



PANORAMIC
RESOURCES LTD

Vision, Commitment, Results

Panoramic Resources Limited

ABN: 47 095 792 288

Interim Financial Report

For the half-year ended 31 December 2009

*This Interim Financial Report is provided to the Australian Stock Exchange (ASX) under
ASX Listing Rule 4.2A.3*

Current Reporting Period: Half Year Ending 31 December 2009

Previous Reporting Period: Half Year Ending 31 December 2008

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2009

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Panoramic Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This financial report covers the consolidated entity consisting of Panoramic Resources Limited and its subsidiaries. The financial report is presented in Australian dollars.

Panoramic Resources Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Panoramic Resources Limited
Level 9, Panoramic House
553 Hay Street
Perth WA 6000

APPENDIX 4D - INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		A\$'000		2008 A\$'000		2009 A\$'000
Revenue (note 1)	up	20,459	from	113,281	to	133,740
Results after tax from ordinary activities	up	31,736	from	(8,643)	to	23,093
Results after tax attributable to members	up	31,736	from	(8,643)	to	23,093

Note 1 – Revenue is after deducting concentrate treatment costs and smelter payment deductions and after including gains on delivered/deferred commodity hedges of \$21,206,000 (2008: \$25,791,000).

DIVIDENDS

The Company has declared a fully franked five cents per share interim dividend for the half year ended 31 December 2009 (31 December 2008: fully franked one cent per share interim dividend).

The Company has also declared a fully franked five cents per share one-off special dividend (31 December 2008: nil) to be paid out of retained earnings at 31 December 2009.

NET TANGIBLE ASSETS PER SHARE

	31 December 2008 \$ per share	31 December 2009 \$ per share
Net tangible assets per share	1.23	1.41

OTHER INFORMATION

Except for the matters noted above and subject to the requirements being applicable to the Company, all the disclosure requirements pursuant to ASX Listing Rule 4.2A.3 are contained within Panoramic Resources Limited's Half Year Report for the period ended 31 December 2009 which accompanies this Preliminary Half Year Report (Appendix 4D).

DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Panoramic Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

DIRECTORS

The names of the directors of the Company during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Christopher J G de Guingand

Peter J Harold

Christopher D J Langdon

John Rowe

Brian M Phillips

REVIEW OF OPERATIONS

Operating Result for the Half-year

The consolidated entity profit after tax for the financial period ended 31 December 2009 was \$23,093,000 (2008: \$8,643,000 loss).

The turnaround in after tax earnings for the half year, from the previous corresponding half year loss, was expected as the consolidated entity did not book any impairment against the carrying value of the consolidated entity's assets. In the previous corresponding financial period, a \$25,100,000 impairment charge before tax was made by the directors in response to the *global financial crisis* and the poor outlook at that time for commodity prices and the global economy.

The spot nickel price, in Australian dollar terms, averaged \$9.18 per pound during the financial period. In the previous corresponding half year, the equivalent Australian dollar nickel price was \$8.51 per pound. On a period on period basis, this represented an increase of approximately 8 percent.

Mining Operations

During the period, the Company's Savannah Nickel Mine produced 51,035 dry metric tonnes of concentrate at an average nickel grade of 7.64% for 3,897 tonnes of nickel in concentrate (2008: 52,015 dry metric tonnes of concentrate at an average grade of 7.69% for 4,002 tonnes of nickel in concentrate). In November 2009, a Memorandum of Understanding (MOU) was signed with the Jinchuan Group, China for a ten year extension from April 2010 of the Savannah Concentrate Off-Take Agreement. The MOU terms are similar to the current off-take agreement, with modifications to reflect optimised changes in concentrate quality.

The Lanfranchi Nickel Mine, produced 177,756 dry metric tonnes of ore at an average nickel grade of 2.65% for 4,706 tonnes of nickel in ore (2008: 196,698 dry metric tonnes of ore at an average nickel grade of 2.65% for 5,214 tonnes of nickel in ore). In August 2009, mining of the Winner deposit ceased as planned, with the majority of production now coming from the Deacon deposit. In August 2009, BHP Nickel West exercised its option to extend, for a further nine years from February 2010, the existing off-take agreement on the same terms and conditions.

