is listed on the London Stock Exchange (AIM)

Brian Moller – Non Executive Director
LLB (Hons)

Mr Brian Moller is a corporate partner in the Brisbane based law firm Hopgood Ganim. He was admitted as a solicitor in 1981 and has been a partner since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

He holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

Mr Moller acts for many public listed resource and industrial companies and brings a wealth of experience and expertise to the board particularly in the corporate regulatory and governance areas. During the past three years Mr Moller has also served as a Director of the following listed companies:

- DGR Global Limited
- Aus Tin Mining Limited
- Platina Resources Limited
- SolGold plc, which listed on the London Stock Exchange (LSE) and Toronto Stock Exchange (TSX)
- Aguia Resources Limited
- Lithium Consolidated Mineral Exploration Limited

Mr Moller is the Chair of the Audit and Risk Committee.

David Mason – Chief Executive Officer and Director
BSc (Hons), MBA, PGradDipBA, FAusIMM, MAICD

Mr David Mason has a broad business, corporate and mining background achieved through working in the exploration and mining industry for over 35 years throughout Australasia, Asia and Africa. Mr Mason is a Director of Intra Energy Corporation Limited (ASX:IEC), a coal producer in East Africa. Prior to this, Mr Mason had roles as Managing Director of Overseas & General Limited (ASX:OGL) an Indonesian mining company, and Operations Director of Haddington Resources (now Altura Mining, ASX:AJM) a diversified resource company, which took over the resource investment and mining service companies of Minvest International, a group he co-founded and managed. Mr Mason was formerly General Manager of the Swabara Group, which developed the Adaro Indonesia coal mine, the MHU coal mine, a suite of Indonesian exploration assets and mining service companies.

During the last three years Mr Mason has also served as a Director of the following listed entity:

- Intra Energy Corporation Limited (resigned 18 April 2017)

Mr Mason holds a BSc (Hons) and a PGradDipBA from UQ and an MBA from USQ. He is a Fellow of the AusIMM (CP Mgt) and a member of AICD.

Mr Mason is a member of the Audit and Risk Committee.

Jason Beckton – Non Executive Director
BSc (Hons), MEconGeol

Mr Beckton has over 25 years of geological and corporate experience including throughout Australia, North and South America, China and Albania. Mr Beckton was Project Manager for Bolnisi Gold N.L.'s Palmarejo silver gold project in Mexico and managed the program that grew the resource base from zero to 3.1 million ounces gold equivalent and he managed the discovery of Exeter Resource Corporation's 30 million ounce gold equivalent Caspiche Porphyry prospect in the Maricunga Gold Copper Belt of Chile. He was Managing Director for ASX listed Chinalco Yunnan Copper Resources which explored in the Mt Isa, Lao and Chilean copper districts.

He was a founder Redhill Australia Pty Ltd, with both assets onsold in Redhill Magallanes and Redhill Ibanez exploring targets including the new Franceses discovery of copper/silver/gold in the Magallanes district of southern Chile and also a founder of Sambas Energy Pty Ltd which purchased all coal assets of Tigers Minerals in southern Chile and subsequently optioned to an ASX-listed company.

Mr Beckton graduated with a Bachelor of Science (Hons) degree from Melbourne University and a Masters of Economic Geology from the University of Tasmania. He also holds an RG146 Qualification to be an Australian Stockbroker.

Mr Beckton is a member of the Audit and Risk Committee. Mr Beckton has not held any other directorships in listed entities during the past three years.

Neil Stuart - Non Executive Director (retired 31 October 2018)
Mr Neil Stuart is a highly experienced exploration geologist with over 40 years of experience in the minerals industry. In 1979, he established a geological consultancy based in Brisbane and has since undertaken assignments for numerous major and junior mining companies. Since 2000, he has been heavily involved in project delineation and acquisition in Australia and Argentina. As a founding Director of Oroplata Ltd, Mr Stuart was instrument in acquiring the highly prospective Cerro Negro Epithermal Gold Project from MIM Holdings Ltd and advancing the project until the company merged with Andean Resources Ltd, which was itself taken over by the large Canadian miner, Goldcorp in 2010 for $3.7 billion. Mr Stuart was also a co-founder of ASX and TSX listed Orocobre Limited.

Mr Stuart has not held any other directorships in listed entities during the past three years.

Karl Schlobohm – Company Secretary
BComm, BEcon, MTax, CA, FGIA

Mr Karl Schlobohm is a Chartered Accountant with over 20 years' experience across a wide range of industries and businesses. He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting. He currently acts as the Company Secretary for ASX-listed DGR Global Limited, Aus Tin Mining Limited, Armour Energy Limited, TSX- and LSE-listed SolGold plc, and LSE(AIM)-listed IronRidge Resources Limited.

Directors' Report (continued)

Directors' interests

As at the date of this report, the interest of the Directors in the shares and options of Dark Horse Resources were:

	Number of ordinary shares	Number of unlisted options over ordinary shares	Number of unlisted performance rights over ordinary shares
Nicholas Mather	46,858,076	9,405,917	8,628,241
Brian Moller	42,633,524	10,090,504	8,249,504
David Mason	160,083,419	24,065,489	13,965,892
Jason Beckton	-	4,000,000	-

Corporate structure

Dark Horse Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. It became an ASX listed public company on 11 April 2011.

Principal activities

Dark Horse Resources Ltd is a mineral resource company, with a particular focus on Argentina, where it has invested in lithium and gold projects, with objectives to:

- Control a provincial stake of lithium resources, mine spodumene and produce high grade Lithium Hydroxide for the domestic and international battery and electronic markets.
- Discover and define several multimillion-ounce gold deposits and the production of gold doré.

Dark Horse also has a power generation subsidiary, Dark Horse Energy Holdings, and a substantial holding (30.42% as at 30 June 2019) in Australian-based and ASX-listed oil and gas exploration company Lakes Oil NL.

Dividends

No dividends were declared or paid during the financial year or since the end of the financial year.

Review and results of operations

The loss after income tax for the Group for the year ended 30 June 2019 was $3,418,469 (2018: $4,036,189).

The review of operations for the year is discussed in the Annual Report under the heading "Review of Operations".

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or the financial statements of the Group for the financial year.

Future developments, prospects and business strategies

Planned developments in the operations of the Group and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Group's operations and plans.

Environmental regulations and performance

The Directors have put in place strategies and procedures to ensure that the Group manages its compliance with environmental regulations. The Directors are not aware of any breaches of any applicable environmental regulations.

Proceedings on behalf of company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* (Cth) (the **Act**) 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 any 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 Act.

Corporate Governance

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of Dark Horse Resources support the principles of good corporate governance. The Company's Corporate Governance Statement has been released as a separate document and is located on our website at www.darkhorseresources.com.au.

Remuneration report (audited)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Act and its regulations. This information has been audited as required by Section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and includes the executive team.

The remuneration report is presented under the following sections:
1. Individual key management personnel disclosures
2. Remuneration policy
3. Non-executive Director (NED) remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures
8. Additional disclosures relating to key management personnel

1. Individual key management personnel disclosures

Key management personnel

(i) Directors

Nicholas Mather	Non-executive Chairman
Brian Moller	Non-executive Director
Neil Stuart	Non-executive Director – retired 31 October 2018
David Mason	Chief Executive Officer and Managing Director
Jason Beckton	Non-executive Director

(ii) Other key management personnel (including executives)

Boyd White	Chief Development Executive (Dark Horse Resources) and Managing Director of Dark Horse Energy Holdings Pty Ltd, a 100% owned subsidiary of the Company
Karl Schlobohm	Company Secretary
Priy Jayasuriya*	Chief Financial Officer

* Priy Jayasuriya was remunerated by DGR Global Limited.

There were no changes to KMP after reporting date and before the date the financial report was authorised for issue.

Remuneration report (audited) (continued)

2. Remuneration policy

Dark Horse Resources Limited's remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

The Company aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Executive objectives with shareholder and business objective by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

3. Non-executive Director (NED) remuneration arrangements

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Company's specific policy for determining the nature and amount of remuneration of Board members of the Company is as follows:

The Constitution of the Company provides that the NEDs are entitled to remuneration as determined by the Company in a general meeting to be apportioned among them in such manner as the Directors agree, and, in default of agreement, equally. The aggregate remuneration per annum has been set at $350,000. Additionally, NEDs are entitled to be reimbursed for properly incurred expenses.

If a NED performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to NEDs. A NED is entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Company.

All Directors have the opportunity to qualify for participation in the Company's Employee Share Option Plan (**ESOP**), subject to the approval of shareholders.

The remuneration of NEDs for the year ended 30 June 2019 is detailed in this Remuneration Report.

Remuneration report (audited) (continued)

4. Executive remuneration arrangements

The Company aims to reward the Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- align the interests of the Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of Executives may from time to time be fixed by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

- performance based salary increases and/or bonuses; and/or
- the issue of options.

The remuneration of the Executives employed by the Group for the year ended 30 June 2019 is detailed in this Remuneration Report.

