

Panoramic Resources Limited

ABN: 47 095 792 288

Preliminary Final Report for the financial year ended 30 June 2012

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

This Report is based on accounts which have been audited.

Current Reporting Period: Financial Year Ending 30 June 2012

Previous Reporting Period: Financial Year Ending 30 June 2011

APPENDIX 4E – PRELIMINARY FINAL REPORT

For the financial-year ended 30 June 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% movement		2010/11 A\$'000		2011/12 A\$'000
Revenue from ordinary activities (note 1)	down	6.6	from	249,582	to	233,050
Profit / (loss) after tax from ordinary activities	down	188.3	from	20,629	to	(18,212)
Profit / (loss) after tax attributable to members	down	188.3	from	20,629	to	(18,212)

Note 1 – Revenue from ordinary activities is after deducting ore treatment costs and concentrator/smelter payment deductions and after including gains on delivered/deferred commodity/currency hedges of \$17,779,000 (2011: \$13,760,000 loss)

DIVIDENDS

No final dividend has been declared for the financial year ended 30 June 2012.

For the full financial year ended 30 June 2012, the Company declared fully franked dividends of 2.0 cents per fully paid share, being the interim dividend paid in March 2012.

NET TANGIBLE ASSETS PER SHARE

	30 June 2011 \$ per share	30 June 2012 \$ per share
Net tangible assets per share	1.46	1.27
Number of ordinary shares on issue used in the calculation of net tangible assets per share	207,050,710	241,681,195*

* Ordinary shares on issue include the 2,966,635 shares issued on 25 July 2012 in relation to the compulsory acquisition of Magma Metals Limited

COMMENTARY ON THE RESULTS FOR THE PERIOD

Factors contributing to the above variances and the result for the financial year are as follows:

- Higher production from both the Lanfranchi and Savannah Projects resulted in approximately 16% higher contained nickel production (19,791 tonnes) than in the previous reporting period (17,027 tonnes), a yearly production record;
- The main factor that reduced sales revenue in the period was the lower realised nickel price received in Australian dollars on nickel contained in nickel concentrate and nickel ore sold during the year and the negative quotational period (QP) price adjustments for the Lanfranchi ore deliveries made in April, May and June 2011 that were required to be accounted for in FY2012. The spot nickel price, in Australian dollar terms, averaged A\$8.48 per pound during the financial period. In the previous corresponding reporting period, the equivalent spot Australian dollar nickel price was A\$11.01 per pound;
- As a consequence of the continued strength in the mining sector in Western Australia, input costs such as labour, power, cement and other consumables increased over the reporting period, resulting in higher costs of production for the FY2012 reporting period than in the previous reporting period;
- Higher depreciation and amortisation charges and an increase in corporate costs relating to acquisitions than in the previous reporting period; and
- Impairment charges totalling \$5,333,000 were booked over the year in relation to available-for-sale financial assets following the significant and sustained fall in the share prices of the Company's listed equity investments in FY2012.

OTHER INFORMATION

During the reporting period, on 11 May 2012, the Company gained control of the entity, Magma Metals Limited and its controlled entities. The Company did not lose control over any entity during the reporting period.

Except for the matters noted above, all the disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within Panoramic Resource Limited's Consolidated Financial Statements for the year ended 30 June 2012 which accompany this Preliminary Final Report.

Panoramic Resources Limited

ABN: 47 095 792 288

Consolidated Financial Statements
for the financial year ended 30 June 2012

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2012

Contents

Directors' Report	5
Corporate Governance Statement	27
Directors' Declaration	32
Independent Audit Report and Independence Declaration	33
Consolidated Income Statement	36
Consolidated Statement of Comprehensive Income	37
Consolidated Statement of Financial Position	38
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Notes to the Consolidated Financial Statement	41

These Consolidated Financial Statements include all the notes of the type normally included in an Annual Report. However, this report is still to be read in conjunction with any public announcements made by Panoramic Resources Limited during the 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
553 Hay Street
Perth WA 6000

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 financial year ended 30 June 2012.

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 the entire period unless otherwise stated):

Brian M Phillips (Non-Executive Chairman)

69 years

AWASM-Mining, FAusIMM, MIMMM,

Appointed 27 March 2007; Non-Executive Chairman from 17 November 2011

Brian Phillips is a mining engineer who has had extensive mining industry experience in operational and management roles over a 50 year period. Brian has worked as an executive, and on the boards of mining companies in Australia and overseas involved with copper, gold, nickel, mineral sands and coal. He is a former non-executive director of the Australian Gold Council and past President of the Victorian Chamber of Mines (now the Minerals Council of Australia – Victorian Division).

During the past three years, Brian has also served as a director of the following listed companies:

- ♦ Tawana Resources NL (Non-Executive Chairman from 4 April 2005 to 20 June 2008. Non-Executive Director from 20 June 2008 to 24 July 2009)
- ♦ Indophil Resources NL (Non-Executive Director from 1 April 2005 and Non-Executive Chairman from 21 April 2005)*
- ♦ Rex Minerals Limited (Non-Executive Director from 12 February 2010 to 15 June 2010)
- ♦ White Rock Minerals Ltd (Non-Executive Chairman from 26 March 2010)*

**Denotes current directorship*

Peter J Harold (Managing Director)

49 years

B.AppSc(Chem), AFAICD

Appointed 16 March 2001

Peter Harold is a process engineer with over 26 years corporate experience in the minerals industry specialising in financing, marketing, business development and general corporate activities. Peter has extensive experience with the development and operation of both sulphide and laterite nickel projects having been responsible for metals marketing and various corporate functions relating to the Scuddles/Golden Grove copper lead zinc mine, Cawse nickel laterite project and the Silver Swan and Mt Keith nickel sulphide projects. Peter held various senior management positions with Shell Australia, Australian Consolidated Minerals Limited, Normandy Mining Limited, MPI Mines Limited and the Gutnick network of companies prior to founding Panoramic Resources Limited (formerly Sally Malay Mining Limited) in March 2001.

During the past three years, Peter has also served as a director of the following listed companies:

- ♦ Alloy Resources Limited (Non-Executive Chairman from 15 September 2005)*
- ♦ Territory Uranium Company Limited (Non-Executive Chairman from 1 March 2007)*

**Denotes current directorship*

Christopher D J Langdon (Non-Executive Director)

49 years

B.Com (Econ)

Appointed 4 August 2004

Christopher Langdon has over 25 years of corporate finance and management experience and has had extensive experience in investment banking in Australia and overseas working for Wardley Australia Limited, James Capel & Co. and Samuel Montagu & Co. specialising in cross border corporate advisory. Chris is the Chief Executive Officer of HJ Langdon & Co., a family owned business based in Melbourne involved in the food industry.

During the past three years, Christopher also served as a director of the following listed companies:

- ♦ F.F.I. Holdings Limited (Non-Executive Director from 10 November 2006 to 14 October 2011)

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

John Rowe (Non-Executive Director)

63 years

BSc (Hons), ARSM, MAusIMM

Appointed 5 December 2006

John Rowe is a geologist who has had extensive mining industry experience over a 40 year period. Until August 2006, John was General Manager, Business Development with LionOre Australia responsible for assessing new business, divesting assets and negotiating nickel ore and concentrate sales contracts. Prior to joining LionOre, John spent 12 years with MPI Mines Limited in various group executive roles and was involved in the evaluation, development and production of the high grade Silver Swan nickel sulphide project as well as the Stawell Gold Mine in Victoria. John started his career with Metals Exploration Limited as a mine geologist at the Nepean Nickel Mine in the early 1970's before taking on senior executive roles with Consolidated Goldfields, Agnew Mining Pty Limited, and North Kalgurli Mines Limited. Following a short stint with R&I Gold Bank in their technical division, Mr Rowe set up his own geological consultancy in the early 1990's and then joined MPI Mines Limited in mid-1993.

During the past three years, John has also served as a director of the following listed companies:

- ♦ Evolution Mining Limited, formerly Catalpa Resources Limited until 14 October 2011, (Non-Executive Director from 12 October 2006 to 30 January 2008, Non-Executive Chairman from 30 January 2008 to 10 December 2009, and Non-Executive director from 10 December 2009.)*
- ♦ Southern Cross Goldfields Ltd (Non-Executive Director from 14 April 2010)*
- ♦ Magma Metals Limited (Non-Executive Chairman from 25 June 2012)*^a

**Denotes current directorship*

^a Magma Metals Limited was delisted from the Australian Stock Exchange ("ASX") on 28 June 2012 and from the Toronto Stock Exchange ("TSX") on 5 July 2012

Christopher D G de Guingand

Appointed as Non-Executive Director and Non-Executive Chairman on 8 July 2005

Resigned as a Director on 17 November 2011

COMPANY SECRETARY

Trevor R Eton

52 years

B.A (Hons)(Econ), PostGradDip (Man), AFAIM

Appointed 12 March 2003

Trevor Eton is an accountant with over 25 years of experience in corporate finance within the minerals industry. Prior to joining the Company in 2003, he was Company Secretary and Group Financial Controller of MPI Mines Limited for 10 years. Trevor also worked for North Kalgurli Mines Limited, Metals Exploration Limited and Australian Consolidated Minerals Limited in various corporate finance roles from the mid 1980's.

During the past three years, Trevor has served as a director of the following listed companies:

- ♦ Magma Metals Limited (Executive Director from 25 June 2012)*^a

**Denotes current directorship*

^a Magma Metals Limited was delisted from the ASX on 28 June 2012 and from the TSX on 5 July 2012

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of directors (including committee meetings of directors) held during the year and the number of meetings attended by each director are as follows:

	Directors' Meetings	Audit	Meetings of Committees	
			Remuneration	Environment, Safety & Risk
Number of meetings held:	17	2	2	2
Number of meetings attended:				
Brian M Phillips	17	2	2	2
Peter J Harold	17	-	-	2
Christopher D J Langdon	16	2	2	2
John Rowe	17	2	2	2
Christopher D G de Guingand*	6	1	2	1

* resigned as a director and as a member of the committees of directors on 17 November 2011. Prior to his resignation, he was present at all meetings that were available to be attended.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company has an Audit Committee, a Remuneration Committee, and an Environment, Safety and Risk Committee.