The Copernicus Joint Venture (of which the Company has a 60% interest) began mining of the Copernicus open pit in July 2008. Due to the weakness in nickel prices in late 2008, the open pit mine was placed on care and maintenance in January 2009. As at the end of the financial period, the open pit remained on care and maintenance pending an improvement in the A\$ nickel price. During the period, approximately 12,000 dry metric tonnes of ore were treated at the Savannah Process Plant on a toll treatment basis, producing 1,700 dry metric tonnes of concentrate at an average nickel grade of 6.25% for 106 tonnes of nickel in concentrate. The Copernicus concentrate was sold to the Jinchuan Group, China on similar terms to the Savannah nickel concentrate, with appropriate adjustments for the lower nickel concentrate grade.

DIRECTORS' REPORT (Continued)

REVIEW OF OPERATIONS (Continued)

Exploration and Development Projects

During the period, the consolidated entity commenced a number of significant exploration projects at each of its operations, and on prospective ground within the various exploration joint ventures. The consolidated entity has budgeted to spend approximately \$8 million on exploration activities during the full financial year ending on 30 June 2010.

Corporate Activities

During the period, 25,000 employee options were exercised under the 2004 Panoramic Employee Share Option Plan, at a weighted average exercise price of \$2.20 per share.

SUBSEQUENT EVENTS

Interim Dividend

On 25 February 2010, the Company's Board resolved to declare a five cents per share fully franked interim dividend to be paid out of retained earnings at 31 December 2009. The dividend payment date is set down for 26 March 2010.

Special Dividend

On 25 February 2010, the Company's Board resolved to declare a five cents per share fully franked one-off special dividend to be paid out of retained earnings at 31 December 2009. The dividend payment date is set down for 26 March 2010.

ROUNDING

The Company is an entity of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of directors.



Peter J Harold
Managing Director
Perth, 25 February 2010

Auditor's Independence Declaration to the Directors of Panoramic Resources Limited

In relation to our review of the financial report of Panoramic Resources Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
25 February 2010

To the members of Panoramic Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Panoramic Resources Limited, which comprises the balance sheet as at 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Panoramic Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Gavin Buckingham
Partner
Perth
25 February 2010

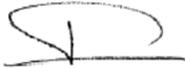
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Panoramic Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Peter J Harold
Managing Director

Perth, 25 February 2010

Panoramic Resources Limited
Consolidated income statement
For the half-year ended 31 December 2009

	Notes	Half-year ended Consolidated	
		31 December 2009 \$'000	31 December 2008 \$'000
Sales revenue		132,249	110,685
Interest revenue		<u>1,491</u>	<u>2,596</u>
Revenue from continuing operations		133,740	113,281
Other income	3	206	1,254
Cost of sales of goods		<u>(94,209)</u>	<u>(93,552)</u>
Other expenses		<u>(2,993)</u>	<u>(4,356)</u>
Impairment of mine assets	4	-	(25,109)
Mark to market on derivatives		<u>(792)</u>	2,506
Exploration and evaluation expenses		<u>(3,285)</u>	<u>(5,846)</u>
Impairment of available for sale financial assets		-	(630)
Finance costs	4	<u>(405)</u>	<u>(377)</u>
Profit / (loss) from continuing operations before income tax		32,262	(12,829)
Income tax (expense) / benefit	5	<u>(9,169)</u>	<u>4,186</u>
Profit / (loss) from continuing operations after tax		<u>23,093</u>	<u>(8,643)</u>
Profit / (loss) from continuing operations for the half year		23,093	(8,643)
Profit / (loss) for the half year is attributable to:			
Equity holders of Panoramic Resources Limited		<u>23,093</u>	<u>(8,643)</u>
		<u>23,093</u>	<u>(8,643)</u>
		Cents	Cents
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share		11.3	(4.5)
Diluted earnings / (loss) per share		11.1	(4.5)

Panoramic Resources Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

		Half-year ended Consolidated	
		31 December 2009	31 December 2008
Notes		\$'000	\$'000
	Profit / (loss) from continuing operations for the half year	<u>23,093</u>	<u>(8,643)</u>
	Other comprehensive income		
	Changes in the fair value of available-for-sale financial assets, net of tax	376	(569)
	Transfer from cash flow hedge reserve to net profit, net of tax	(19,762)	(20,711)
	Changes in the fair value of cash flow hedges, net of tax	<u>1,698</u>	<u>41,628</u>
	Other comprehensive (loss) income for the half year, net of tax	<u>(17,688)</u>	<u>20,348</u>
	Total comprehensive income for the half year	<u>5,405</u>	<u>11,705</u>