5. Company performance and the link to remuneration

During the financial year, the Company has generated losses as its principal activity was mineral exploration. During the year ended 30 June 2019 the Company's ordinary shares were traded on the Australian Securities Exchange and there were no dividends paid during the year.

As the Company is still in the exploration and development stage, the link between remuneration, Company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration. The following table shows the share price at the end of the financial year for the Company for the last five (5) years:

	2015	2016	2017	2018	2019
Share price at year end	$0.002	$0.005	$0.006	$0.017	$0.004
Earnings (loss) per share (cents)	(0.2)	(0.3)	0.5	(0.3)	(0.2)

6. Executive contractual arrangements

It is the Board's policy that employment agreements are entered into with all Executives.

The terms of appointment for NEDs are set out in the letters of appointment.

Other Executives

Employment contracts entered into with Executives contain the following key terms:

Event	Company Policy
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options	Board discretion
Resignation/ notice period	3 months
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None

On 1 March 2018, Mr Mason was appointed to act as the Company's Managing Director on a full time basis for an annual salary of $300,000. Short- and long-term incentives may be payable based on performance at the sole discretion of the Board and there are no benefits payable on termination.

Directors' Report (continued)

Remuneration report (audited) (continued)

Remuneration of Directors and Other Key Management Personnel

	Short term benefits Salary & fees $	Post-employment Superannuation $	Share based payments Equity settled Options $	Share based payments Equity settled Shares $	Total $	% Consisting of options
Directors						
Nicholas Mather						
- 2019	50,000	-	-	-	50,000	-
- 2018	43,333	-	56,700	-	100,033	57%
Brian Moller						
- 2019	50,000	-	-	-	50,000	-
- 2018	43,333	-	56,700	-	100,033	57%
Neil Stuart[1]						
- 2019	35,167	-	-	-	35,167	-
- 2018*	122,333	-	56,700	-	179,033	32%
David Mason[2]						
- 2019	300,000	-	-	-	300,000	-
- 2018	249,500	-	170,099	-	419,599	41%
Jason Beckton[3]						
- 2019#	80,070	-	6,000	-	86,070	7%
- 2018	8,332	-	-	-	8,332	-
Other Key Management Personnel						
Boyd White[4]						
- 2019	300,000	-	-	-	300,000	-
- 2018	100,000	-	17,365	-	117,365	15%
Karl Schlobohm						
- 2019	50,060	-	-	-	50,060	-
- 2018	42,853	-	23,153	-	66,006	35%
Priy Jayasuriya[5]						
- 2019	-	-	-	-	-	-
- 2018	-	-	23,153	-	23,153	100%
Total remuneration						
- **2019**	**865,297**	**-**	**6,000**	**-**	**871,297**	
- **2018**	**609,684**	**-**	**403,870**	**-**	**1,013,554**	

* Includes $79,000 paid to Neil Stuart for performing extra consulting services in relation to the Argentinian projects.
# Includes $30,070 paid to Jason Bekton for performing extra consulting services in relation to the Argentinian projects

[1] Neil Stuart retired from office on 31 October 2018.
[2] David Mason was appointed as the Company's full time Managing Director and Chief Executive Officer on 1 March 2018, previously Acting Chief Executive Officer and Executive Director.
[3] Jason Beckton was appointed as a Non-Executive Director on 17 April 2018.
[4] Boyd White was appointed as Chief Development Executive on 1 March 2018.
[5] Priy Jayasuriya is remunerated by DGR Global Limited, which provides services to the Company on commercial terms.

There were no other executives employed or remunerated by the Company or the Group during the years ended 30 June 2019 and 2018.

Performance income as a proportion of total remuneration

There was no performance-based remuneration during the year.

Remuneration report (audited) (continued)

7. Equity instruments disclosures

Options may be granted to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are granted to the majority of Directors and Executives of the Company to align comparative shareholder return and reward for Directors and Executives. The terms and conditions of the grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Grant Date	Vesting Date and Exercisable Date	Expiry Date	Exercise Price	Fair Value Per Option at Grant Date
Director Options	10/12/2018	10/12/2018	27/11/2019	$0.02	$0.0015

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

	Number of options granted in 2019	Number of options vested and exercisable in 2019
Director		
Nicholas Mather	-	4,000,000
Brian Moller	-	4,000,000
Neil Stuart[1]	-	-
David Mason	-	12,000,000
Jason Beckton	4,000,000	4,000,000
Other Key Management Personnel		
Boyd White	-	3,000,000
Karl Schlobohm	-	4,000,000
Priy Jayasuriya	-	4,000,000
Total	**4,000,000**	**35,000,000**

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

	Grant Date	Vesting Date and Exercisable Date	Expiry Date	Exercise Price	Fair Value Per Option at Grant Date
Director Options	27/11/2017	27/11/2017	27/11/2019	$0.02	$0.0142
Other Key Management Personnel Options	7/11/2017	7/11/2017	7/10/2019	$0.02	$0.0058

	Number of options granted in 2018	Number of options vested and exercisable in 2018
Director		
Nicholas Mather	4,000,000	4,000,000
Brian Moller	4,000,000	4,000,000
Neil Stuart[1]	4,000,000	4,000,000
David Mason	12,000,000	12,000,000
Jason Beckton	-	-
Other Key Management Personnel		
Boyd White	3,000,000	3,000,000
Karl Schlobohm	4,000,000	4,000,000
Priy Jayasuriya	4,000,000	4,000,000
Total	**35,000,000**	**35,000,000**

1: Neil Stuart retired as a Director of the Company on 31 October 2018; his options expired on 31 January 2019.

Options granted carry no dividend or voting rights. There was no amount paid or payable by the recipients.

Remuneration report (audited) (continued)

7. Equity instruments disclosures (continued)

	Value of options granted during 2019 $	Value of options exercised during 2019* $	Amount paid per share on exercise of option $	Value of options forfeited during 2019 $	Remuneration consisting of Dark Horse Resources Limited options for 2019 %	Vested options %
Director						
Nicholas Mather	-	-	-	-	-	100%
Brian Moller	-	-	-	-	-	100%
Neil Stuart	-	-	-	(56,700)	-	-
David Mason	-	-	-	-	-	100%
Jason Beckton	6,000	-	-	-	7%	100%
Other Key Management Personnel						
Boyd White	-	-	-	-	-	100%
Karl Schlobohm	-	-	-	-	-	100%
Priy Jayasuriya	-	-	-	-	-	100%
Total	**6,000**	**-**		**(56,700)**		

* The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

All options will convert to one share in Dark Horse Resources Limited on exercise.

Directors' Report (continued)

Remuneration report (audited) (continued)

Shares issued on exercise of remuneration options

There were no options exercised during the year that were previously granted as remuneration (2018: 12,000,000).

8. Additional disclosures relating to key management personnel

(a) Shareholdings

Current Year	Balance 30 June 2018	Granted as Compensation	Options Exercised	Net Change Other#	Balance 30 June 2019
Directors					
Nicholas Mather	41,452,159	-	-	-	41,452,159
Brian Moller	36,543,020	-	-	-	36,543,020
Neil Stuart	173,091,580	-	-	(173,091,580)	-
David Mason	87,345,935	-	-	16,666,667	104,012,602
Jason Beckton	-	-	-	-	-
Other Key Management Personnel					
Boyd White	14,157,200	-	-	-	14,157,200
Karl Schlobohm	29,011,615	-	-	1,455,385	30,467,000
Priy Jayasuriya	-	-	-	-	-
Total	**381,601,509**	**-**	**-**	**(154,969,528)**	**226,631,981**

"Net Change Other" above includes the balance of shares held on appointment / resignation, and shares acquired for cash or in settlement of fees and loans owing.

There were no shares held nominally at 30 June 2019.

(b) Option holdings

Current Year	Balance 30 June 2018	Granted	Exercised	Lapsed	Balance 30 June 2019	Vested at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors								
Nicholas Mather	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
Brian Moller	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
Neil Stuart	4,000,000	-	-	(4,000,000)	-	-	-	-
David Mason	12,000,000	-	-	-	12,000,000	12,000,000	12,000,000	-
Jason Beckton	-	4,000,000		-	4,000,000	4,000,000	4,000,000	-
Other Key Management Personnel								
Boyd White	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	
Karl Schlobohm	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
Priy Jayasuriya	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
Total	**35,000,000**	**4,000,000**	**-**	**(4,000,000)**	**35,000,000**	**35,000,000**	**35,000,000**	**-**

(c) Loans to Key Management Personnel

There were no loans to Directors or other key management personnel during the year.

Remuneration report (audited) (continued)

8. Additional disclosures relating to key management personnel (continued)

(d) Other Transactions with Key Management Personnel

Director Related party		Sales to related parties $	Purchases from related parties $	Other transactions with related parties $
HopgoodGanim (i)	2019	-	21,396	3,357
	2018	-	23,556	-
Fairground Pty Ltd (ii)	2019	-	-	-
	2018	-	-	276,042
David Mason	2019	-	-	-
	2018	-	-	214,135

(i) Mr Brian Moller (a Director), is a partner in the Australian firm HopgoodGanim lawyers. For the year ended 30 June 2019, $21,396 (2018: $23,556) was paid or payable to HopgoodGanim for the provision of legal services to the Group. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was $3,357 (2018: $nil).