Members acting on the committees of the Board during the year were:

Audit	Remuneration	Environment, Safety and Risk
Christopher D J Langdon (c)	Brian M Phillips (c)	Brian M Phillips (c)
Brian M Phillips	Christopher D J Langdon	Christopher D J Langdon
John Rowe	John Rowe	John Rowe
Christopher D G de Guingand*	Christopher D G de Guingand*	Christopher D G de Guingand*
		Peter J Harold

(c) Designates the Chairman of the Committee. The Company Secretary, Trevor Eton, acts as the Secretary on each of the committees of the Board.

* resigned as a member of the committees of directors on 17 November 2011

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of signing is as follows:

Name of Director	Ordinary Direct	Shares Indirect	Performance rights over ordinary shares
Brian M Phillips	-	10,000	-
Peter J Harold	-	3,490,785	520,000
Christopher D J Langdon	-	25,000	-
John Rowe	-	10,000	-

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year consisted of exploration, evaluation, development and production of mineral deposits.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial period were as follows:

- ♦ On 29 July 2011, after completing the minimum expenditure commitment, the Company gave written notification to Tushtena Resources Inc. and Triton Gold Limited, that its wholly owned subsidiary, Pindan (USA) Inc. was withdrawing from the Tushtena Gold Project.
- ♦ In January 2012, the Company announced that a new zone of mineralisation, the Jury-Metcalf Zone, had been discovered down-plunge of the Skinner orebody at the Lanfranchi Nickel Project, in conjunction with having intersected semi-massive sulphide mineralisation adjacent to the Schmitz orebody, also at Lanfranchi.
- ♦ On 3 February 2012, the Company announced an off-market takeover bid to acquire all of the outstanding issued shares of Magma Metals Limited. The Bidders's Statement was lodged with the Australian Investments and Securities Commission on 8 February 2012 (*refer to the Corporate Section of the Directors' Report for further details*).
- ♦ In April 2012, the Company announced that drilling down-plunge of the Lanfranchi orebody had intersected broad zones of strong matrix and massive sulphide mineralisation.
- ♦ In May 2012, the Company increased its ownership in the Copernicus Nickel Project (Open Pit portion) from 60% to approximately 78% following the election of joint venture partner, Thundelarra Exploration Ltd, to dilute its relevant interest by not contributing \$2.05 million in unpaid cash calls and accrued interest from March 2009.
- ♦ On 7 May 2012, a wholly owned subsidiary of the Company, Panoramic Precious Metals Pty Ltd, executed the "Panton Project – Sale and Purchase Agreement" with Platinum Exploration NL and Platinum Australia Limited for the purchase, subject to certain conditions precedent, of the Panton PGM (platinum group metals) Project and the rights to use the Panton Process (a patented metallurgical process) for \$5.25 million plus a Net Smelter Royalty (NSR) of 0.5%. On 21 May 2012, all conditions precedent were satisfied and the purchase of the Panton PGM Project was finalised.
- ♦ On 23 May 2012, a wholly owned subsidiary of the Company, Panoramic Gold Pty Ltd, executed the "Tenement Sale Agreement" with Apex Gold Pty Ltd and Apex Minerals NL for the purchase, subject to certain conditions precedent, of the Wilsons Gold Project for \$8 million. On 1 June 2012, all conditions precedent were satisfied and the purchase of the Wilsons Gold Project was finalised.
- ♦ At Gidgee (including Wilsons), a significant 63% upgrade in total gold resources to 1.05 million ounces of gold was reported in June 2012.
- ♦ On 26 June 2012, the Company announced that it intends to conduct an on-market share buyback (*refer to the Corporate Section of the Directors' Report for further details*).
- ♦ On 26 June 2012, the Company and a wholly owned subsidiary of the Company, Mt Henry Gold Pty Ltd, executed the "Norseman Project – Sale and Purchase Agreement" with Australian Strategic and Precious Metals Investment Pty Ltd and Matsa Resources Limited ("Matsa") for the purchase, subject to certain conditions precedent, of a 70% interest in the Mt Henry Gold Project for \$5 million plus 14 million new Panoramic shares (with escrow arrangements on two-thirds of the shares). The Company is to be sole operator and is required to free-carry Matsa to the completion of a Bankable Feasibility Study, at which time Matsa has 180 days to arrange finance to develop its 30% share in the project or to fully divest from the project. On 16 August 2012, all conditions precedent were satisfied and the 70% purchase of the Mt Henry Gold Project was finalised.
- ♦ Over the financial year, the Company made two investments in the following ASX listed company:
 - Hot Chili Limited – 11,500,001 shares at a cost of \$0.60 per share.

The Company will review this, and other existing/future equity investments on a regular basis, and will look to develop long term relationships with those companies seeking additional funding and/or technical and management expertise, and to assist in bringing financially robust and long life projects into production. If this investment strategy is not available on a particular investment or circumstances change, the Company will look to exit this investment at the appropriate time.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The Group recorded a loss after tax for the financial year ending 30 June 2012 of \$18,212,000 (2011: profit after tax of \$20,629,000 (restated)).

DIRECTORS' REPORT

Financial Performance

The Group's performance during the 2012 financial year and for the four previous financial years, are set out in the table below. The financial results shown below were all prepared under International Financial Reporting Standards (IFRS).

Year Ended 30 June	2012	2011	2010	2009	2008
Net profit/(loss) after tax (\$'000)	(18,212)	20,629	56,195	5,610	53,332
Earnings per share (cents)	(9.3)	10.0	27.5	2.9	28.4
Dividends per share (cents)	2.0	6.0	16.5	3.0	12.0
Dividends pay out ratio (%)	-	60.0	59.9	103.3	42.2
Market capitalisation (\$'000)	145,616	362,339	447,473	463,052	775,108
Closing share price (\$ per share)	0.61	1.75	2.18	2.27	4.04
Return on equity (%)	(15.3)	20.0	55.3	6.2	70.7

DIVIDENDS

On 26 August 2011, the Directors declared a fully franked final dividend of 2.0 cents per share, which was paid on 23 September 2011 in relation to the financial year ended 30 June 2011.

On 13 February 2012, the Directors declared an interim fully franked dividend of 2.0 cents per share, which was paid on 23 March 2012.

No final dividend has been declared for the financial year ended 30 June 2012.

REVIEW OF OPERATIONS

Nickel Division

On a Group basis, the operations produced an aggregate 19,791 (2011: 17,027) tonnes of contained nickel, up 16% on the previous financial year and a new annual production record.

Located 42kms south of Kambalda in Western Australia, the Company's 100% owned and operated Lanfranchi Nickel Project produced a record 464,188 (2011: 412,403) tonnes of ore grading 2.40% (2011: 2.45%) nickel containing 11,158 (2011: 10,106) tonnes of nickel. The nickel ore is treated at BHP Billiton Nickel West's Kambalda nickel concentrator under an Ore Tolling and Concentrate Purchase Agreement.

In the East Kimberley region of Western Australia, the Company owns and operates the Savannah Nickel Project and is the 78% owner and operator of the Copernicus Nickel Project. This year the Savannah Project treated a record 661,979 (2011: 600,837) tonnes of ore grading 1.52% (2011: 1.34%) and produced 8,633 (2011: 6,921) tonnes of nickel in concentrate together with 4,987 (2011: 3,689) tonnes of copper and 475 (2011: 379) tonnes of cobalt. The nickel concentrate is shipped from the port of Wyndham to the Jinchuan Group in China under the March 2010 Extended Concentrate Sales Agreement.

As at the date of this report, due to the weakness of the nickel price, the Copernicus Nickel Project remains under indefinite care and maintenance.

EXPLORATION AND DEVELOPMENT PROJECTS

During the financial year, the Group was successful in finding extensions to several of the existing orebodies at Lanfranchi. The Group continued exploring for new orebodies at each of its operations together with exploration on advanced and greenfield exploration projects within and outside Australia. The Group is forecast to spend up to \$15 million on Group wide exploration activities over the 2012/13 financial year.

Gold Division

At the 100% owned Gidgee Gold Project, exploration and evaluation activities were expanded to include resource verification work and in-fill drilling on previously mined areas. In August 2012, the Company released a Scoping Study ("Study") on the mining and treatment of open pit ore from previous production areas at Swan Bitter, Swift, Howards, Toedter, Specimen Well and underground ore from the recently acquired Wilsons orebody. The Study contemplates treating ore in a 1.05 million tonne per annum processing plant to produce an estimated total of 606,000 ounces of gold over an initial seven year mine life.

Following the finalisation, in August 2012, of the acquisition of a 70% interest in the Mt Henry Gold Project, the consolidated entity will commence a Bankable Feasibility Study into the mining and treatment of ore from the Mt Henry gold tenements.

DIRECTORS' REPORT

Platinum Group Metals (PGM) Division

The principal asset of Magma is the Thunder Bay North PGM Project, located near Thunder Bay in north-west Ontario, Canada. Together with the recently acquired Panton PGM Project in the East Kimberley region of Western Australia, the consolidated entity will continue the review of technical information and the optimisation of previous evaluation studies to progress the development of both these PGM projects.

CORPORATE

Off-Market Takeover of Magma Metals Limited

On 3 February 2012, the Company announced an off-market takeover bid ("Offer") to acquire all of the outstanding issued ordinary shares of Magma Metals Limited ("Magma"). The Bidders's Statement was lodged with the Australian Investments and Securities Commission on 8 February 2012.

The Offer opened on 23 February 2012 and consisted of one Panoramic share for every 17 Magma share on issue that the Company did not already own. The Offer was initially conditional, amongst other conditions, on achieving ownership of 90% of the issued shares of Magma. The minimum ownership condition of the Offer was subsequently reduced to 50% on 27 April 2012.

On 11 May 2012, the Company had received acceptances totalling 54.15% of Magma's issued ordinary shares and the Offer became unconditional. The Offer was also varied to one Panoramic share for every seven Magma shares. For accounting purposes, this date was considered the date that control had passed to the Company.

The Offer closed on 6 June 2012 at which time the Company held a 92.24% relevant interest in Magma. On 14 June 2012, the Company proceeded with the compulsory acquisition of the remaining ordinary shares in Magma in accordance with Section 661A and Section 662A of the Corporations Act 2001 (Cth). On 29 June 2012, in accordance with Section 663A of the Corporations Act 2001 (Cth), the Company offered to buy all the remaining unlisted options in Magma which was subsequently accepted by all the Magma option holders.