Panoramic Resources Limited
Consolidated balance sheet
As at 31 December 2009

	Notes	31 December 2009 \$'000	30 June 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	83,406	49,982
Term Deposits	6	30,106	17,300
Trade and other receivables		23,157	28,652
Inventories		14,750	14,811
Derivative financial instruments	7	20,337	42,516
Current tax asset		-	3,578
Total current assets		<u>171,756</u>	<u>156,839</u>
Non-current assets			
Receivables		1,792	1,792
Available-for-sale financial assets		1,216	481
Derivative financial instruments	7	308	2,529
Property, plant and equipment		53,648	58,957
Exploration and evaluation		13,276	18,704
Development properties		65,155	61,711
Mine properties		73,269	79,033
Other non-current assets		262	262
Total non-current assets		<u>208,926</u>	<u>223,469</u>
Total assets		<u>380,682</u>	<u>380,308</u>
LIABILITIES			
Current liabilities			
Trade and other payables		27,964	30,849
Borrowings		1,388	4,329
Derivative financial instruments	7	196	1,438
Current tax liabilities		8,127	-
Total current liabilities		<u>37,675</u>	<u>36,616</u>
Non-current liabilities			
Borrowings		1,798	2,249
Deferred tax liabilities		39,024	45,207
Provisions		10,580	9,960
Derivative financial instruments	7	3,054	-
Total non-current liabilities		<u>54,456</u>	<u>57,416</u>
Total liabilities		<u>92,131</u>	<u>94,032</u>
Net assets		<u>288,551</u>	<u>286,276</u>
EQUITY			
Contributed equity	8	101,403	101,348
Reserves	9(a)	54,781	71,574
Retained earnings	9	132,367	113,354
Total equity		<u>288,551</u>	<u>286,276</u>

Panoramic Resources Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2009

Consolidated	Notes	Issued capital \$'000	Share- based payment reserve \$'000	Retained earnings \$'000	Cash flow hedge reserve \$'000	Asset revaluation reserve \$'000	Total equity \$'000
Balance at 1 July 2008		<u>78,424</u>	<u>5,898</u>	<u>119,259</u>	<u>27,588</u>	<u>569</u>	<u>231,738</u>
Changes in the fair value of available-for-sale financial assets, net of tax		-	-	-	-	(569)	(569)
Changes in the fair value of cash flow hedges, net of tax		-	-	-	41,628	-	41,628
Transfer from cash flow hedge reserve to net profit, net of tax		-	-	-	(20,711)	-	(20,711)
Other comprehensive income		-	-	-	20,917	(569)	20,348
Profit for half-year		-	-	<u>(8,643)</u>	-	-	<u>(8,643)</u>
Total comprehensive income for the half-year		-	-	<u>(8,643)</u>	<u>20,917</u>	<u>(569)</u>	<u>11,705</u>
Contributions of equity, net of transaction costs	8b	461	-	-	-	-	461
Dividends provided for or paid	10	-	-	(9,594)	-	-	(9,594)
Employee share options - value of employee services charged to the consolidated entity		-	1,217	-	-	-	1,217
Employee share options - value of employee services charged to joint venture partners		-	40	-	-	-	40
		<u>461</u>	<u>1,257</u>	<u>(9,594)</u>	-	-	<u>(7,876)</u>
Balance at 31 December 2008		<u>78,885</u>	<u>7,155</u>	<u>101,022</u>	<u>48,505</u>	<u>-</u>	<u>235,567</u>
Balance at 1 July 2009		<u>101,348</u>	<u>11,094</u>	<u>113,354</u>	<u>29,228</u>	<u>31,252</u>	<u>286,276</u>
Changes in the fair value of available-for-sale financial assets, net of tax	9	-	-	-	-	376	376
Changes in the fair value of cash flow hedges, net of tax		-	-	-	1,698	-	1,698
Transfer from cash flow hedge reserve to net profit, net of tax		-	-	-	(19,762)	-	(19,762)
Other comprehensive income		-	-	-	(18,064)	376	(17,688)
Profit for half-year		-	-	<u>23,093</u>	-	-	<u>23,093</u>
Total comprehensive income for the half-year		-	-	<u>23,093</u>	<u>(18,064)</u>	<u>376</u>	<u>5,405</u>
Contributions of equity, net of transaction costs	8b	55	-	-	-	-	55
Dividends provided for or paid	10	-	-	(4,080)	-	-	(4,080)
Employee share options - value of employee services	9	-	895	-	-	-	895
Balance at 31 December 2009		<u>101,403</u>	<u>11,989</u>	<u>132,367</u>	<u>11,164</u>	<u>31,628</u>	<u>288,551</u>