(ii) During the year ended 30 June 2018, Fairground Pty Ltd, an entity associated with Director Mr Neil Stuart, provided loans of $276,042 on commercial terms to the Group. Interest of $55,363 was paid or accrued during the year ended 30 June 2018. No such loans were in existence during 2019.

(iii) During the year ended 30 June 2018, Director Mr David Mason, provided loans of $214,135 on commercial terms to the Group. Interest of $10,043 was paid or accrued during the year ended 30 June 2018. No such loans were in existence during 2019.

There were no other transactions or balances with key management personnel during the year.

End of Remuneration Report (audited)

Directors' Report (continued)

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Board		Audit & Risk Management Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Nicholas Mather	7	5	N/A	N/A
Brian Moller	7	5	2	2
Neil Stuart	2	2	N/A	N/A
David Mason	7	7	2	2
Jason Beckton	7	7	2	2

Significant Events after the Reporting date

On 3 July 2019, 28,380,328 $0.01 ordinary shares were issued for under the CEO Remuneration Conversion approved at EGM of 28 June 2019 and 20,154,622 $0.005 ordinary shares were issued as payment for management fees (Company Secretary and Commercial Executive).

On 1 August 2019 the Company announced a non-renounceable rights issue (Entitlement Offer) to Eligible Shareholders, comprised of one (1) new fully paid ordinary share (New Share) for every six (6) fully paid ordinary shares held at an Issue Price of $0.004 per New Share to raise up to approximately $1,349,748 before costs of the Offer (subject to the Debt Conversion Facility), together with one (1) Attaching Option for each one (1) New Share allotted to acquire one (1) fully paid ordinary Share at an exercise price of $0.005 on or before 30 November 2019. On 12 September 2019, the Company announced that it had received applications for a total of $807,178 under the Entitlement Offer, comprising $435,252 in cash subscriptions and $371,926 in debt conversions from DGR Global Limited, the Board, and Company management. In addition, the Company has secured commitments for an initial $207,697 under the Shortfall arising from the Entitlement Offer.

The Directors are not aware of any other significant changes in the state of affairs of the Group or events after the balance date that would have a material impact on the consolidated financial statements.

Indemnification and insurance of Directors, Officers and Auditor

Each of the Directors and Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors. The Company has insured all of the Directors. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

Options

At the date of this report, the unissued ordinary shares of Dark Horse Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise price	Number
7 November 2017	7 November 2019	$0.02	25,750,000
27 November 2017	27 November 2019	$0.02	20,000,000
12 February 2018	12 February 2020	$0.04	4,000,000
15 June 2018	12 February 2020	$0.04	1,000,000
10 December 2018	27 November 2019	$0.02	4,000,000
16 September 2019	30 November 2019	$0.005	253,718,612
16 September 2019	16 March 2021	$0.012	3,000,000

Directors' Report (continued)

Non-audit Services

BDO Audit Pty Ltd did not provide any non-audit services during the year.

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 34.

Signed in accordance with a resolution of Directors:

David Mason
Director

Brisbane

Date: 27 September 2019

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DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF DARK HORSE RESOURCES LIMITED

As lead auditor for the audit of Dark Horse Resources Limited for the year ended 30 June 2019, 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.

This declaration is in respect of Dark Horse Resources Limited and the entities it controlled during the period.

R M Swaby

Director

BDO Audit Pty Ltd

Brisbane, 27 September 2019

SHAREHOLDER INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. The information is current as at 24 September 2019.

(a) Distribution Schedule

Fully paid ordinary shares and unlisted options

	Ordinary shares		Unlisted $0.02 options exercisable on or before 7/11/2019		Unlisted $0.02 options exercisable on or before 27/11/2019	
	Number of holders	Number of shares	Number of holders	Number of options	Number of holders	Number of options
100,001 and Over	928	2,243,226,366	14	25,750,000	4	24,000,000
50,001 to 100,000	266	22,409,174				
10,001 to 50,000	374	12,100,783				
5,001 to 10,000	58	558,337				
1,001 to 5,000	13	39,914				
1 to 1,000	44	5,609				
Total	**1,683**	**2,278,340,183**	**14**	**25,750,000**	**4**	**24,000,000**

	Unlisted $0.04 options exercisable on or before 12/02/2020		Unlisted $0.012 options exercisable on or before 16/03/2021		Unlisted Performance Rights	
	Number of holders	Number of options			Number of holders	Number of Performance Rights
100,001 and Over	2	5,000,000	1	3,000,000	72	407,731,383
50,001 to 100,000					7	573,000
10,001 to 50,000					15	401,250
5,001 to 10,000					9	84,330
1,001 to 5,000					4	10,037
1 to 1,000					-	-
Total	**2**	**5,000,000**			**107**	**408,800,000**

	Unlisted $0.005 options exercisable on or before 30/11/2019	
	Number of holders	Number of options
100,001 and Over	105	248,667,708
50,001 to 100,000	36	2,662,120
10,001 to 50,000	79	2,197,623
5,001 to 10,000	16	126,066
1,001 to 5,000	17	64,928
1 to 1,000	1	167
Total	**254**	**253,718,612**

The number of shareholders holding less than a marketable parcel of shares is 815 (holding a total of 41,819,870 ordinary shares).

Shareholder Information (continued)

(b) Twenty largest holders
The names of the twenty largest holders of ordinary shares in Dark Horse Resources Ltd are:

Ordinary shares:

Rank	Name	23 Sep '19	%IC
1	DGR GLOBAL LIMITED	385,715,600	16.93
2	FAIRGROUND PTY LTD	126,343,706	5.55
3	MR DAVID JOSEPH MASON	116,638,974	5.12
4	HAVELOCK MINING INVESTMENT LTD	79,054,545	3.47
5	R R LAWSON & CO PTY LIMITED <LAWSON SUPER FUND A/C>	68,600,000	3.01
6	NEIL FRANCIS STUART	56,844,242	2.49
7	BRIAN MOLLER	42,114,357	1.85
8	SAMUEL HOLDINGS PTY LTD <SAMUEL DISCRETIONARY A/C>	37,841,416	1.66
9	MR MARCELO SANCHEZ & MR RAMIRO SANCHEZ DEL GESSO	33,000,000	1.45
10	MILLBOHM CONSULTING GROUP PTY LTD	28,489,622	1.25
11	AUSTRALIAN GEOSCIENTISTS PTY LTD	28,249,341	1.24
12	THOSNUNN PTY LTD <SUPER FUND A/C>	26,401,071	1.16
13	ROTHSTEIN PTY LTD <THE ROTH A/C>	25,069,445	1.10
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,060,335	1.06
15	MR DENIS GRENVILLE HINTON & MRS ROSLYN SUSANNA HINTON <HINTON FAMILY SUPER A/C>	23,749,999	1.04
16	WHITE LOTUS SOLUTIONS PTY LTD <WHITE FAMILY SUPER FUND A/C>	21,250,000	0.93
17	MR BRIAN PETER BYASS	19,605,715	0.86
18	FAIRCROWN COMPANY LTD	18,375,000	0.81
19	MR THOMAS CHARLES GOODWIN & MRS SUSAN MAREE GOODWIN <GOODWIN SUPER FUND A/C>	17,500,000	0.77
20	MR NEIL CHIDIAC	17,385,000	0.76
	Top 20	**1,196,288,368**	**52.51**
	Total	**2,278,340,183**	**100.00**

(c) Substantial shareholders

The Company has received a substantial shareholding notices from the following parties:

Name	Number of shares	%
DGR GLOBAL LIMITED	385,715,600	16.93%
NEIL FRANCIS STUART*	218,437,289	9.59%
DAVID JOSEPH MASON*	160,083,419	7.03%

*Includes indirect holdings

(d) Voting rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

(e) Restricted securities

The Company has no restrictions over its issued share capital.

INTEREST IN TENEMENTS

As at the date of this report, the Group has an interest in the following tenements.