On 28 June 2012, Magma was delisted from the Australian Stock Exchange ("ASX") and on 5 July 2012, the Company was delisted from the Toronto Stock Exchange ("TSX").

On 25 July 2012, the Company had acquired all the ordinary issued shares in Magma following the compulsory acquisition process.

On-Market Share Buyback

On 26 June 2012, the Company announced that it intended to conduct an on-market share buyback. The earliest date that the on-market share buyback could start was 11 July 2012 for a maximum period of 12 months. All shares acquired in the share buyback will be cancelled immediately. The Company reserves the right to suspend or terminate the buyback at any time.

REVIEW OF FINANCIAL CONDITION

Capital Structure

The debt to equity ratio (borrowings on equity interest in shareholders' equity) at 30 June 2012 was 7.2% (2011: 1.4%)

Hedging Policy

The consolidated entity has an active policy of limiting the exposure to nickel price risk and currency risk through limited hedging, namely:

- ♦ For nickel price risk of both the Savannah Project and the Lanfranchi Project, the policy is to hedge, when appropriate, no more than 80% (2011: 80%) of the payable nickel forecast to be produced in any month, over a rolling two year horizon. Any hedging is undertaken using a combination of nickel forward sales contracts and nickel put options, with nickel call options written and sold in order to offset the cost of bought nickel put options. Of the 80% maximum limit, the percentage of the combined nickel forward sales contracts and written nickel call options (but excluding purchased nickel put options) is to be no more than 40% (2011: 40%) of the payable nickel forecast to be produced in any month over the same rolling two year horizon; and
- ♦ For currency risk, although not mandatory in the policy, when appropriate, sufficient foreign exchange currency hedging on a month to month basis, via a combination of currency forward contracts and currency put and call options, to match the net United States dollar proceeds from nickel hedging using nickel forward sales contracts.

DIRECTORS' REPORT

None of the existing nickel forward sale contracts that have been entered into by the consolidated entity are subject to margin calls. As at 30 June 2012, the consolidated entity had sold forward 675 tonnes of nickel at an average weighted nickel price of US\$12.00 per pound for delivery between July 2012 and June 2013, which represents approximately 5% of forecast payable nickel production.

As at 30 June 2012, the consolidated entity had a net favourable “in the money” position on open United States dollar denominated foreign exchange bought put and sold call options that expire between July 2012 and June 2013 (as detailed further in Note 14 of the Notes to the Financial Statements).

CORPORATE

The Company is limited by shares and is domiciled and incorporated in Australia.

EMPLOYEES

At the end of the financial year, the Group had 428 permanent, full time employees (2011: 389). The number had increased during the financial year following the transfer of the maintenance of underground mobile equipment from a contractor to Lanfranchi personnel and the new employment of workers at the Savannah process plant following the return to continuous milling at the Savannah Project.

EVENTS SUBSEQUENT TO BALANCE DATE

Takeover of Magma Metals Limited

On 25 July 2012, in relation to the Off-Market takeover of Magma Metals Limited, the Company had successfully acquired all the ordinary issues in Magma following the compulsory acquisition process.

Gidgee Gold Project Scoping Study

On 7 August 2012, the Company announced and released the Gidgee Gold Project Scoping Study.

Purchase of a 70% Interest in the Mt Henry Gold Project

On 16 August 2012, the consolidated entity finalised the 70% purchase of the Mt Henry Gold Project from Matsa Resources Limited.

In the interval between the end of the financial year and the date of this report, apart from the events mentioned above, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity will continue mining and treating of nickel sulphide ores to produce nickel concentrate at the Savannah Project and continue mining of nickel sulphide ores from the Lanfranchi Project.

Work will continue on extending and adding to economic reserves of the Savannah Project and the Lanfranchi Project from known resources and identifying new resources through exploration.

At the Gidgee Gold Project, the consolidated entity will continue to explore for new gold orebodies and on upgrading the Scoping Study into a Bankable Feasibility Study (BFS) for the economic mining of underground ore at the Wilsons deposit and mining of open pit ore from previous production areas at Swan Bitter, Swift, Howards, Toedter and Specimen Well.

On the recently acquired advanced exploration PGM projects at Thunder Bay North Project in north-west Ontario, Canada and the Panton Project in the East Kimberley region of Western Australia, work will continue on the review of technical information and the optimisation of previous evaluation studies.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' REPORT

SHARE OPTIONS

At the date of signing, total unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price (\$)	Number of Shares
31 December 2012	1.50	3,000,000

In the interval between the end of the financial year and the date of signing, the option holder has not exercised the option to acquire fully paid shares in Panoramic Resources Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current directors and senior executives, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company, except where the liability arises out of certain wrongful acts for which the Company has not agreed to provide indemnity. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

During the financial year, the Company has paid premiums of \$50,540 (2011: \$14,724) in respect of contracts insuring all the directors and officers against legal costs incurred in defending proceedings. The insurance premiums relate to:

1. Costs and expenses incurred by the relevant officers in defending legal proceedings, both civil and criminal and whatever the outcome; and
2. Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

2012 REMUNERATION REPORT (AUDITED)

This 2012 remuneration report outlines the remuneration arrangements in place for the directors and executives of the Company and the Group in accordance with the *Corporations Act 2001 and its Regulations (the Act)*. The information provided in the remuneration report has been audited as required by section 308 (3C) of the Act.

For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the managing director, senior executives and operations managers of the Company and the Group.

Details of Key Management Personnel

(i) Directors

Brian Phillips	Chairman (Non-Executive)
Peter Harold	Managing Director
Christopher Langdon	Director (Non-Executive)
John Rowe	Director (Non-Executive)
Christopher de Guingand	Chairman (Non-Executive) – retired on 17 November 2011

(ii) Named Executives

Trevor Eton	Chief Financial Officer and Company Secretary
Christopher Williams	General Manager – Project Development & Technical Services
Terry Strong	General Manager – Nickel Operations
Robert Thorburn	Operations Manager – Lanfranchi Project
Mark Recklies	Operations Manager – Savannah Project

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- ♦ Provide competitive rewards to attract high calibre executives;
- ♦ Link executive rewards to shareholder value and company profits;
- ♦ Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- ♦ Establish appropriate and demanding performance hurdles in relation to variable executive remuneration.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Managing Director and the executive team.

The Remuneration Committee assess the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing and committed executive team.

Remuneration Structure

In accordance with best practice corporate governance, the remuneration structure of the non-executive directors, and senior management, is separate and distinct.

Use of Remuneration Consultants

Where appropriate, the Remuneration Committee and the Board seek advice from independent remuneration consultants to ensure the remuneration paid to the non-executive directors and senior management is appropriate and in line with the market. The Company did not receive independent remuneration advice during the financial year as defined under the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration)*.

Non-Executive Director Remuneration

Fixed Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. This fee is inclusive for each Board committee on which a director sits.

The fees paid to non-executive directors for the period ending 30 June 2012 are detailed in Table 1 on page 21 of this report. Fees for the non-executive directors are determined within an aggregate directors' fee pool limit of \$600,000, which was last approved by shareholders on 20 November 2007.

Variable Remuneration

The Company does not reward non-executive directors with variable remuneration. Any shares in the Company that are held by non-executive directors at the date of this report are directly or in-directly separately purchased and held by each director and have not been issued by the Company as part of each director's remuneration package.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Executive Remuneration

Objective

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

- ♦ reward executives for Company, operating segment and individual performance against targets set by reference to appropriate benchmarks;
- ♦ align the interests of executives with those of shareholders;
- ♦ link reward with the strategic goals and the performance of the Company; and
- ♦ ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee take due consideration of the current market levels of remuneration for comparable executive roles.

It is the Remuneration Committee's policy that employment contracts are entered into with the Managing Director and other key management personnel. Details of these KMP contracts are provided on pages 18 to 20.

Remuneration consists of the following key elements:

- ♦ Fixed Remuneration (base salary, superannuation and non-monetary benefits);
- ♦ Variable Remuneration
 - Short Term Incentive Bonus ('STIB'); and
 - Long Term Incentive ('LTI').

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Remuneration Committee. Table 1 on page 21 details the variable component (%) of the Group's KMP. STI Bonuses paid and accrued, in most cases, do not include the statutory requirement from 1 July 2009 for the payment of employer superannuation. Where necessary, when the payment of superannuation on an individual's STI Bonus would cause the amount of superannuation in any financial year to exceed the applicable statutory concessional maximum superannuation contribution limit, at the individual's discretion, an equivalent amount of employer superannuation is added to the executive's base cash salary.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of Company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, when appropriate, external advice on policies and practices. As noted above, the Remuneration Committee has access to external advice, independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the Group's key management personnel is detailed in Table 1 on page 21.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Executive Remuneration

Variable Remuneration – Short Term Incentive Bonus (STIB)

Objective

The objective and intention of the executive STIB scheme is to encourage and provide a further incentive to executives to:

- (a) maximise the financial performance of the Company on a regular and consistent basis that is also consistent with the Company's Core Values; and
- (b) create and maintain a culture within all levels of the Company and Group such that the Company's Core Values are accepted, supported and actively promoted by all the employees of the Company and Group.

The STIB scheme has been designed so as to provide sufficient incentive to the executives such that the cost to the Company is reasonable in the circumstances.

Structure

The current structure of the executive STIB scheme commenced from 1 January 2010.

Calculation of the STIB

The STIB is calculated annually at the end of the relevant financial year ("**Relevant Financial Year**"). The STIB comprises two parts - the first part is based on the Company's financial performance; the second part is discretionary and based on the extent to which the Company and the Group, Managing Director, executives, and all employees have acted and performed in a manner consistent with the Company and the Group Core Values during the Relevant Financial Year.

STIB First Part - Financial Performance

A maximum Cash bonus (excluding statutory superannuation) will be paid to the executives if certain financial thresholds are met by the Company and the Group during the Relevant Financial Year ("**Cash bonus**"). The maximum Cash bonus will be calculated at the end of the Relevant Financial Year using figures obtained from the audited financial statements of the consolidated entity for the Relevant Financial Year, in accordance with the following formula:

$$C_{EXEC} = [P - (E \times 15\%)] \times 20\%$$

where

C_{EXEC} = the maximum Cash bonus to be paid to executives for the Relevant Financial Year;

P = Earnings Before Interest and Tax ("**EBIT**") of the Company (on a consolidated basis) for the Relevant Financial Year;

E = the average of (1) the "Total Assets" line item of the audited consolidated balance sheet of the Company (on a consolidated basis) for the Relevant Financial Year and (2) the "Total Assets" line item of the audited consolidated balance sheet of the Company for the year immediately preceding the Relevant Financial Year. "Total Assets" includes current and non-current assets.