Panoramic Resources Limited
Consolidated cash flow statement
For the half-year ended 31 December 2009

		Half-year ended	
		Consolidated	
		31 December	31 December
		2009	2008
Notes		\$'000	\$'000
Cash flows from operating activities			
	Receipts from customers (inclusive of goods and services tax)	135,359	98,065
	Payments to suppliers and employees (inclusive of goods and services tax)	(68,588)	(71,272)
	Income taxes paid	3,934	(24,123)
	Interest paid	(159)	(292)
	Payments for exploration and evaluation expense	(3,469)	(5,846)
	Net cash inflow / (outflow) from operating activities	<u>67,077</u>	<u>(3,468)</u>
Cash flows from investing activities			
	Payments for property, plant and equipment	(3,949)	(14,664)
	Payments for exploration expense	(666)	(823)
	Payments for mineral properties	-	(2,399)
	Payments for development costs	(10,306)	(29,154)
	Payments for term deposits	(12,806)	-
	Interest received	1,491	2,596
	Net cash (outflow) from investing activities	<u>(26,236)</u>	<u>(44,444)</u>
Cash flows from financing activities			
	Proceeds from issues of ordinary shares	55	77
	Repayment of borrowings	(3,392)	(3,874)
	Dividends paid to company's shareholders	(4,080)	(9,594)
10	Net cash (outflow) from financing activities	<u>(7,417)</u>	<u>(13,391)</u>
Net increase / (decrease) in cash and cash equivalents		33,424	(61,303)
Cash and cash equivalents at the beginning of the half-year		<u>49,982</u>	<u>110,928</u>
6	Cash and cash equivalents at the end of the half-year	<u>83,406</u>	<u>49,625</u>

1 Summary of significant accounting policies

The financial report of Panoramic Resources Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 25 February 2010.

Panoramic Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Panoramic Resources Limited as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Panoramic Resources Limited and its controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under ASX listing rules.

(a) Basis of preparation of half-year financial report

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". The half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments and available for sale investments that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2009, as described in Note 1(d).

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Panoramic Resources Limited and its subsidiaries as at 31 December 2009 ('the Group').

(d) New accounting standards and interpretations

Since 1 July 2009 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 8 and AASB 2007-3 Operating Segments and consequential amendments to other Australian Accounting Standards
- AASB 123 (Revised) and AASB 2007-6 Borrowing Costs and consequential amendments to other Australian Accounting Standards
- AASB 101 (Revised), AASB 2007-8 and AASB 2007-10 Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards
- AASB 2008-1 Amendments to Australian Accounting Standards - Share-based Payments: Vesting Conditions and Cancellations
- AASB 3 (Revised) Business Combinations
- AASB 127 (Revised) Consolidated and Separate Financial Statements
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items
- AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]

2 Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Group operates primarily in nickel mining and processing in Western Australia. Each area of operation has been aggregated and therefore the operations of the Group present one operating segment under AASB 8 Operating Segments.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the interim financial report.

3 Other income

	Half-year ended Consolidated	
	31 December 2009 \$'000	31 December 2008 \$'000
Foreign exchange gains (net)	-	1,210
Sundry income	<u>206</u>	<u>44</u>
	<u>206</u>	<u>1,254</u>

4 Profit for the half-year

	Half-year ended Consolidated	
	31 December 2009 \$'000	31 December 2008 \$'000
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable	173	285
Unwinding of discount - rehabilitation	219	86
Facility costs	13	6
Finance costs expensed	405	377
 <i>Depreciation</i>		
Property, plant and equipment	7,199	6,897
Plant and equipment under finance leases	2,656	3,951
Total Depreciation	9,855	10,848
 <i>Amortisation</i>		
Deferred development costs	12,983	15,724
Mine properties	4,730	246
Total amortisation	17,713	15,970
 <i>Other</i>		
Share based payment expense	895	1,217
Net loss on disposal of plant and equipment	(595)	11
	300	1,228
 <i>Impairment losses - on mine assets</i>		
Property, plant and equipment	-	8,346
Construction in progress	-	717
Leased plant and equipment	-	621
Mine development	-	10,355
Mine properties	-	5,070
	-	25,109

In 2008, the consolidated entity undertook a review of the recoverable amount of each of its mining assets to determine if any assets were impaired. Following this assessment a pre tax impairment charge has been recognised at Savannah \$12,799,000 and Copernicus \$12,310,000. The impairment has been allocated to the asset classes shown above.