Argentinean Tenements (Cateos)

Tenement	Tenement Name	Project	Current Holder	% Interest	Expiry Date
36068/M/11	Andrés	PROAR	Excarb S.A.	100%	08/12/2020
36063/M/11	Augusto	PROAR	Excarb S.A.	100%	12/01/2022
36060/M/11	Aurelio	PROAR	Excarb S.A.	100%	15/10/2020
36070/M/11	Braulio	PROAR	Excarb S.A.	100%	20/06/2020
36067/M/11	Carlos	PROAR	Excarb S.A.	100%	09/07/2021
36062/M/11	Daniel	PROAR	Excarb S.A.	100%	07/05/2021
36076/M/11	Eduardo	PROAR	Excarb S.A.	100%	03/03/2022
36071/M/11	Francisco	PROAR	Excarb S.A.	100%	06/12/2021
36075/M/11	Giuliano	PROAR	Excarb S.A.	100%	03/03/2022
36061/M/11	Gustavo	PROAR	Excarb S.A.	100%	15/04/2020
36073/M/11	Hector	PROAR	Excarb S.A.	100%	04/05/2020
36074/M/11	Ismael	PROAR	Excarb S.A.	100%	Application
36064/M/11	Juan	PROAR	Excarb S.A.	100%	29/11/2018
36066/M/11	Julian	PROAR	Excarb S.A.	100%	25/01/2020
36069/M/11	Justo	PROAR	Excarb S.A.	100%	06/12/2021
36072/M/11	Manuel	PROAR	Excarb S.A.	100%	03/03/2022
36065/M/11	Marcos	PROAR	Excarb S.A.	100%	23/11/2021
422.545/LEE/10	Cañadón Agustín	PROAR	Excarb S.A.	100%	Application
427.017/DG/11	La Elegida	PROAR	Excarb S.A.	100%	13/08/2021
427.016/DG/11	La Linda	PROAR	Excarb S.A.	100%	13/12/2020
427.952/DG/11	La Rosita Norte	PROAR	Excarb S.A.	100%	07/07/2020
431.870/CL/15	Cachi Cachi	Cachi	Tres Cerros Exploraciones SRL	100%	Application
437.209/TCE/17	Cachi Norte	Cachi	Tres Cerros Exploraciones SRL	100%	Application
401.671/MSD/07	Sierra Morena Sur	Cachi	Tres Cerros Exploraciones SRL	100%	n/a
48-R-2016	El Totoral	Pampa Litio	Gustavo Rodriguez	Earning up to 100%	Application
60-R-2016	León Herido	Pampa Litio	Gustavo Rodriguez	Earning up to 100%	Application
61-R-2016	Novillo Negro	Pampa Litio	Gustavo Rodriguez	Earning up to 100%	Application
47-R-2016	San Martin	Pampa Litio	Gustavo Rodriguez	Earning up to 100%	Application
1124623-T-12	San Juan	Las Openas	Genesis Minerals ARG	Earning up to 100%	n/a

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $	2018 $
Interest income	**2**	**12,541**	**46,030**
Administration and consulting expenses		(1,790,468)	(1,587,325)
Depreciation		-	-
Employee benefits expenses		(86,066)	(99,539)
Exploration costs written-off	15	(229,926)	(1,029,183)
Project generation		(2,400)	(18,320)
Interest expense		(19,207)	(55,562)
Legal expenses		(63,757)	(42,160)
Share of profit (losses) of associates	12	(1,233,186)	(683,584)
Share based payments expense in respect of employee benefits expense		(6,000)	(566,546)
Profit / (loss) before income tax	**3**	**(3,418,469)**	**(4,036,189)**
Income tax (expense) / benefit	4	-	-
Profit / (loss) for the year attributable to the owners of Dark Horse Resources Ltd		**(3,418,469)**	**(4,036,189)**
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign of foreign operations		(543,834)	(826,136)
Net fair value losses on financial assets at fair value through other comprehensive income		(249,417)	-
Other comprehensive income for the year, net of tax		(793,251)	(826,136)
Total comprehensive income / (loss) for the year attributable to the owners of Dark Horse Resources Ltd		**(4,211,720)**	**(4,862,325)**

Earnings / (loss) per share attributable to the owners of Dark Horse Resources Ltd		**Cents / share**	**Cents / share**
Basic earnings / (loss) per share	**8**	(0.2)	(0.3)
Diluted earnings / (loss) per share	**8**	(0.2)	(0.3)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	**9**	230,308	4,281,099
Trade and other receivables	**10**	499,779	383,214
Prepayments		-	-
Total current assets		**730,087**	**4,664,313**
Non-current assets			
Other financial assets	**11**	58,351	307,768
Investments accounted for using the equity method	**12**	7,590,480	8,323,666
Exploration and evaluation assets	**15**	3,408,583	1,433,886
Total non-current assets		**11,057,414**	**10,065,320**
Total assets		**11,787,501**	**14,729,633**
Current liabilities			
Trade and other payables	**16**	906,318	509,763
Interest bearing liabilities	**17**	560,000	-
Total current liabilities		**1,466,318**	**509,763**
Non-current liabilities			
Provisions		1,931	1,931
Total non-current liabilities		**1,931**	**1,931**
Total liabilities		**1,468,249**	**511,694**
Net assets		**10,319,252**	**14,217,939**
Equity			
Issued capital	**18**	28,508,436	28,201,403
Reserves		(145,953)	641,298
Accumulated losses	**20**	(18,043,231)	(14,624,762)
Total equity attributable to owners of Dark Horse Resources Ltd		**10,319,252**	**14,217,939**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Issued Capital $	Accumulated Losses $	Share Based Payments Reserves $	Financial Asset Reserve $	Foreign Currency Translation Reserve $	Total Equity $
Balance at 1 July 2017	**18,774,762**	**(10,588,573)**	**900,888**	**-**	**-**	**9,087,077**
Loss for the year	-	(4,036,189)	-	-	-	(4,036,189)
Other comprehensive income, net of tax	-	-	-	-	(826,136)	(826,136)
Total comprehensive income for the year	-	(4,036,189)	-	-	(826,136)	(4,862,325)
Transactions with owners as owners						
Shares issued during the year	9,806,667	-	-	-	-	9,806,667
Share issue costs (net of tax)	(380,026)	-	-	-	-	(380,026)
Share based payments	-	-	566,546	-	-	566,546
Balance at 30 June 2018	**28,201,403**	**(14,624,762)**	**1,467,434**	**-**	**(826,136)**	**14,217,939**
Loss for the year	-	(3,418,469)	-	-	-	(3,418,469)
Other comprehensive income, net of tax	-	-	-	(249,417)	(543,834)	(793,251)
Total comprehensive income for the year	-	(3,418,469)	-	(249,417)	(543,834)	(4,211,720)
Transactions with owners as owners						
Shares issued during the year	319,306	-	-	-	-	319,306
Share issue costs (net of tax)	(12,273)	-	-	-	-	(12,273)
Share based payments	-	-	6,000	-	-	6,000
Balance at 30 June 2019	**28,508,436**	**(18,043,231)**	**1,473,434**	**(249,417)**	**(1,369,970)**	**10,319,252**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,604,635)	(1,276,112)
Interest received		12,541	46,030
Interest paid		-	-
Net cash flows from operating activities	**25**	**(1,592,094)**	**(1,230,082)**
Cash flows from investing activities			
Additional investment in an associate	12(a)	(500,000)	-
Payments for exploration and evaluation assets		(2,506,424)	(2,160,855)
Net cash flows from investing activities		**(3,006,424)**	**(2,160,855)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	7,246,333
Transactions costs on the issue of shares		(12,273)	(277,026)
Proceeds from borrowings	25	560,000	458,992
Repayment of borrowings	25	-	(50,972)
Net cash flows from financing activities		**547,727**	**7,377,327**
Net increase / (decrease) in cash and cash equivalents		**(4,050,791)**	**3,986,390**
Cash and cash equivalents at the beginning of the year		4,281,099	294,709
Cash and cash equivalents at the end of the year	**9**	**230,308**	**4,281,099**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies

Corporate Information

The consolidated financial report of Dark Horse Resources Ltd for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 27 September 2019.

Dark Horse Resources Limited (the **Parent**) is a public company limited by shares incorporated and domiciled in Australia. The Group's registered office is located on Level 27, 111 Eagle Street, Brisbane QLD 4000.

The nature of the operations and principal activities of the Group are described in the Directors' report.

Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth) (the **Corporations Act**). The Group is a for profit entity for the purposes of Australian Accounting Standards.

The financial report covers the Group comprising of the Company and its subsidiaries and is presented in Australian dollars.

Compliance with IFRS
Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial statements and notes of Dark Horse Resources Limited comply with International Financial Reporting Standards (**IFRS**).

Going concern
The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2019, the Group generated a consolidated loss of $3,418,469 and incurred operating cash outflows of $1,592,094. As at 30 June 2019 the Group had cash and cash equivalents of $230,308, net current assets of $736,231 and net assets of $10,319,252.

The ability of the Group to continue as a going concern is dependent upon the Group being able to manage its liquidity requirements by taking some or all of the following actions:

1. Raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required for the Group to continue to earn into the mineral properties in which it has an interest (earn in expenditure) and to meet the Group's working capital requirements;
2. Conversion to equity of amounts payable to DGR Global Limited, Directors and other related parties;
3. Reducing its level of capital expenditure through farm-outs and/or joint ventures;
4. Reducing its working capital expenditure; and
5. Disposing of non-core assets.