STIB Second Part - Core Values

In addition to the first part maximum STIB Cash bonus, the Company (in the sole and absolute discretion of the Remuneration Committee) may pay each executive on a case by case basis, a discretionary Cash bonus ("**Discretionary Cash bonus**"). The Discretionary Cash bonus will be determined at the end of the Relevant Financial Year taking into account the extent to which the Company, Managing Director, executives, and all employees have acted and performed in a manner consistent with the Company's Core Values during the Relevant Financial Year.

The Company's Core Values are the core values of the Company as announced to the Australian Stock Exchange ("ASX") from time to time by the Company, which as listed in the Managing Director's employment contract, are to:

- ♦ maintain and improve the Company's safety culture so every employee believes that safety is the Company's most important value in line with the Company's safety mantra: Vision, Commitment, Results;
- ♦ optimise the Company's metal production by focus on operations and the performance of the management team;
- ♦ maintain a programme to grow the Company's existing resource and reserve base;
- ♦ seek to acquire additional assets so the Company pursues its aim to become a diversified mining house; and
- ♦ maintain a steady return to Shareholders through dividends and/or increase in the value of the Company's shares.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Executive Remuneration

Maximum STIB

In addition to the executive STIB scheme, and subject to the financial and operational performance of the Company and Group in the Relevant Financial year, the Company may make discretionary STIB cash payments to the remaining employees of the Company and Group.

To take account of the aggregation of the two annual STIB cash payments, the Remuneration Committee has set a maximum aggregate STIB Cash pool (including statutory superannuation) for the Company and Group to be calculated at the end of the Relevant Financial Year using figures obtained from the audited consolidated financial statements of the Company for the Relevant Financial Year, in accordance with the following formula:

$$C_{\max} = P \times 5\%$$

where

C_{\max} = the maximum aggregate Cash bonus to be paid to all Company and Group employees for the Relevant Financial Year;

P = Earnings Before Interest and Tax ("EBIT") of the Company (on a consolidated basis) for the Relevant Financial Year.

Accrued and actual executive STIB payments

Actual STIB payments granted to each executive are made after the end of the Relevant Financial Year, usually in October (60%) and the following April (40%), when the audited consolidated financial statements of the Company for the Relevant Financial Year are known and the maximum executive STIB Cash pool (C_{EXEC}) has been determined.

For the 2012 financial year, based on the C_{EXEC} calculation formula and forecast consolidated financial results, no aggregate executive STIB Cash bonus has been accrued. Any variance between the C_{EXEC} accrual estimate and the aggregate of the actual STIB cash payments to be paid in Discretionary Cash bonuses, will be brought to account in the 2013 financial year.

For the 2011 financial year, no cash bonus was paid under the "STIB First Part - Financial Performance". However, under the "STIB Second Part-Core Values", the Remuneration Committee agreed to an executive Discretionary Cash bonus payment of 10% of each executive's base salary. As a result, an aggregate amount of \$463,233 was paid to executives in October 2011. In addition, at the same time as approving the Discretionary Cash bonus, the Remuneration Committee agreed to pay each executive a Retention bonus in May 2012 of 10% of each executive's base salary that totalled \$447,423.

The short term incentive variable remuneration component of the Group's KMP is detailed in Table 1 on page 21.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI program is to reward and incentivise executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The Company's performance during the 2012 financial year and for the previous four financial years, and its impact on shareholder wealth, is summarised in the table below.

Year Ended 30 June	2012	2011	2010	2009	2008
Net profit/(loss) after tax (\$'000)	(18,212)	20,629	56,195	5,610	53,332
Earnings per share (cents)	(9.3)	10.0	27.5	2.9	28.4
Dividends per share (cents)	2.0	6.0	16.5	3.0	12.0
Dividends pay out ratio (%)	-	60.0	59.9	103.3	42.2
Market capitalisation (\$'000)	145,616	362,339	447,473	463,052	775,108
Closing share price (\$ per share)	0.61	1.75	2.18	2.27	4.04
Return on equity (%)	(15.3)	20.0	55.3	6.2	70.7

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Executive Remuneration

Structure

LTI grants to executives are now delivered in the form of performance rights to shares, as issued under the 2010 Panoramic Resources Limited Employee Share Plan (2010 ES Plan) approved by the Company's shareholders on 3 September 2010. During the financial year, there were no LTI grants under the 2010 ES Plan allocated to executives of the Company.

Table 2 on page 22 and Table 3 on page 23, provides details of performance rights to shares granted, the value of performance rights to shares granted, and vesting periods under the 2010 ES Plan. In addition, Table 3 on page 23 provides details on the vesting and exercise of performance rights to shares under the previous 2007 Panoramic Resources Limited Employee Share Plan (2007 ES Plan), and on the vesting and exercise of performance rights to shares under the Managing Director Long Term Share Plan (LTSP). Details of the 2010 ES Plan, LTSP and 2007 ES Plan and the respective performance hurdles are provided under the terms of Peter Harold's employment contract on page 18.

No Hedging Contracts on LTI Grants

The Company does not permit executives to enter into contracts to hedge their exposure to options or performance shares granted as part of their remuneration package. This policy is strictly enforced by the Managing Director under the Company's Share Trading Policy detailed in the Corporate Governance Statement on page 30.

Employment Contracts

Non-Executive Chairman

The Non-Executive Chairman, Brian Phillips, commenced in his role on 17 November 2011 under the following terms:

- ♦ Brian Phillips may resign from his position and thus terminate his directorship on written notice.
- ♦ The Company must provide 6 months written notice or provide payment in lieu of the notice period (\$89,776), based on the fixed component of Brian Phillip's remuneration if termination is initiated by the Company, except where termination is from serious misconduct.
- ♦ The Company may terminate his directorship at any time without notice if serious misconduct has occurred. In this situation, the Non-Executive Chairman is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

Non-Executive Directors

All other non-executive directors conduct their duties under the following terms:

- ♦ A non-executive director may resign from his position and thus terminate this contract on written notice.
- ♦ The Company may terminate a directorship by providing 6 months' written notice or provide payment in lieu of the notice period (based on the fixed component of the non-executive director's remuneration) if termination is initiated by the Company, except where termination is from serious misconduct. The fixed components of the non-executive director's remuneration are:

Non-Executive Director	Termination Payment
Christopher Langdon	\$62,572
John Rowe	\$62,572

- ♦ The Company may terminate a directorship at any time without notice if serious misconduct has occurred. Where termination with such cause occurs the non-executive director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Employment Contracts

Managing Director

The Managing Director, Peter Harold, is employed under a contract that commenced on 1 January 2010. The key features of his employment contract (Contract) are:

- ♦ The term of the Contract was initially for a minimum of 12 months, and is now able to be terminated on 6 months notice from Peter Harold, and 12 months notice from the Company. Termination is immediate (with no payment in lieu of notice) under certain events. Since 1 January 2011, the fixed remuneration per annum of Peter Harold's Contract is subject to review on an annual basis.
- ♦ The Company may make STIB payments to Peter Harold, firstly, up to a maximum of 75% of Peter Harold's fixed remuneration per annum under the First Part (Financial Performance) of the executive STIB scheme, and secondly, up to a maximum of 25% of Peter Harold's fixed remuneration per annum under the discretionary Second Part (Core Values) of the executive STIB scheme. The Cash bonus under the First Part (Financial Performance) of the executive STIB scheme will be calculated at the end of the Relevant Financial Year using figures obtained from the audited consolidated financial statements of the Company for the Relevant Financial Year, in accordance with the following formula:

$$C_{PH} = [P - (E \times 15\%)] \times 2.5\%$$

where

C_{PH} = the Cash bonus to be paid to Peter Harold for the Relevant Financial Year;

P = Earnings Before Interest and Tax ("**EBIT**") of the Company (on a consolidated basis) for the Relevant Financial Year;

E = the average of (1) the "Total Assets" line item of the audited consolidated balance sheet of the Company (on a consolidated basis) for the Relevant Financial Year and (2) the "Total Assets" line item of the audited consolidated balance sheet of the Company for the year immediately preceding the Relevant Financial Year. "Total Assets" includes current and non-current assets.

- ♦ Peter Harold may resign from his position and thus terminate the Contract by giving 6 months written notice. Any vested unlisted options not exercised, if applicable, will be forfeited 4 weeks after notice of resignation. Peter Harold will not receive any accrued benefits of the executive STIB scheme in the event that he gives notice.
- ♦ If the Company terminates Peter Harold's Contract, other than lawfully in accordance with its terms, Peter Harold will be entitled to be paid his accrued First Part (Financial Performance) executive STIB at the time notice of the termination is given based on the calculated STIB at the end of the previous quarter in the Relevant Financial Year, up to the maximum of 75% of Peter Harold's fixed remuneration per annum. Any payment of a Cash bonus under the Second Part (Core Values) of the executive STIB scheme will be at the discretion of the Remuneration Committee. If Peter Harold works out the whole or any part of his notice period, he will be entitled to his accrued First Part (Financial Performance) executive STIB during the period after the notice is given until such time as he stops working.
- ♦ If there is a Change of Control Event, Peter Harold will be entitled to paid his accrued First Part (Financial Performance) executive STIB at the time of the Change of Control based on the calculated STIB at the end of the previous quarter in the Relevant Financial Year, up to the maximum of 75% of Peter Harold's fixed remuneration per annum. Any payment of a Cash bonus under the Second Part (Core Values) of the executive STIB scheme will be at the discretion of the Board of Directors. If the Board of Directors is unable to determine for any reason the accrued and discretionary benefits to Peter Harold under the executive STIB scheme, Peter Harold will be entitled to be paid an accrued STIB based on 100% of Peter Harold's fixed remuneration per annum.
- ♦ Under Tranche 1 of the 2010 ES Plan, Peter Harold was entitled to be issued a maximum of 520,000 shares in the Company on 1 July 2012 at zero cost, dependent upon the performance of the Company relative to a group of selected peers over a two year period that commenced on 1 July 2010 and ended on 1 July 2012 (Performance Period). The peer group comprised those companies within the S&P / ASX 300 Metals & Mining Index at the commencement of the Performance Period. The peer group was ranked in terms of relative total shareholder return (TSR), which is the percentage increase in each Company's share price plus reinvested dividends over the Performance Period adjusted for bonus issues, subdivisions and consolidations of capital. Relative TSR was selected as the LTI performance hurdle as it ensured an alignment between comparative shareholder return and reward for the share rights holder. Shares were to be allotted to Peter Harold provided that the TSR ranking, as determined by an independent external advisor on behalf of the Remuneration Committee, of the Company at the end of the Performance Period was at or above the 50th percentile of the peer group. On 1 July 2012, the TSR ranking of the Company was below the 50th percentile of the peer group and as a consequence no shares were allotted to employees under Tranche 1 of the 2010 ES Plan, including Peter Harold.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Employment Contracts