5 Income tax expense

	Half-year ended Consolidated	
	31 December 2009 \$'000	31 December 2008 \$'000
(a) Income tax expense		
Current tax	8,127	626
Deferred tax	1,019	(5,305)
Adjustments for current tax of prior periods	<u>23</u>	<u>493</u>
	<u>9,169</u>	<u>(4,186)</u>

6 Cash, cash equivalents and term deposits

	31 December 2009 \$'000	30 June 2009 \$'000
<i>Cash and cash equivalents</i>		
Cash at bank and in hand	18,776	28,557
Deposits at call - 90 days and less	<u>64,630</u>	<u>21,425</u>
	<u>83,406</u>	<u>49,982</u>
 <i>Term deposits</i>		
Term deposits - greater than 90 days	<u>30,106</u>	17,300
	<u>30,106</u>	<u>17,300</u>

7 Derivative financial instruments

	31 December 2009 \$'000	30 June 2009 \$'000
Current assets		
Foreign exchange put options	11,592	11,457
Nickel put options	21	-
Diesel put options	145	-
Forward nickel contracts	<u>8,579</u>	<u>31,059</u>
Total current derivative financial instrument assets	<u>20,337</u>	<u>42,516</u>
Non-current assets		
Diesel put options	<u>308</u>	<u>2,529</u>
Total non-current derivative financial instrument assets	<u>308</u>	<u>2,529</u>
Current liabilities		
Foreign exchange call options	151	1,438
Nickel call options	7	-
Diesel call options	<u>38</u>	<u>-</u>
Total current derivative financial instrument liabilities	<u>196</u>	<u>1,438</u>
Non-current liabilities		
Diesel call options	81	-
Forward nickel contracts	<u>2,973</u>	<u>-</u>
Total non-current derivative financial instrument liabilities	<u>3,054</u>	<u>-</u>
	<u>17,395</u>	<u>43,607</u>

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in commodity prices and foreign exchange in accordance with the Group's financial risk management policies.

The Group uses a number of methodologies to determine the fair value of derivatives. These techniques include comparing contracted rates to market rates with the same length of maturity to determine the value of forward contracts and use of option pricing models to value put options. The principal inputs to valuation techniques are listed below:

- Commodity prices
- Interest rates
- Foreign currency exchange rates
- Price volatilities
- Discount rates

Commodity prices, interest rates and foreign exchange rates are determined by reference to published / observable prices.

(i) Commodity hedges - cash flow hedges

(a) Nickel

In order to protect against price movements, the Group has entered into nickel forward contracts, put options and zero cost option collars.

The Group has entered into contracts for nickel forwards and zero cost nickel option collars at the reporting date designated as hedges of anticipated future receipts from sales to occur over the next twelve months that will be denominated in United States currency.

The nickel forward hedges qualify for hedge accounting in accordance with AASB 139 Financial Instruments as the future sales are highly probable and have been specifically designated. The zero cost nickel option collars do not qualify for hedge accounting as there are more sold nickel call options than purchased nickel put options.

Consolidated	Tonnes Hedged	Average US\$ Price	Tonnes Hedged	Average US\$ Price
	31 December 2009	31 December 2009	30 June 2009	30 June 2009
Nickel Sell Call Options				
Not later than one year	250	24,000	-	-
Nickel Buy Put Options				
Not later than one year	900	16,000	-	-
Nickel Fixed Forward				
Not later than one year	2,265	21,994	2,400	26,780
Later than one year	1,431	16,805	600	15,268

(b) Diesel

In order to protect against price movements, the Group has entered into diesel put options. The Group sold put options to partially cover the costs of bought call options.

The Group has entered into contracts for diesel bought call options and sell put options at the reporting date designated as hedges of anticipated future payments for purchases to occur over the next two years that will be denominated in United States currency.

The diesel bought call options and sell put options do not qualify for hedge accounting as the timing of the options do not match the expected diesel use.