These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies

Basis of Preparation (continued)

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis after having regard to the following matters:

1. The Group completed an Entitlement Offer on 12 September 2019 and raised a total of $807,178, comprising $435,252 in cash subscriptions and $371,926 in debt conversions from DGR Global Limited, the Board, and Company management. In addition, the Company has secured commitments for an initial $207,697 under the Shortfall arising from the Entitlement Offer.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Group not be able to achieve the matters set out above and thus be able to continue as a going concern.

Reporting basis and conventions
The financial report has been prepared on an accruals basis and is based on historical costs.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report.

Accounting Policies

(a) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2018:

Reference	Title	Application date of standard	Application date for the Group
AASB 9	Financial instruments	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	1 July 2018
AASB 2016-3	Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018	1 July 2018
AASB 2016-5	Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 July 2018
AASB 2016-6	Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	1 July 2018
AASB 2017-1	Amendments to Australian Accounting Standards - Transfers of Investment Property. Annual improvements 2014-2016 Cycle and Other	1 July 2018	1 July 2018
AASB 2017-3	Amendments to Australian Accounting Standards – Clarifications to AASB 4	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(a) New Accounting Standards and Interpretations (continued)

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

On 1 July 2018, the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:

	Amortised cost $	Fair value through other comprehensive income $
Financial assets – 30 June 2018 - Cash and cash equivalents - Trade and other receivables - Other financial assets (investment in Pampa Litio S.A.) - Other financial assets (security deposits)	 4,281,099 383,214 264,905 42,863	 - - - -
Reclassify investment in Pampa Litio S.A., an unlisted private company incorporated in Argentina from 'held-to-maturity investment' under AASB 139 to 'fair value through OCI financial asset'	(264,905)	264,905
Opening balance – 1 July 2018	$4,707,176	264,905

(ii) Impairment of financial assets

The group does not have any financial asset that is subject to AASB 9's new expected credit loss model. Therefore, adoption of AASB 9 does not have any impact on the group's financial statements.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the Group has determined the impairment loss to be immaterial.

The adoption of the other standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2019. On evaluating these standards and interpretations, management do not expect a material impact upon the financial statements on their adoption.

The Group anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Reference	Title	Application date of standard	Application date for the Group
AASB 16	Leases	1 January 2019	1 July 2019
AASB 2017-6	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	1 July 2019
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	1 July 2019
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	1 July 2019
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019	1 July 2019
AASB 17	Insurance Contracts	1 January 2021	1 July 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Dark Horse Resources Limited and its subsidiaries as at and for the period ended 30 June each year (the **Group**).

Subsidiaries

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income where applicable. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(c) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured.

The difference between fair value of the net identifiable assets acquired and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

(d) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This may include start-up operations which are yet to earn revenues.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(e) Cash and Cash Equivalents

For the statement of cash flows, "cash and cash equivalents" includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(f) Trade and Other Receivables

Receivables generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

The Group has not recognised any expense in profit or loss in respect of the expected credit losses for the year ended 30 June 2019 (2018: nil). Based on the historical recovery and forward-looking information of receivables, the Group considers that no allowance for expected credit losses is appropriate.

(g) Financial Instruments

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(g) Financial Instruments (continued)

Debt instruments (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables (once the group starts generating revenue), the group applied the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) Property, Plant & Equipment

Property, plant & equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(h) Property, Plant & Equipment (continued)

The cost of property, plant & equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Depreciation
The depreciable amount of all property, plant & equipment is depreciated over their useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of Property, plant & equipment	*Depreciation*
Office Equipment	20% Straight line

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs are written off where they do not meet the above criteria.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the area from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(i) Exploration and Evaluation Assets (continued)

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

(j) Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(l) Provisions and Employee Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

(i) Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised 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. Consideration is given to expected future wages 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 currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(m) Leases

Leases of property, plant & equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(n) Share Capital

Ordinary shares are classified as equity at the time that they are issued. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(o) Share-Based Payments

The Group may provide benefits to Directors, employees or consultants in the form of share-based payment transactions, whereby services may be undertaken in exchange for shares or options over shares (**equity-settled transactions**).

The fair value of options granted to Directors, employees and consultants is recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the options. Fair value is determined using a Black-Scholes option pricing model. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. If new options are substituted for the cancelled options and designated as a replacement, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(p) Revenue

Interest
Interest income is recognised as interest accrues using the effective interest method.

All income is stated net of the amount of goods and services tax (**GST**).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(q) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income rate for each jurisdiction adjusted by changes in deferred tax assets liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of profit or loss and other comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(r) Foreign Currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the **functional currency**). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising from the translation of financial statements of foreign subsidiaries are taken to the foreign currency translation reserve at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(s) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Earnings per Share

Basic earnings per share is calculated as net profit / (loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Comparatives

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

(v) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(w) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments 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 Group.

Key estimates – impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where applicable, value-in-use or fair value calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key judgements – exploration & evaluation assets
The Group performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to reporting date.

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2019, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for impairment as noted in Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources".

Exploration and evaluation assets at 30 June 2019 were $3,408,583 (2018: $1,433,886). During the year, the Directors have assessed that costs totaling $229,926 (2018: $1,029,183) should not be carried forward in accordance with the accounting policy in Note 1(i).

Key judgements – Significant influence over Lakes Oil NL
At 30 June 2019 the Group held 30.42% (2018: 33.5%) of the issued ordinary shares of Lakes Oil NL and management considered whether the Group had control over Lakes Oil NL and accordingly whether Lakes Oil NL should be consolidated into the Group. Several factors including but not limited to the relative proportion of other large shareholders, composition of the Board and the ability to direct decisions arrived at during Board meetings were considered. Based on the factors considered, it was concluded that the Group does not control Lakes Oil NL but rather has the ability to exert significant influence. Accordingly, the Group's investment in Lakes Oil NL has been accounted for under the equity accounting method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

	2019 $	2018 $
Note 2. Interest and other income		
- Interest received	12,541	46,030
- Gain on disposal of investments	-	-
- Other income	-	-
Total Interest and Other Income	**12,541**	**46,030**
(a) Interest income from:		
- Deposits held with financial institutions	12,541	6,030
- Convertible notes	-	40,000
Total Interest Income	**12,541**	**46,030**

Note 3. Profit / (Loss)
Included in the profit / (loss) are the following specific expenses:

	2019	2018
Management fees	300,000	300,000
Director fees	466,659	387,832
Regulatory and compliance expenses	122,972	132,473

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

	2019 $	2018 $
Note 4. Income Tax		
Income tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	-	-
	-	-
Components of tax recognised directly in equity comprise:		
Deferred tax	-	-
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Loss before income tax expense	(3,418,469)	(4,036,189)
Tax at the Australian tax rate of 30%	(1,025,541)	(1,210,857)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	5,009	283,189
Current year loss not recognised	1,020,532	927,668
Income tax expense / (benefit) attributable to profit / (loss) before income tax	-	-
Recognised deferred tax assets		
Unused tax losses	1,785,724	2,098,971
Deductible temporary differences	89,400	113,743
	1,875,124	2,212,714
Recognised deferred tax liabilities		
Assessable temporary differences		
Exploration and evaluation assets	371,522	284,386
Investment in associates	(2,246,646)	(2,497,100)
	(1,875,124)	(2,212,714)
Net deferred tax	-	-
Unrecognised deferred tax assets		
Unrecognised temporary differences		-
Unrecognised capital losses	285,438	285,438
Unrecognised tax losses	1,979,096	1,082,194
	2,264,534	1,367,632
Tax effect of temporary differences and tax losses not recognised at 30% (2018: 30%)	679,360	410,290

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (**COT**) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2019 under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Group in realising the losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 5. Key Management Personnel

Key Management Personnel Compensation

The total remuneration of Key Management Personnel for the Group for the year was as follows:

	2019 $	2018 $
Short term employee benefits	865,297	609,684
Post-employment benefits	-	-
Share based payments	6,000	403,870
Total	**871,297**	**1,013,554**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel.

Note 6. Dividends and Franking Credits

There were no dividends paid or recommended during the year or since the end of the year. There are no franking credits available to shareholders of the Group.

	2019 $	2018 $
Note 7. Auditors Remuneration		
Audit and review of the financial reports of the Group	50,672	47,507
Other audit related services	-	-
Taxation services	-	-
	50,672	**47,507**

Note 8. Earnings per Share (EPS)

(a) Earnings		
Earnings used to calculate basic and diluted EPS	(3,418,469)	(4,036,189)
	Number of Shares	**Number of Shares**
(b) Weighted average number of shares		
Weighted average number of ordinary shares outstanding during the year, used in calculating basic and diluted earnings per share	1,959,127,145	1,499,952,612

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

	2019 $	2018 $
Note 9. Cash and Cash Equivalents		
Cash at bank	230,308	4,281,099
	230,308	**4,281,099**
Note 10. Trade and Other Receivables		
GST refundable	28,755	59,423
Other receivables	471,024	323,791
	499,779	**383,214**

Receivables are non-interest bearing and are generally on 30-60 day terms. No allowance for expected credit losses has been recorded for the current and previous financial year.

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security.

The receivables are not exposed to foreign exchange risk.