- ♦ Under Tranche 2 of the 2010 ES Plan, Peter Harold will be entitled to be issued a maximum of 520,000 shares in the Company on 31 December 2013 at zero cost, dependent upon the performance of the Company relative to a group of selected peers over a 30 month period that commenced on 1 July 2011 and ends on 31 December 2013 (Performance Period). The peer group comprises those companies within the S&P / ASX 300 Metals & Mining Index at the commencement of the Performance Period. The peer group is to be ranked in terms of relative total shareholder return (TSR), which is the percentage increase in each Company's share price plus reinvested dividends over the Performance Period adjusted for bonus issues, subdivisions and consolidations of capital. Relative TSR was selected as the LTI performance hurdle as it ensures an alignment between comparative shareholder return and reward for the share rights holder. Shares will be allotted to Peter Harold provided that the TSR ranking, as determined by an independent external advisor on behalf of the Remuneration Committee, of the Company at the end of the Performance Period is at or above the 50th percentile of the peer group. At the 50th percentile, Peter Harold will be entitled to 25% of the shares, increasing proportionately to 50% at the 60th percentile. At the 60th percentile, Peter Harold will be entitled to 50% of the shares, increasing proportionately to 100% at the 75th percentile.
- ♦ In the previous financial year, under the 2007 ES Plan, Peter Harold was entitled to be issued a maximum of 500,000 shares in the Company on 31 December 2010 at zero cost. This entitlement was dependent upon the performance of the Company relative to a group of selected peers over a three year period that commenced on 1 January 2008 and ended on 31 December 2010 (Performance Period). The peer group comprised those companies within the S&P / ASX 300 Metals & Mining Index at the commencement of the Performance Period. The peer group was to be ranked in terms of relative total shareholder return (TSR), which is the percentage increase in each Company's share price plus reinvested dividends over the Performance Period adjusted for bonus issues, subdivisions and consolidations of capital. Relative TSR was selected as the LTI performance hurdle as it ensures an alignment between comparative shareholder return and reward for the share rights holder. Shares were to be allotted to Peter Harold provided that the TSR ranking, as determined by an independent external advisor on behalf of the Remuneration Committee, of the Company at the end of the Performance Period was at or above the 50th percentile of the peer group. At the 50th percentile, Peter Harold was entitled to 50% of the shares, increasing proportionately to 100% at the 75th percentile. On 31 December 2010, Peter Harold was entitled to be issued with 260,000 shares in the Company, with the balance of 240,000 performance rights to shares being forfeited and cancelled by the Company;
- ♦ If the Company terminates Peter Harold's Contract, or Peter Harold is terminated after a Change of Control of the Company, other than lawfully in accordance with its terms, then, subject to the TSR performance of the Company relative to the applicable peer group for the Performance Period ending on the date that notice of termination is given or employment ceases, Peter Harold will be entitled to a pro-rata portion (calculated on a daily basis) of his 2010 ES Plan Tranche 2 performance rights vesting earlier than the dates originally set down.

Other Named Executives

All other named executives are employed under individual open common law employment contracts. These executives and the commencement date of their contracts are as follows:

Named Executive	Date of Commencement of Employment Contracts	Position
Trevor Eton	2 February 2009	Chief Financial Officer & Company Secretary
Christopher Williams	6 February 2012	General Manager – Project Development & Technical Services
Terry Strong	6 February 2012	General Manager – Nickel Operations
Robert Thorburn	1 November 2009	Operations Manager – Lanfranchi Project
Mark Recklies	23 January 2012	Operations Manager – Savannah Project

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Employment Contracts

The common key features of the above named executives' employment contracts are:

- ♦ Each may resign from his position and thus terminate his contract by giving 3 months written notice. Any vested unlisted options not exercised will be forfeited 4 weeks from the date of resignation.
- ♦ The Company may terminate a named executive's employment contract by providing 4 months written notice or provide payment based on each named executive's fixed remuneration per annum in lieu of the notice period. In the event of a termination in employment through a Change in Control of the Company, the Company will provide 6 months written notice or provide payment based on each named executive's fixed remuneration per annum in lieu of notice. Upon notice of termination by the Company, any unlisted LTI options that have vested, or will vest during the notice period will be able to be exercised until the expiry date. Any unlisted LTI options that have not yet vested will vest immediately upon the date that notice of termination is given, unless termination is from serious misconduct in which case the options not yet vested will be forfeited. If a named executive is terminated after a Change of Control of the Company, other than lawfully in accordance with its terms, then, subject to the TSR performance of the Company relative to the applicable peer group for the Performance Period ending on the date that notice of termination is given or employment ceases, each named executive will be entitled to a pro-rata portion (calculated on a daily basis) of his 2010 ES Plan Tranche 2 performance rights vesting earlier than the dates originally set down.
- ♦ The Company may terminate the contract at any time without notice if serious misconduct has occurred. When termination with such cause occurs, the named executive is only entitled to that portion of remuneration which is fixed, and only up to the date that notice of termination is given. On termination with such cause, any unvested options or LTI grants in the form of performance rights will immediately be forfeited. Any vested unlisted options not exercised within 4 weeks of such notice of termination will be forfeited.
- ♦ Under the 2010 ES Plan, the named executives have been given LTI grants at zero cost over two tranches:

Named Executive	Tranche 1*	Tranche 2	Total LTI Grants
	LTI Grants	LTI Grants	
Trevor Eton	295,000	295,000	590,000
Christopher Williams	295,000	295,000	590,000
Terry Strong	197,500	197,500	395,000
Robert Thorburn	197,500	197,500	395,000
Mark Recklies	40,000	40,000	80,000
Total LTI grants	1,025,000	1,025,000	2,050,000

* Note: The vesting date of Tranche 1 of performance rights was 1 July 2012. The performance conditions for the vesting of these performance rights were not satisfied and Tranche 1 of performance rights under the 2010 ES Plan lapsed with no shares in the Company being allotted to the named executives

The terms and conditions of the LTI grants under the 2010 ES Plan are provided under the terms of Peter Harold's employment contract on page 18.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Table 1: Remuneration of Directors and Executives Officers

2012	Short-term incentive benefits				Post-employment benefits		Long-term incentive Plans				
Name	Cash salary and fees	Paid Bonus	Accrued Bonus	Other Benefits	Super-annuation	Retirement benefits	Executive Options	Employee Shares	Long Term Shares (a)(b)	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Executive Directors											
P J Harold	603,188	123,000	-	9,811	58,832	-	-	-	675,122	1,469,953	54
Non-Executive Directors											
C J G de Guingand (c)	68,308	-	-	1,632	-	-	-	-	-	69,940	-
C D J Langdon	125,144	-	-	4,284	-	-	-	-	-	129,428	-
J Rowe	125,144	-	-	4,284	-	-	-	-	-	129,428	-
B M Phillips (d)	152,741	-	-	4,284	-	-	-	-	-	157,025	-
Executives											
T R Eton	329,500	65,900	-	9,811	35,586	-	-	-	350,829	791,626	53
C J Williams	329,500	65,900	-	4,284	35,586	-	-	-	350,829	786,099	53
T J Strong	313,898	61,500	-	4,284	33,786	-	-	-	234,877	648,345	46
S A Jessop (e)	97,641	28,000	-	1,479	11,308	-	-	-	81,081	219,509	50
M A Recklies	266,333	53,000	-	1,866	28,809	-	-	-	47,570	397,579	25
R J Thorburn	279,615	56,000	-	4,284	32,030	-	-	-	234,877	606,807	48
	2,691,012	453,300	-	50,304	235,937	-	-	-	1,975,185	5,405,739	45

(a) Long Term Shares amount is the non-cash amortisation expense for the period in relation to granted performance rights to shares

(b) Includes the amortisation expense of Tranche 1 of the LTI Share Rights, which subsequently lapsed with no benefit to the holder on 1 July 2012

(c) Mr C de Guingand retired as non-executive Chairman on 17 November 2011

(d) Mr. B Philips commenced as non-executive Chairman on 17 November 2011

(e) Mr. S Jessop resigned from the Company on 4 November 2011

2011	Short-term incentive benefits				Post-employment benefits		Long-term incentive Plans				
Name	Cash salary and fees	Paid Bonus (a)	Accrued Bonus (a)	Other Benefits	Super-annuation	Retirement benefits	Executive Options	Employee Shares	Long Term Shares (b)	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Executive Directors											
P J Harold	595,953	550,000	(499,000)	7,163	25,000	-	-	-	973,217	1,652,333	62
Non-Executive Directors											
C J G de Guingand	173,679	-	-	1,793	-	-	-	-	-	175,472	-
C D J Langdon	121,050	-	-	1,793	-	-	-	-	-	122,843	-
J Rowe (c)	121,050	-	-	38,174	-	-	-	-	-	159,224	-
B M Phillips	121,050	-	-	1,793	-	-	-	-	-	122,843	-
Executives											
T R Eton	315,729	140,000	(80,000)	7,163	41,016	-	-	-	202,808	626,716	42
C J Williams	315,729	140,000	(80,000)	1,793	41,016	-	-	-	202,808	621,346	42
T J Strong	280,698	105,000	(60,000)	1,793	34,713	-	-	-	135,778	497,982	36
S A Jessop	282,752	105,000	(60,000)	1,793	34,898	-	-	-	135,778	500,221	36
R J Thorburn	250,885	105,000	(60,000)	1,793	32,030	-	-	-	135,778	465,486	39
	2,578,575	1,145,000	(839,000)	65,051	208,673	-	-	-	1,786,167	4,944,466	42