Consolidated	Kilolitres Hedged	Average US\$ Price	Kilolitres Hedged	Average US\$ Price
	31 December 2009	31 December 2009	30 June 2009	30 June 2009
Diesel Buy Call Options				
Not later than one year	4,500	0.43	-	-
Later than one year	2,875	0.43	-	-
Diesel Sell Put Options				
Not later than one year	4,500	0.60	-	-
Later than one year	2,875	0.60	-	-

(ii) Foreign exchange contracts - cash flow hedges

In order to protect against rate movements, the Group has entered into foreign exchange forward exchange contracts, put options and call options.

The Group has entered into foreign exchange contracts for put options and call options at the reporting date. These are generally designated as hedges of anticipated future receipts from sales to occur over the next six months that will be denominated in United States currency.

These hedges qualify for hedge accounting in accordance with AASB 139 Financial Instruments as the future sales are highly probable and have been specifically designated.

Consolidated	US\$ Hedged	Average Rate	US\$ Hedged	Average Rate
	31 December 2009 \$'000	31 December 2009 \$	30 June 2009 \$'000	30 June 2009 \$
Foreign Exchange Puts				
Not later than one year	92,393	0.82	125,270	0.78
Foreign Exchange Calls				
Not later than one year	92,393	0.66	125,270	0.63

8 Contributed equity

	31 December 2009 Shares	30 June 2009 Shares	31 December 2009 \$'000	30 June 2009 \$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>204,012,842</u>	<u>203,987,842</u>	<u>101,403</u>	<u>101,348</u>
Total contributed equity - parent entity			<u>101,403</u>	<u>101,348</u>

(b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2008	Opening balance	191,858,342	78,424
	Exercise of unlisted options - 4-Jul-08	15,000	11
	Exercise of unlisted options - 22-Aug-08	5,000	4
	Exercise of unlisted options - 29-Aug-08	15,000	13
	Exercise of unlisted options - 9-Sep-08	22,500	19
	Exercise of unlisted options - 16-Sep-08	7,500	7
	Exercise of unlisted options - 18-Sep-08	27,000	23
	Deferred tax credit recognised directly in equity	-	384
	Issued for consideration of business acquisition - 26-May-09	12,000,000	22,380
	Exercise of unlisted options - 16-Jun-09	<u>37,500</u>	<u>83</u>
30 June 2009	Balance	203,987,842	101,348
1 July 2009	Opening balance	203,987,842	101,348
	Exercise of unlisted options - 23-Oct-09	<u>25,000</u>	<u>55</u>
31 December 2009	Balance	<u>204,012,842</u>	<u>101,403</u>

9 Reserves and retained profits

	31 December 2009 \$'000	30 June 2009 \$'000
(a) Reserves		
Mineral properties revaluation reserve, net of tax	31,252	31,252
Available-for-sale investments revaluation reserve	376	-
Hedging reserve - cash flow hedges	11,164	29,228
Share-based payments reserve	<u>11,989</u>	<u>11,094</u>
	<u>54,781</u>	<u>71,574</u>
	31 December 2009 \$'000	30 June 2009 \$'000
Opening retained earnings	113,354	119,259
Profit for the year	23,093	5,610
Dividends	<u>(4,080)</u>	<u>(11,515)</u>
Closing retained earnings	<u>132,367</u>	<u>113,354</u>

10 Dividends

	Half-year ended Parent	
	31 December 2009 \$'000	31 December 2008 \$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2009 of 2 cents (2008 - 5 cents) per fully paid share paid on 22 September 2009 (2008 - 17 September 2008)		
Fully franked based on tax paid @ 30%	<u>4,080</u>	<u>9,594</u>
	4,080	9,594
(b) Dividends not recognised at the end of the half-year		
Interim dividend for the half-year ended 31 December 2009 of 5 cents (2008 - 1 cent) per fully paid share and a one-off special dividend of 5 cents (2008 - nil) per fully paid share, both to be paid on 26 March 2010 (2008 - 9 March 2009)		
Fully franked based on tax paid @ 30%	<u>20,402</u>	<u>1,920</u>
	20,402	1,920

11 Contingencies

There were no changes in contingent assets or liabilities since the last annual financial report.

12 Commitments

There were no changes in commitments since the last annual financial report.

13 Events occurring after the balance sheet date

On 25 February 2010, the Company's Board resolved to declare a 5 cents per share fully franked interim dividend to be paid out of retained earnings at 31 December 2009. The dividend payment date is set down for 26 March 2010.

Also on 25 February 2010, the Company's Board resolved to declare a 5 cents per share fully franked one-off special dividend to be paid out of retained earnings at 31 December 2009. The dividend payment date is set down for 26 March 2010.