	2019 $	2018 $
Note 11. Other Financial Assets –Non-current		
Investment in unlisted equity instrument through other comprehensive income at fair value (previously at cost)	264,905	264,905
Fair value movement through other comprehensive income	(249,417)	-
Security deposits	42,863	42,863
	58,351	**307,768**

Investment in unlisted equity instrument comprises an investment in the ordinary issued capital of Pampa Litio S.A. (formerly Orenegro S.A.) an unlisted private company incorporated in Argentina that holds exploration permits in Argentina.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 12. Investments Accounted for Using the Equity Method

Name	Country of incorporation and principle place of business	Principal Activity	Shares	Ownership Interest		Carrying Amount	
				2019 %	2018 %	2019 $	2018 $
Lakes Oil NL	Australia	Oil & Gas Exploration	ORD	30%	34%	7,590,480	8,323,666

(A) Movements during the year in equity accounted investments	2019 $	2018 $
Balance at beginning of the year	8,323,666	8,607,250
Investments during the year	500,000	-
Conversion of convertible notes	-	400,000
Share of associates losses after income tax	(1,233,186)	(683,584)
Balance at end of the year	**7,590,480**	**8,323,666**

(B) Fair value of investment in associates with published price quotations

Lakes Oil NL (level 1 of fair value hierarchy – refer note 27)	**10,142,047**	**19,284,095**

(C) Reconciliation of equity accounted investments' net assets to the carrying amount

Share of net assets of associate	4,657,459	4,489,608
Goodwill	5,520,948	5,188,799
Share of associate losses	(2,587,927)	(1,354,741)
	7,590,480	**8,323,666**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 12. Investments Accounted for Using the Equity Method (continued)

(D) Set out below is the summarized financial information of Lakes Oil NL as at 30 June:

	Ownership Interest %	Current Assets	Non-current Assets	Current Liabilities	Non-current liabilities	Interest and other income	Profit (loss)	Other comprehensive income
2019								
Lakes Oil NL	30%	3,477,748	17,383,255	4,786,140	550,000	110,295	(4,110,620)	-
Dark Horse Share		1,043,324	5,214,976	1,435,842	165,000	33,089	(1,233,186)	-
2018								
Lakes Oil NL	34%	1,868,124	12,195,848	559,246	300,000	20,337	(2,040,130)	-
Dark Horse Share		635,164	4,146,588	190,144	102,000	6,914	(683,584)	-

Note 13. Controlled Entities

Controlled Entity	Country of incorporation	Principle Activity	Principle place of business	Equity interest (%) 2019	Equity interest (%) 2018
Jasperoid Pty Ltd	Australia	Mineral Exploration	Australia	100	100
Excarb Pty Ltd	Australia	Mineral Exploration	Australia	100	100
Dark Horse Energy Holdings Pty Ltd	Australia	Mineral Exploration	Australia	100	100
Dark Horse Lithium Holdings Pty Ltd	Australia	Mineral Exploration	Australia	100	100
Excarb S.A.	Argentina	Mineral Exploration	Argentina	100	100
Eureka (US) LLC*	U.S.A.	Mineral Exploration	U.S.A.	-	100
CED Gold LLC*	U.S.A.	Mineral Exploration	U.S.A.	-	100
Clipper Gold LLC*	U.S.A.	Mineral Exploration	U.S.A.	-	100
Big Iron Resources LLC*	U.S.A	Mineral Exploration	U.S.A.	-	100

* The subsidiaries incorporated in the U.S.A. have been dissolved in the current year as the Group no longer has exploration assets in the U.S.A.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 14. Property, Plant and Equipment	**2019 $**	**2018 $**
Office equipment – at cost	8,361	8,361
Accumulated depreciation	(8,361)	(8,361)
Written down value	-	-
Total written down value	-	-

Note 15. Exploration and Evaluation Assets	**2019 $**	**2018 $**
Exploration and evaluation assets	3,408,583	1,433,886
Movements in carrying amounts		
Balance at the beginning of the year	1,433,886	1,038,392
Foreign exchange effect on opening balance	(313,505)	-
Additions	2,518,128	1,424,677
Disposals	-	-
Written-off during the year	(229,926)	(1,029,183)
Balance at the end of the year	**3,408,583**	**1,433,886**

The recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

Note 16. Trade and Other Payables		
Trade creditors	625,327	269,210
Accrued expenses	280,991	240,553
	906,318	**509,763**

Trade and other payables are non-interest bearing and are generally on 30-60 day terms.

Due to the short term nature of these payables, their carrying value is assumed to approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

17. Interest bearing Liabilities	**2019 $**	**2018 $**
Unsecured		
Converting loans	560,000	-
Total secured current borrowings	**560,000**	**-**
Movements in carrying value		
Opening balance	-	-
Additions	560,000	-
Repayments during the year	-	-
Total non-current borrowings	**560,000**	**-**

On 1 May 2019, Dark Horse Resources Limited entered into a Convertible Loan Agreement with two sophisticated investors. This Converting Loan is to meet exploration, general corporate and working capital costs.

The principal terms of the Converting Loan are as follows:

Amount:	$560,000
Interest Rate:	12% per annum
Interest Payments:	Interest payable quarterly in arrears
Maturity Date:	12 months
Repayment Terms:	The Company may repay the loan either via shares or cash. If the Company elects to repay the loan via the issue of shares, the issue price of the shares will be the higher of A$0.01 or 10% discount to the 30 day VWAP ending on the business day prior to the date of payment.
Security:	Unsecured

The Group has a contractual obligation to pay cash that cannot be avoided, as well as an obligation to issue a variable number of shares if the loan is converted into shares on maturity. Therefore, the convertible notes have been accounted for as a liability in accordance with AASB 132 Financial Instruments: Presentation.

The conversion feature confers a day one benefit to the Group, due to the high conversion price relative to the market price. This gain will be released to profit or loss over the life of the converting loan. No gain has been recognised due to amount being not material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 18. Issued Capital

	2019 $	2018 $
(a) Issued and paid up capital		
1,976,086,621 (2018: 1,922,868,954) ordinary shares fully paid	30,233,699	29,914,393
Share issue costs	(1,725,263)	(1,712,990)
	28,508,436	**28,201,403**

Ordinary shares participate in dividends and the proceeds on winding up the Group in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

(b) Reconciliation of issued and paid-up capital	Number of Shares	$
At 30 June 2017	**1,279,780,881**	**20,107,725**
- 5 October 2017 (1)	15,000,000	105,000
- 7 October 2017 (2)	17,517,891	122,625
- 30 October 2017 (3)	8,143,250	65,146
- 8 November 2017 (4)	6,000,000	60,000
- 10 November 2017 (5)	16,250,000	130,000
- 27 November 2017 (6)	6,000,000	60,000
- 6 December 2017 (7)	250,000,000	2,750,000
- 11 December 2017 (8)	2,727,273	30,000
- 19 April 2018 (9)	72,984,793	1,567,563
- 4 June 2018 (10)	203,714,866	4,021,333
- 21 June 2018 (11)	44,750,000	895,000
At 30 June 2018	**1,922,868,954**	**29,914,393**
- 25 October 2018 (12)	53,217,667	319,306
At 30 June 2019	**1,976,086,621**	**30,233,699**

(1) On 5 October 2017, 15,000,000 $0.007 ordinary shares were issued in consideration for the Stage #2 payment of the purchase of Pampa Litio SA (Formerly Oronegro SA).

(2) On 7 October 2017, 17,517,891 $0.007 ordinary shares were issued. Of this total 14,285,714 were issued in consideration for the Stage #1 acquisition of PROAR as announced on 6 October 2017 and 3,232,177 were issued for the payment of Company Secretary fees.

(3) On 30 October 2017 8,143,250 $0.008 ordinary shares were issued for the payment of drilling services rendered in Argentina.

(4) On 8 November 2017 6,000,000 $0.01 ordinary shares were issued on the exercise of Director options.

(5) On 10 November 2017 16,250,000 $0.008 ordinary shares were issued in respect of vendor payment arrangements for the stepped acquisition of the Las Tapias Mine via Pamapa Litio SA.

(6) On 27 November 2017 6,000,000 $0.01 ordinary shares were issued on the exercise of Director options. The proceeds were in lieu of cash payment of outstanding director fees.

(7) On 6 December 2017, 250,000,000 $0.011 ordinary shares were issued. Of this total 210,909,091 shares were issued for cash pursuant to a private placement and 39,090,909 shares were issued for partial satisfaction of outstanding director fees under the Director Fee plan.

(8) On 11 December 2017 2,727,273 $0.011 ordinary shares were issued in lieu of broker fees as part of the private placement completed on 6 December 2017.

(9) On 19 April 2018, 72,984,793 $0.021 ordinary shares were issued. Of this total 63,189,000 shares were issued as partial satisfaction of loans outstanding to DGR Global Ltd, Neil Stuart and David Mason as approved at EGM of 6 April 2018, 5,412,525 shares were issued for partial satisfaction of outstanding Director fees under the Director Fee plan and 4,383,268 shares were issued as payment of Company Secretary and Commercial Executive fees.