(a) Cash bonuses paid and the reversal of accrued bonuses are in relation to the 2010 financial year

(b) Long Term Shares amount is the non-cash amortisation expense for the period in relation to granted performance rights to shares

(c) Mr J Rowe provided geological consulting work to the Group based on normal commercial terms and conditions. This work was not in relation to his role as a Company director

It should be noted that the amounts allocated for the LTI grants in Table 1, under the ES Plans, to each executive is the value calculated under the accounting standards and does not, in every case, represent the value ultimately received by the executive.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Table 2 : Securities granted as part of remuneration during the year

(i) Options - 2011/12										
No options were granted during 2011/12.										
(ii) Performance Rights to Shares - 2011/12										
No performance rights to shares were granted during 2011/12.										
(i) Options - 2010/11										
No options were granted during 2010/11.										
(ii) Performance Rights to Shares - 2010/11										
2011	Grant Date	Grant Number	Vest Date	Securities Vested during period	Value per security at grant date	Value of securities granted during the year	Exercised Number	Exercise Price	Expiry date	% of remuneration
					\$	\$		\$		
(i) Performance Rights to Shares										
PJ Harold	3/09/10	520,000	1/07/12	-	1.68	873,600	-	-	2/07/12	
PJ Harold	3/09/10	520,000	31/12/13	-	1.61	837,200	-	-	1/01/14	
Total		1,040,000		-		1,710,800	-	-		59%
T R Eton	1/12/10	295,000	1/07/12	-	1.18	348,100	-	-	2/07/12	
T R Eton	1/12/10	295,000	31/12/13	-	1.37	404,150	-	-	1/01/14	
Total		590,000		-		752,250	-	-		32%
CJ Williams	1/12/10	295,000	1/07/12	-	1.18	348,100	-	-	2/07/12	
CJ Williams	1/12/10	295,000	31/12/13	-	1.37	404,150	-	-	1/01/14	
Total		590,000		-		752,250	-	-		33%
TJ Strong	1/12/10	197,500	1/07/12	-	1.18	233,050	-	-	2/07/12	
TJ Strong	1/12/10	197,500	31/12/13	-	1.37	270,575	-	-	1/01/14	
Total		395,000		-		503,625	-	-		27%
RJ Thorburn	1/12/10	197,500	1/07/12	-	1.18	233,050	-	-	2/07/12	
RJ Thorburn	1/12/10	197,500	31/12/13	-	1.37	270,575	-	-	1/01/14	
Total		395,000		-		503,625	-	-		29%
SA Jessop	1/12/10	197,500	1/07/12	-	1.18	233,050	-	-	2/07/12	
SA Jessop	1/12/10	197,500	31/12/13	-	1.37	270,575	-	-	1/01/14	
Total		395,000		-		503,625	-	-		27%
Total 2010/2011		3,405,000		-	1.39	4,726,175	-	-		

No amount was paid or payable by the recipient for those securities granted during the period.

All securities granted during the period can be exercised after the vesting date and prior to the expiry date.

Performance rights to shares granted as a part of executive remuneration have been externally valued using a Monte-Carlo simulation model, which takes account of factors including the current level and volatility of the underlying share price, the risk free rate, expected dividends on the underlying share, the current market price of the underlying share and Total Shareholder Return (TSR) hurdles that must be met before the Share Based Payment vest to the holder.

Where applicable, options granted as a part of executive remuneration have been externally valued using a Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

There have been no options granted over unissued ordinary shares to key management personnel since 30 June 2012.

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Table 3 : Securities holdings of directors and specified executives

2012	Balance at beginning of period	Granted as Remuneration	Securities Exercised	Net Change Other	Balance at end of period	Vested at 30 June 2012		
	1 July 2011				30 June 2012	Total	Not Exercisable	Exercisable
(i) Options								
Executives								
T R Eton	-	-	-	-	-	-	-	-
C J Williams	-	-	-	-	-	-	-	-
T J Strong	-	-	-	-	-	-	-	-
S A Jessop	-	-	-	-	-	-	-	-
R J Thorburn	-	-	-	-	-	-	-	-
M A Recklies	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
(ii) Performance Rights								
Directors								
P J Harold	1,040,000		-	-	1,040,000	-	-	-
Executives								
T R Eton	590,000	-	-	-	590,000	-	-	-
C J Williams	590,000	-	-	-	590,000	-	-	-
T J Strong	395,000	-	-	-	395,000	-	-	-
S A Jessop	395,000	-	-	(395,000)	-	-	-	-
R J Thorburn	395,000	-	-	-	395,000	-	-	-
M A Recklies	80,000	-	-	-	80,000	-	-	-
Total	3,485,000	-	-	(395,000)	3,090,000	-	-	-
2011	Balance at beginning of period	Granted as Remuneration	Securities Exercised	Net Change Other	Balance at end of period	Vested at 30 June 2011		
	1 July 2010				30 June 2011	Total	Not Exercisable	Exercisable
(i) Options								
Executives								
T R Eton	550,000	-	(550,000)	-	-	-	-	-
C J Williams	100,000	-	(100,000)	-	-	-	-	-
T J Strong	75,000	-	(75,000)	-	-	-	-	-
S A Jessop	50,000	-	(50,000)	-	-	-	-	-
R J Thorburn	-	-	-	-	-	-	-	-
Total	775,000	-	(775,000)	-	-	-	-	-
(ii) Performance Rights								
Directors								
P J Harold	500,000	1,040,000	(260,000)	(240,000)	1,040,000	-	-	-
Executives								
T R Eton	-	590,000	-	-	590,000	-	-	-
C J Williams	-	590,000	-	-	590,000	-	-	-
T J Strong	-	395,000	-	-	395,000	-	-	-
S A Jessop	-	395,000	-	-	395,000	-	-	-
R J Thorburn	-	395,000	-	-	395,000	-	-	-
Total	500,000	3,405,000	(260,000)	(240,000)	3,405,000	-	-	-

DIRECTORS' REPORT

2012 REMUNERATION REPORT (Continued)

Table 4: Securities granted and exercised as part of remuneration for the year ended 30 June 2012

2012	Value of securities granted during the year \$	Value of securities exercised during the year \$	Value of securities lapsed during the year \$	Remuneration consisting of securities for the year %
(i) Options				
T R Eton	-	-	-	-
C J Williams	-	-	-	-
T J Strong	-	-	-	-
S A Jessop	-	-	-	-
R J Thorburn	-	-	-	-
(ii) Performance Rights				
T R Eton	-	-	-	-
C J Williams	-	-	-	-
T J Strong	-	-	-	-
S A Jessop	-	-	216,859	-
M A Recklies	-	-	-	-
R J Thorburn	-	-	-	-
P J Harold	-	-	-	-
2011	Value of securities granted during the year \$	Value of securities exercised during the year \$	Value of securities lapsed during the year \$	Remuneration consisting of securities for the year %
(i) Options				
T R Eton	-	1,435,500	-	-
C J Williams	-	271,000	-	-
T J Strong	-	195,000	-	-
S A Jessop	-	130,000	-	-
R J Thorburn	-	-	-	-
(ii) Performance Rights				
T R Eton	752,250	-	-	64.0%
C J Williams	752,250	-	-	64.3%
T J Strong	503,625	-	-	58.2%
S A Jessop	503,625	-	-	58.0%
R J Thorburn	503,625	-	-	60.4%
P J Harold	1,710,800	1,391,000	1,284,000	71.6%

There were no alterations to the terms and conditions of securities granted as remuneration since their grant date.

There were no forfeitures during the period.

Table 5: Shares issued on exercise of securities

	Shares Issued No.	Paid per share \$	Unpaid per share \$
2012			
(i) Options			
T R Eton			
C J Williams			
T J Strong			
S A Jessop			
R J Thorburn			
M A Recklies			
	-	-	-
(ii) Performance Rights			
P J Harold			
	-	-	-
2011			
(i) Options			
T R Eton	550,000	2.20	-
C J Williams	100,000	2.20	-
T J Strong	75,000	2.20	-
S A Jessop	50,000	2.20	-
R J Thorburn	-	-	-
	775,000	2.20	-
(ii) Performance Rights			
P J Harold	260,000	-	-
	260,000	-	-

Table 5 is at the end of the 2012 Remuneration Report.

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining and exploration activities. The Group's management monitors compliance with the relevant environmental legislation. The directors are not aware of any breaches of the legislation during the period covered by this report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Panoramic Resources Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is attached to the Directors' Report and forms a part of the Directors' Report.

AUDITORS INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Panoramic Resources Limited with an Independence Declaration in relation to the audit of the financial report for the year ended 30 June 2012. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report.

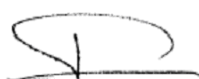
NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax Compliance	\$127,004
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Signed in accordance with a resolution of the directors



Peter Harold

Managing Director

Perth, 28 August 2012

DIRECTORS' REPORT

Competent Persons Statements

The information in this release that relates to Exploration Results is based on information reviewed by John Hicks. Mr Hicks is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a full-time employee of Panoramic Resources Limited. Mr Hicks has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which each person is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hicks consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the Gidgee Swan OC, Eagles Peak, Orion, Deep South, Swan UG, Swift UG, Omega, and Kingfisher Mineral Resources is based on information compiled by or reviewed by Dr Spero Carras (FAusIMM). Dr Carras is the Executive Director of Carras Mining Pty Ltd and was acting as a consultant to Legend Mining Ltd in 2006 and Panoramic Resources Ltd in 2012. Dr Carras has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Carras consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to the Gidgee Heron South, Howards, Specimen Well, and Toedter Mineral Resources is based on information compiled by or reviewed by John Hicks (MAusIMM). John Hicks is a full time employee of Panoramic Resources Ltd. John Hicks has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. John Hicks consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to the Wilsons Mineral Resource is based on information compiled by or reviewed by Andrew Thomson (MAusIMM). Andrew Thomson was a full time employee of Apex Mining NL in 2009 and is currently a full time employee of Corazon Mining Ltd. Andrew Thomson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Andrew Thomson consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to the Mt Henry Gold Project Mineral Resources is based on information compiled by or reviewed by Richard Breyley (MAusIMM). Richard Breyley is a full time employee of Matsa Resources Ltd. Richard Breyley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Richard Breyley consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Panoramic Resources Limited (“the Board”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Panoramic Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with Australian Stock Exchange (“ASX”) Corporate Governance Council (“CGC”) June 2010 amendments to the *August 2007 “Corporate Governance Principles and Recommendations (Second Edition)”* (“the Recommendations”), unless otherwise stated.