(10) On 4 June 2018, 203,714,866 $0.02 ordinary shares were issued. Of this total 202,714,866 shares were issued for cash pursuant to a private placement and 1,000,000 shares were issued as part of payment arrangements for an additional licence acquisition from Tres Cerros SRL.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 18. Issued Capital (continued)

(b) Reconciliation of issued and paid-up capital (continued)

(11) On 22 June 2018, 44,750,000 $0.02 ordinary shares were issued for cash pursuant to the Company's share purchase plan.

(12) On 25 October 2018, 53,217,667 $0.006 ordinary shares were issued. Of this total 23,217,667 shares were issued as partial satisfaction of outstanding Director fees under the Director Fee plan and 30,000,000 shares were issued for the stage 2 payment of the purchase of PROAR.

(c) Options

As at 30 June 2019, there were 54,750,000 unissued ordinary shares of Dark Horse Resources Ltd under option, held as follows:

Options on issue in Dark Horse Resources Ltd	Number	Exercise price	Expiry
Unlisted employee options	25,750,000	$0.02	7 November 2019
Unlisted Director options	24,000,000	$0.02	27 November 2019
Unlisted employee options	5,000,000	$0.04	12 February 2020

(d) Unlisted performance rights

As at 30 June 2019, there were 408,800,000 unlisted performance rights issued as part of the non-renounceable rights issue in 2017. At the holder's elections, each performance right converts to one fully paid ordinary share in the Company at no cost should the Company's 60-day volume weighted average share price at any time before 1 July 2020. The performance rights are unlisted and non-transferrable.

(e) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure to ensure the lowest costs of capital available to the Group.

The Group's capital comprises equity as shown in the statement of financial position. The Group is not exposed to externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 19. Share-based Payments

(a) Recognised share-based payments

The amount recognised for share based payments during the year is shown in the table below:

	2019 $	2018 $
Expense arising from equity settled share-based payment transactions included in share based payments expense	6,000	566,546
Equity settled share-based payment transactions included in exploration and evaluation assets	-	295,146
Expense arising from equity settled share-based payment transactions included in investment in shares at cost	-	105,000

(b) Types of share-based payment plans

Director & Employee share option plan (ESOP)
Share options are granted to employees and Directors. The employee and Director share option plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. There are no vesting conditions attached to the options granted under the ESOP.

When a participant ceases employment or Directorship prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment or Directorship is due to termination for cause or death, whereupon they are forfeited immediately. The Company prohibits KMP from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted may be up to three (3) years. There are no cash settlement alternatives. Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

(c) Summaries of options granted

The following table illustrates the number (no.) and weighted average exercise prices (WAEP) of, and movements in, share options granted during the year:

	2019 No.	**2019 WAEP**	**2018 No.**	**2018 WAEP**
Outstanding at the beginning of the year	54,750,000	$0.022	46,000,000	$0.01
Granted during the year	4,000,000	$0.02	54,750,000	$0.022
Forfeited during the year	(4,000,000)	$0.02	-	-
Exercised during the year	-	-	(12,000,000)	$0.01
Expired during the year	-	-	(34,000,000)	$0.01
Outstanding at the end of the year	54,750,000	$0.022	54,750,000	$0.022
Exercisable at the end of the year	54,750,000	$0.022	54,750,000	$0.022

There were 54,750,000 options outstanding at 30 June 2019 and 54,750,000 options outstanding at 30 June 2018. The weighted average exercise price of options outstanding at the end of the year was $0.022 (2018: $0.022). The weighted average remaining life of the option was 0.40 years (2018: 1.40 years).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 19. Share-based Payments (continued)

(d) Summary of performance shares granted

There were no performance shares issued during the year (2018: nil)

(e) Option pricing model

The fair value of the equity settled share options granted is estimated using a Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted.

The fair value of the options granted in 2019 and 2018 were calculated using the Black-Scholes option pricing model applying the following inputs:

	2019 Directors	2018 ESOP	2018 Directors
Weighted average exercise price	$0.02	$0.022	$0.02
Weighted average life of options	1.01 years	1.40 years	1.41 years
Underlying share price	$0.006	$0.009 - $0.02	$0.019
Expected share price volatility	142.20%	162.3% - 172.5%	162.3%
Risk free interest rate	2.04%	1.79% - 2.13%	1.72%
Vesting conditions	None	None	None
Number of options issued	4,000,000	30,750,000	24,000,000
Value (Black-Scholes) per option	$0.0015	$0.006 - $0.016	$0.014
Total value of options issued	$6,000	$226,349	$340,197

Expected share price volatility is calculated based on historical share price volatility.

	2019 $	2018 $
Note 20. Accumulated Losses		
Accumulated losses at the beginning of the year	(14,624,762)	(10,588,573)
Profit (Losses) after income tax expense	(2,992,023)	(4,036,189)
Accumulated losses attributable to members of Dark Horse Resources Ltd at the end of the year	**(17,616,785)**	**(14,624,762)**
Note 21. Information relating to Dark Horse Resources Limited ("the parent entity")		
Current assets	204,651	3,807,537
Total assets	8,398,533	14,771,113
Current liabilities	1,191,003	361,078
Total liabilities	1,192,933	363,008
Net assets	7,205,600	14,408,105
Issued capital	28,508,436	28,201,403
Share based payment reserve	1,473,434	1,467,434
Financial asset reserve	(249,417)	-
Accumulated losses	(22,526,853)	(15,260,731)
Total shareholder funds	7,205,600	14,408,105
Loss of the parent entity	(7,664,708)	(4,308,367)
Total comprehensive loss of the parent entity	(7,914,125)	(4,308,367)

The parent does not have any guarantees in relation to the debts of its subsidiaries, contingent liabilities or contractual obligations to purchase property, plant and equipment at 30 June 2019 (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 21. Related Party Disclosures

(a) Ultimate parent

Dark Horse Resources Ltd is the ultimate parent, which is incorporated in Australia.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 5 and the audited remuneration report included within the Directors' report.

(c) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party		Sales to related parties $	Purchases from related parties $	Other transactions with related parties $
DGR Global Ltd (i)	2019	-	308,548	125,836
	2018	-	300,000	35,894
Hopgood Ganim (ii)	2019	-	21,396	3,357
	2018	-	23,556	-
Fairground Pty Ltd	2019	-	-	-
	2018	-	-	276,042
David Mason	2019	-	-	-
	2018	-	-	214,135

(i) The Group has a commercial arrangement with DGR Global Ltd (common Directors include Nicholas Mather and Brian Moller) for the provision of various services, whereby DGR Global Ltd provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Group's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities (''Services''). In consideration for the provision of the Services, the Group pays DGR Global Ltd a monthly management fee. For the year ended 30 June 2019 $300,000 was paid or payable to DGR Global Ltd (2018: $300,000) for the provision of the Services. The total amount outstanding at year end was $125,836 (2018: $36,056).

(ii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2019, $21,396 (2018: $23,556) was paid or payable to Hopgood Ganim for the provision of legal services to the Group. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was $3,357 (2018: $nil).

The outstanding balances at each relevant year end are unsecured, interest free and settlement occurs in cash. All outstanding amounts payable comprise current liabilities.

(d) Loans from related parties

During the year ended 30 June 2018, Director Mr David Mason, provided loans of $214,135 on commercial terms to the Group. The total balance outstanding at 30 June 2018 was $nil. Interest of $10,043 was paid or accrued during the 2018 financial year. Interest was charged at 9.5% per annum.

During the financial year ended 30 June 2018, DGR Global Ltd provided an unsecured loan (in addition to the amount noted in note 21(c) above) at commercial rates for the amount of $35,894. The total balance outstanding at 30 June 2018 was $nil. Total interest on the loan of $1,673 was paid or accrued during the year. Interest was charged at 9.5% per annum.

During the year ended 30 June 2018, Fairground Pty Ltd, an entity associated with Director Mr Neil Stuart, provided loans of $276,042 on commercial terms to the Group. The loan was fully repaid during the year ended 30 June 2019. Interest of $55,363 was paid or accrued during the 2018 financial year. Interest was charged at 9.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 22. Capital Commitments

(a) Future Exploration Commitments

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group. The commitments are as follows:

	2019 $	2018 $
Less than 12 months	1,204,227	119,349
Between 12 months and 5 years	4,492,391	181,542
Greater than 5 years	-	-
	5,696,618	**300,891**

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements. The Group also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

Note 23. Financial Risk Management

(a) General Objectives, Policies and Processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The Group's financial instruments consist mainly of deposits with banks, receivables and payables.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group. The Group's objective is to minimise the risk of loss from credit risk exposure.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is reviewed regularly by the Board at monthly board meetings. It arises from exposure to receivables as well as through deposits with financial institutions and financial assets at fair value through other comprehensive income.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group at reporting date.

The Group's cash at bank is held between Macquarie Bank Limited (credit rating: BBB) and Westpac Banking Corporation Limited (credit rating: AA-).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 23. Financial Risk Management (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Group will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board.

The Group manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Group did not have any financing facilities available at reporting date.

Maturity Analysis – 2019	Carrying Amount $	Contractual Cash Flows $	<6 Months $	6-12 Months $	1-3 Years $	> 3 Years $
Financial liabilities						
Convertible notes	560,000	627,200	33,600	593,600	-	-
Trade payables	625,327	625,327	625,327	-	-	-
Total	**1,185,327**	**1,252,527**	**658,927**	**593,600**	**-**	**-**

Maturity Analysis – 2018	Carrying Amount $	Contractual Cash Flows $	<6 Months $	6-12 Months $	1-3 Years $	> 3 Years $
Financial liabilities						
Trade payables	269,210	269,210	269,210	-	-	-
Total	**269,210**	**269,210**	**269,210**	**-**	**-**	**-**

(d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The Group does not have any material exposure to market risk other than interest rate risk.

Interest rate risk
Interest rate risk arises principally from cash and cash equivalents and other financial liabilities. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

Note 23. Financial Risk Management (continued)

(d) Market Risk (continued)

For further details on interest rate risk refer to the tables below:

	Floating interest rate 2019 $	Fixed interest rate 2019 $	Non-interest bearing 2019 $	Total carrying amount 2019 $	Weighted average effective interest rate 2019 %
(i) Financial assets					
Cash and cash equivalents	230,308	-	-	230,308	0.01%
Trade and other receivables	-	-	28,755	28,755	-
Other financial assets	-	-	58,351	58,351	-
Total financial assets	**230,308**	**-**	**87,106**	**317,414**	
(ii) Financial liabilities					
Convertible notes	-	560,000	-	560,000	12.00%
Trade payables	-	-	625,327	625,327	-
Total financial liabilities	**-**	**560,000**	**625,327**	**1,185,327**	

	Floating interest rate 2018 $	Fixed interest rate 2018 $	Non-interest bearing 2018 $	Total carrying amount 2018 $	Weighted average effective interest rate 2018 %
(i) Financial assets					
Cash and cash equivalents	4,281,099	-	-	4,281,099	1.00%
Trade and other receivables	-	-	59,423	59,423	-
Other financial assets	-	-	307,768	307,768	-
Total financial assets	**4,281,099**	**-**	**367,191**	**4,648,290**	
(ii) Financial liabilities					
Related party loans	-	-	-	-	-
Trade payables	-	-	269,210	269,210	-
Total financial liabilities	**-**	**-**	**269,210**	**269,210**	

(e) Fair Value Estimation

Due to the short term nature of all financial assets and financial liabilities, their carrying values are assumed to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2019

Note 24. Operating Segments

Dark Horse Resources Ltd operates in one business being in the mining exploration and evaluation, and two geographic locations, being Australia and the Americas. Information reviewed by the chief operating decision maker is prepared on this basis and operating segments have been identified accordingly.

Geographical Segment	Australia		Americas		Eliminations		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Revenue- interest	12,541	46,030	-	-	-	-	12,541	46,030
other	-	-	-	-	-	-	-	-
Operating result	(3,035,233)	(2,808,367)	(383,236)	(1,227,822)	-	-	(3,418,469)	(4,036,189)
Total assets	17,779,423	18,862,260	2,833,969	1,691,414	(8,825,891)	(5,824,041)	11,787,501	14,729,633
Total liabilities	4,526,326	492,852	5,767,814	5,842,883	(8,825,891)	(5,824,041)	1,468,249	511,694

* These eliminations relate to intercompany loans.

Geographical Segment	Australia		Americas		Eliminations		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Segment asset additions for the period								
- Property, plant and equipment	-	-	-	-	-	-	-	-
- Exploration and evaluation assets	-	-	2,204,623	3,199,288	-	-	2,204,623	3,199,288

	2019 $	2018 $
Note 25. Cash Flow Reconciliation		
Profit (loss) after income tax	(3,418,469)	(4,036,189)
Non-cash operating items		
- Write-off of exploration expenditure	229,926	1,029,183
- Share based payments	6,000	566,546
- Share associates losses	1,233,186	683,584
Changes in operating assets and liabilities*		
Increase (decrease) in deferred tax liability	-	-
(Increase) decrease in trade and other receivables	(116,565)	(372,004)
(Increase) decrease in prepayments	-	1,830
Increase (decrease) in trade and other payables	473,828	896,968
Cash flow from operations	**(1,592,094)**	**(1,230,082)**

* Net of amounts relating to exploration and evaluation assets.

Non cash investing and financing activities

Equity settlement of liabilities	139,306	1,590,188
Equity settlement of amounts owing in exploration and evaluation assets	180,000	315,146
Investment in shares at cost	-	105,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

	2019 $	2018 $
Note 25. Cash Flow Reconciliation (continued)		
Debt reconciliation		
Balance at the beginning of the year	-	518,043
Borrowings during the year	560,000	458,992
Interest	-	67,108
Repayments - cash	-	(50,972)
Repayments – share conversions	-	(993,169)
Balance at the end of the year	**560,000**	-

Note 26. Contingent Assets and Liabilities

There are no contingent assets and liabilities at 30 June 2019 (2018: nil).

Note 27. Fair Value

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The following table presents the Group's assets and liabilities which are not carried at fair value at 30 June wherein their carrying values do not approximate their fair value at 30 June:

	Level 1 $	Level 2 $	Level 3 $	Carrying value $
2019				
Investments accounted for using the equity method	10,142,047	-	-	7,988,820
2018				
Investments accounted for using the equity method	19,284,095	-	-	8,323,666

The fair value of the investments accounted for using the equity method displayed above are measured based on the quoted market prices at 30 June.

Note 28. Subsequent Events After the Reporting Date

On 3 July 2019, 28,380,328 $0.01 ordinary shares were issued for under the CEO Remuneration Conversion approved at EGM of 28 June 2019 and 20,154,622 $0.005 ordinary shares were issued as payment for management fees (Company Secretary and Commercial Executive).

On 1 August 2019 the Company announced a non-renounceable rights issue (Entitlement Offer) to Eligible Shareholders, comprised of one (1) new fully paid ordinary share (New Share) for every six (6) fully paid ordinary shares held at an Issue Price of $0.004 per New Share to raise up to approximately $1,349,748 before costs of the Offer (subject to the Debt Conversion Facility), together with one (1) Attaching Option for each one (1) New Share allotted to acquire one (1) fully paid ordinary Share at an exercise price of $0.005 on or before 30 November 2019. On 12 September 2019, the Company announced that it had received applications for a total of $807,178 under the Entitlement Offer, comprising $435,252 in cash subscriptions and $371,926 in debt conversions from DGR Global Limited, the Board, and Company management. In addition, the Company has secured commitments for an initial $207,697 under the Shortfall arising from the Entitlement Offer.

The Directors are not aware of any other significant changes in the state of affairs of the Group or events after the reporting date that would have a material impact on the consolidated financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Dark Horse Resources Limited, I state that:

1. In the opinion of the Directors:

   (a) The financial statements and notes of Dark Horse Resources Limited for the financial year ended 30 June 2019 are in accordance with the *Corporations Act 2001* (Cth), including:

      (i) Giving a true and fair view of its financial position as at 30 June 2019 and its performance for the year ended on that date;

      (ii) Complying with the Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth)*;*

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, as disclosed in Note 1.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2019.

On behalf of the board

DJ Mason

David Mason
Director

Brisbane
Date: 27 September 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Dark Horse Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dark Horse Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of exploration and evaluation assets

Key audit matter	***How the matter was addressed in our audit***
Refer to note 15 in the annual report The Group carries exploration and evaluation assets as at 30 June 2019 in accordance with the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset is a key audit matter due to the significance of the total balance and the level of procedures undertaken to evaluate management's application of the requirements of AASB *6 Exploration for and Evaluation of Mineral Resources* ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cash flow budget for the level of budgeted spend on exploration projects and held discussions with management of the Group as to their intentions and strategy • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required • Evaluating management's support and calculations for the impairment expense by checking: o The allocation of the expenditure across the relevant tenements o The mathematical accuracy of the amount written down.

Investments accounted for using the equity method

Key audit matter	*How the matter was addressed in our audit*
Refer to Notes 1(w) and 12 for details of the investment in associates accounted for using the equity method and the key judgements thereon. The classification of the asset as an associate is a key audit matter due to the level of judgement management were required to make in assessing the classification of the investment and the significance of the carrying amount.	Our procedures included, but were not limited to the following: • Evaluating management's assessment of whether control, joint control or significant influence existed • Agreeing the Groups share of associate losses to the audited financial reports of the Associates • Reviewing the financial information of the associate including assessing whether the accounting policies of the associate were consistent with those of the Group • Assessing the adequacy of the disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 31 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Dark Horse Resources Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

R M Swaby

R M Swaby
Director

Brisbane, 27 September 2019