As required under ASX Listing Rule 4.10.3, the Company makes the following disclosures in relation to each of the Recommendations.

Principle 1: Lay Foundations for Management and Oversight

Primary Role of the Board

The Board’s primary role is the protection and enhancement of long-term shareholder value.

Board Operation

To ensure the Board is well equipped to discharge its responsibilities, as substitute for a Board Charter it has established written guidelines for the operation of the Board. A written guide on the roles of the Board and committees sets out the overriding functions and responsibility of the Board, while a second guide sets out more specific guidelines on the statutory roles and on the separate duties of the Managing Director to the rest of the Board. In addition, Article 11 of the Company’s Constitution (November 2008) (“Constitution”) details on the specific powers and duties of directors as empowered on them by the Company’s shareholders. All these documents can be accessed on the Company’s website at www.panoramicresources.com under the Corporate Governance section.

Board Processes

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for executive management and monitoring the achievement of these goals. The Board has established a framework for the management of the Company and its controlled entities, a framework which divides the functions of running the Company between the Board, the Managing Director and the senior executives. The Board has put in place a system of internal control, a pro-active business risk management process, and has the task of monitoring financial performance and the establishment of appropriate ethical standards. The agenda for meetings of the Board is prepared by the Managing Director. Standard items include the project reports, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Senior executives are regularly involved in Board discussions.

Evaluation of Managing Director and Executive Performance

The Managing Director and the senior executives are ultimately responsible for the day to day running of the Company. The Board has in place a performance appraisal and remuneration system for the Managing Director and senior executives designed to enhance performance. Management performance is reviewed on an annual basis. The criterion for the evaluation of the Managing Director and each executive is their performance against key performance indicators. In addition, the Board monitors and evaluates the performance of the Managing Director and senior executives as appropriate.

Principle 2: Structure the Board to Add Value

Composition of the Board

The names of the directors of the Company in office at the date of the Statement are set out in the Directors’ report.

The composition of the Board is determined using the following principles:

- ♦ The Board currently comprises four directors. Under Article 10 of the Company’s Constitution, this number may be increased to a maximum of ten directors where it is required due to a commercial alliance, or felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- ♦ The Board should comprise directors with a broad range of expertise with an emphasis on commercial, exploration, mining and project development related experience; and
- ♦ Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure of executive directors is linked to their holding of executive office.

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial, financial and mining skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) for which the Board is looking to achieve in its membership. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is encouraged, and given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

CORPORATE GOVERNANCE STATEMENT

Independence

The composition of the Board has gradually changed to reflect the transition of the Company from project developer to a sustainable producing business. As at the date of this report, the majority of non-executive directors, including the Chairman, are considered independent of management and directly or indirectly, individually hold less than 5% of the issued ordinary shares of the Company.

Conflict of Interest

In accordance with Section 191 of the *Corporations Act 2001* and Article 10.13 of the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Board Performance

There is no formal performance appraisal system in place for Board performance on a director by director basis. In February 2012 each director completed a self-performance appraisal by answering a set of specific questions rating their own performance since assuming office and their personal view on the performance of the whole Board. The Board has agreed to complete these self-performance appraisal surveys on a regular as part of implementing a more formal performance appraisal system. Membership of the Audit Committee by non-executive directors is initially for a three year period, with an annual renewal review thereafter with performance being one criteria in order to retain office.

Director Education

The non-executive directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Company operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. Directors visit the Panoramic mining operations at least once a year, and meet with executives on a regular basis to enable directors to maintain an understanding of the roles and responsibilities of executives and of the culture and values within the Company.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of the advice received by the director is made available to all other members of the Board.

Board Committees

To facilitate the execution of its responsibilities, the Board's Committees provide a forum for a more detailed analysis of key issues. Each Committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisors and employees. Membership of the current Committees of the Panoramic Board are set out in the Directors' Report. The names and functions of each Committee is set out below:

- **Audit Committee**

The Audit Committee consists of all non-executive directors. The Audit Committee is to oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Audit Committee is also to review: the effectiveness of internal controls, recommendation and the appointment and assessing the performance of the external auditor; the Company's process for monitoring compliance with laws and regulations affecting financial reporting and, if applicable, its code of business conduct. The Audit Committee operates under an *Audit Committee Charter* that is reviewed by the committee and is re-approved or changed by the full Board on a bi-annual basis.

- **Remuneration Committee**

The Remuneration Committee consists of all non-executive directors. The role of the Remuneration Committee is to review remuneration packages and policies applicable to the Managing Director, other executive directors (if applicable) and senior executives and to monitor the scope and currency of the Company's Diversity Policy. The remuneration of executive directors is determined by reference to relevant employment market conditions and of the attainment of defined Company goals. The remuneration of senior executives is determined by the Remuneration Committee based on recommendations provided by the Managing Director. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages.

From 1 July 2011, there is increased transparency and accountability in remuneration matters as required in the *Improving Accountability on Director and Executive Remuneration Bill 2011*. There are new rules for engaging remuneration consultants and on reporting specific information about remuneration consultants in the audited Remuneration Report in the Directors' Report. The Company's audited 2012 Remuneration Report includes these new reporting obligations.

Further details of remuneration arrangements in place for the directors and executives are set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

• *Environment, Safety and Risk Committee*

The Environment, Safety and Risk Committee consist of all directors. The role of the Environment, Safety and Risk Committee is to oversee and monitor the effectiveness of the Group's strategies and systems to ensure that the Company complies with external and internally accepted standards for the impact of business activities on the environment, the safety and well being of employees, and on the control and management of the key risks facing the business. Where possible, the Committee meets during Board visits to the mining operations whereby the members of the Committee are able to directly interface with the senior managers responsible for environmental issues, occupational health and safety and the control and mitigation of non financial risks. The Committee also nominates a non-executive director to attend and be actively involved in the Group's safety conferences. In November 2011, the Board approved the *Environment, Safety and Risk Committee Charter*.

This charter can be accessed on the Company's website at www.panoramicresources.com under the Corporate Governance section.

• *Nomination Committee*

Due to the size of the Board and the small senior executive team, the Board has determined there is no benefit at this time of establishing a nomination committee. The functions of the nomination committee are performed by the Board as a whole, when required, using the guidelines established for setting the composition of the Board.

Principle 3: Promote Ethical and Responsible Decision Making

All directors, executives, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance and reputation of the Company and its controlled entities.

Code of Conduct

The Company has established a written *Code of Conduct* which outlines the culture, practices, expected conduct, values and behaviour to be displayed by all employees in upholding the integrity, reputation and accountability of the Company and its controlled entities in the work environment and in the interactions with the Company's various stakeholders. Certain practices are necessary to comply with Federal and Western Australian State industrial legislation and the Corporations Law. The Code of Conduct has a clear responsibility and accountability of employees for reporting and investigating reports of unethical practices by reference to specific rules and policies such as the rules for trading in the Company securities, and the policy on discrimination, harassment and bullying.

This code can be accessed on the Company's website at www.panoramicresources.com under the Corporate Governance section.

Diversity Policy

The Company has in place a *Diversity Policy* which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy. The Remuneration Committee is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms.

Apart from participation rates established for indigenous employment at the Savannah nickel project prescribed under the 2007 Savannah Co-Existence Agreement (and as reported below), the Board has not yet determined measurable objectives on gender diversity across the workplace and at the Board level. In the coming financial year, the Board is to continue to oversee the development of new programs to achieve a broader pool of skilled and experienced senior management and Board candidates, with the aim of identifying measurable objectives and strategies on gender diversity in the 2013 financial year. The Board will report progress on the development of new programs in the 2013 Corporate Governance Statement.

Pursuant to *Recommendation 3.3* of the Recommendations, the Company discloses the following information as at the date of this report:

- ◆ Percentage of women and men employed within the Group – woman: 12%; men: 88%;
- ◆ Percentage of women and men employed at the senior management level – women: 10%; men: 90%;
- ◆ Percentage of women and men employed at the Board level – women: nil; men: 100%; and
- ◆ Percentage of indigenous employees at the Savannah nickel project – 10.0% (objective by November 2015: 30%)

The Diversity Policy can be accessed on the Company's website at www.panoramicresources.com under the Corporate Governance section.

CORPORATE GOVERNANCE STATEMENT

Trading in Company securities by directors, officers and employees

The Company has in place a Share Trading Policy for the trading in Company securities by directors, key management personnel, officers and employees as required under ASX Listing Rule 12.12. The Policy is worded to ensure compliance with Section 1043A of the Corporations Law (on insider trading), Part 2D.1 of the *Corporations Act 2001* (on the proper duties in relation to the use of inside information), and ASX Listing Rules 3.19A, 12.9, 12.10, and 12.11. The Managing Director has been appointed to ensure that the following rules for the trading in Company's securities are strictly adhered to:

- ♦ Trading in Company securities is only permitted following the notification of the intention to trade by submitting a Notification Form with the Managing Director and dealing is not to occur until a receipt of confirmation is received from the Managing Director or, in the case of the Managing Director, from the Chairman;
- ♦ Trading in Company securities is prohibited at any time when in possession of unpublished information, which if generally available, might materially affect the price or value of those securities;
- ♦ Trading in Company securities is prohibited during specified prohibited periods, known as black-out periods;
- ♦ Active trading in Company securities, which involves frequent and regular trading in those securities with a view to derive profit related income from that activity, is prohibited;
- ♦ The entering into contracts to hedge exposure to equity-based remuneration, is prohibited; and
- ♦ Only in exceptional circumstances, can approval be obtained in advance from the Managing Director, or in the case of a director, from the other directors, to trade outside the specified prohibited periods.

This Share Trading Policy can be accessed on the Company's website at www.panoramicresources.com under the Corporate Governance section.

Discrimination, Harassment and Bullying Policy

The Company is committed to providing a work environment that is safe, fair and free from discrimination, harassment and bullying for all employees of the Company. All employees are encouraged to follow adopted procedures allowing concerns or instances of illegal conduct or malpractice to be raised in good faith without being subjected to victimisation, harassment or discriminatory treatment, and to have such concerns or instances properly investigated. The Policy provides a mechanism by which all employees can confidentially report improper conduct without fear of discrimination. This policy document can be accessed on the Company's website at www.panoramicresources.com under the Corporate Governance section.

Principle 4: Safeguard Integrity in Financial Reporting

The Managing Director and Chief Financial Officer are required to state in writing to the Audit Committee and the Board that the Company's and Group's financial reports present a true and fair view, in all material aspects, of the Company's and Group's financial condition and that operational results are in accordance with relevant accounting standards. The Audit Committee reviews all final draft external financial reports with the external auditor and makes recommendations on their adequacy to the Board prior to their release to shareholders, investors and other public forums. There is regular communication between the Audit Committee, management and external auditor. In accordance with Section 324DA of the *Corporations Act 2001*, the audit partner of the external auditor is required to be rotated after 5 successive financial years. It is the role of the Audit Committee to select the new audit engagement partner as nominated by the external partner after considering each nominated individual's experience, reputation and independence.

In addition, the Audit Committee reviews, assists and assesses the adequacy of the Company's internal control and financial risk management systems, and accounting and business policies.

Principle 5: Make Timely and Balanced Disclosure

The Company is committed to providing relevant up to date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Law.

The Company has a Continuous Disclosure Policy that all shareholders and investors have equal access to the Company's information. This policy document and all material announcements provided to the ASX can be accessed on the Company's website at www.panoramicresources.com.

The Company has appointed the Company Secretary to oversee the continuous disclosure practices of the Company and its controlled entities. His responsibilities include:

- ♦ Reviewing all statutory regulatory or tender reports submitted to or made by the Company and its controlled entities, and to report or recommend to the Board as appropriate;
- ♦ Ensuring compliance with continuous disclosure requirements;
- ♦ Overseeing and coordinating the disclosure of information to the ASX, analysts, brokers, shareholders, the media and public; and
- ♦ Educating directors and staff of the Company's and Group's disclosure policies and procedures and raising awareness of the principles of the underlying continuous disclosure.

CORPORATE GOVERNANCE STATEMENT

Principle 6: Respect the Rights of Shareholders

The Board in adopting a Continuous Disclosure Policy ensures that shareholders are provided with up to date Company information. Communication to shareholders is facilitated by the production of the annual report, quarterly reports, public announcements, and the posting of policies, and ASX releases immediately after their disclosure to the ASX, on the Company's website. In addition, all shareholders are encouraged to attend the Annual General Meeting and use the opportunity to ask questions following the Managing Director's presentation. The Company makes every endeavour to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of the audit.

Principle 7: Recognise and Manage Risk

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Company has significantly changed the risk management framework through the progressive development of an enterprise-wide software database on the inherent risks and risk mitigation strategies identified across all functions of the business, including occupational, health, safety and environment (OHS&E). This Board sanctioned approach is in accordance with Australian/New Zealand Standard for Risk Management (AS/NZS 4360 2004) and is aligned to the control framework for enterprise risk management prepared by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in 2001. The framework has involved the Company undertaking a comprehensive review of the different elements across the various financial, administrative and operational functions at the Company's mine sites and Perth office and in identifying the risks inherent in each element and the appropriate risk management internal controls, systems and response procedures to mitigate their impact on strategic, operational and financial performance. For example, there are a number of risks the Company's sites are exposed to that are both common to the mining industry and unique due to location such as, but not limited to:

- ♦ exposure to fluctuations in commodity prices and the United States currency exchange rate;
- ♦ customer declaration of force majeure;
- ♦ health, safety, industrial and environment matters;
- ♦ production capacity;
- ♦ future delivery against committed financial derivatives; and
- ♦ regulatory constraints, compliance, the impact of climate change and natural disasters.

The review has also examined the effectiveness of internal controls, systems and response procedures that were in place in previous years. As at the date of this report, the first comprehensive review on each element and function across the Group, including the setting of various risk appetite tolerance thresholds by the senior management group has been completed. The Company's *Risk Management Guideline (August 2012)* which details on the enterprise wide risk management framework was recently approved by the Board. A condensed version of the guideline will be made available on the Company's website at www.panoramicresources.com.

The Board has established a committee of the Board, the Environment, Safety and Risk Committee. The Committee's Charter (November 2011) states that the Committee will oversee the Company's management of financial and non-financial risks at the operations in accordance with the established risk management framework while always taking into account the Company's legal obligations set by the Federal and State statutory law makers on, but not limited to, environment, employment and occupational health and safety.

The reporting and control mechanisms, together with the assurances of the Environment, Safety and Risk and Audit Committees, support the annual written certification, in accordance with Section 295A of the *Corporations Act 2001* given by the Managing Director and the Chief Financial Officer to the Board certifying that the Company's financial reports are based on a sound system of risk management and internal control and that the system is operating effectively.

Principle 8: Remunerate Fairly and Responsibly

Board Remuneration

The total annual remuneration paid to non-executive directors may not exceed the limit set by the shareholders at an annual general meeting (currently \$600,000). The remuneration of the non-executive directors is fixed rather than variable.

Executive Remuneration

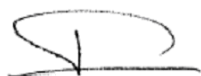
The Board has established a committee of the Board, the Remuneration Committee. The Remuneration Committee provides recommendations and direction for the Company's remuneration practices. The Committee ensures that a significant proportion of each executive's remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly to determine the proportion of remuneration that will be at 'risk' for the upcoming year. The Company's executives can participate in a performance share rights plan that is linked to the Company's performance against its peers in the resources industry. The Committee also ensures that there is no discrimination on remuneration in respect to gender.

Further details in relation to director and executive remuneration are set out in the 2012 Remuneration Report on pages 12 to 24.

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

1. In the opinion of the directors:
 - (a) The financial report and the additional disclosures included in the directors report designated as audited of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
 - (b) There are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2012.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Peter Harold
Managing Director

Perth, 28 August 2012

Independent auditor's report to the members of Panoramic Resources Limited

Report on the financial report

We have audited the accompanying financial report of Panoramic Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

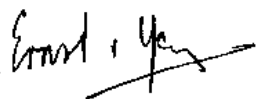
- a. the financial report of Panoramic Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 - 24 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Panoramic Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A stylized signature of the Ernst & Young firm, written in black ink.

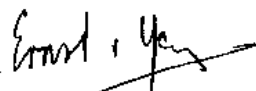
Ernst & Young

A handwritten signature of R A Kirkby, written in black ink.

R A Kirkby
Partner
Perth
28 August 2012

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

In relation to our audit of the financial report of Panoramic Resources Limited for the financial year ended 30 June 2012, 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, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'R A Kirkby'.

R A Kirkby
Partner
Perth
28 August 2012

Panoramic Resources Limited
Consolidated income statement
For the year ended 30 June 2012

		Consolidated	Restated *
	Notes	2012 \$'000	2011 \$'000
Revenue from operations	4	233,050	249,582
Other income	5	5	4,465
Cost of sales of goods	7	(220,487)	(195,104)
Other expenses	7	(16,514)	(14,118)
Exploration and evaluation expenditure		(6,669)	(6,303)
Mark to market of derivatives	7	(1,902)	(779)
Write-off of loan from related party	33	(1,869)	-
Impairment of available-for-sale financial assets		(5,333)	(5,536)
Finance costs	7	(1,590)	(1,424)
(Loss) Profit before income tax		(21,309)	30,783
Income tax benefit (expense)	8	3,097	(10,154)
Profit from continuing operations		(18,212)	20,629
(Loss) Profit is attributable to:			
Equity holders of Panoramic Resources Limited		(18,212)	20,629
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	39	(9.4)	10.0
Diluted earnings per share	39	(9.4)	9.9

The above consolidated income statement should be read in conjunction with the accompanying notes.

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 6.

Panoramic Resources Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2012

	Consolidated	
	2012	Restated *
	\$'000	2011
		\$'000
(Loss)/profit for the year	(18,212)	20,629
Other comprehensive income		
Changes in the fair value of available-for-sale financial assets, net of tax	(166)	(1,225)
Changes in the fair value of cash flow hedges, net of tax	2,445	468
Transfer from cash flow hedge reserve to net profit, net of tax	(2,343)	6,218
Exchange differences on translation of foreign operations	734	-
Other comprehensive income for the year, net of tax	670	5,461
Total comprehensive (loss) income for the year	(17,542)	26,090
Total comprehensive (loss) income for the year is attributable to:		
Owners of Panoramic Resources Limited	(17,542)	26,090
	(17,542)	26,090

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 6.

Panoramic Resources Limited
Consolidated statement of financial position
As at 30 June 2012

		Consolidated	Restated *
	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	39,368	90,864
Term deposits	11	6,617	989
Trade and other receivables	10	33,014	34,530
Inventories	13	14,002	12,322
Derivative financial instruments	14	8,724	6,997
Current tax receivables	15	-	966
Prepayments	12	1,564	1,348
Total current assets		<u>103,289</u>	<u>148,016</u>
Non-current assets			
Available-for-sale financial assets	16	4,952	6,621
Property, plant and equipment	17	91,926	65,964
Exploration and evaluation	18(a)	84,272	14,319
Development properties	18(b)	100,510	96,833
Mine properties	18(c)	44,270	73,923
Derivative financial instruments	14	205	2,720
Other non-current assets	20	1,921	314
Total non-current assets		<u>328,056</u>	<u>260,694</u>
Total assets		<u>431,345</u>	<u>408,710</u>
LIABILITIES			
Current liabilities			
Trade and other payables	21	26,039	23,956
Borrowings	22	2,455	834
Derivative financial instruments	14	289	417
Provisions	23	7,657	6,378
Total current liabilities		<u>36,440</u>	<u>31,585</u>
Non-current liabilities			
Borrowings	24	7,190	589
Deferred tax liabilities	25	43,291	46,045
Provisions	26	36,931	29,018
Total non-current liabilities		<u>87,412</u>	<u>75,652</u>
Total liabilities		<u>123,852</u>	<u>107,237</u>
Net assets		<u>307,493</u>	<u>301,473</u>
EQUITY			
Contributed equity	27	133,765	104,675
Reserves	28	56,270	52,846
Retained earnings		<u>117,458</u>	<u>143,952</u>
Total equity		<u>307,493</u>	<u>301,473</u>

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

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 6.

Panoramic Resources Limited
Consolidated statement of changes in equity
For the year ended 30 June 2012

Consolidated Restated *	Notes	Issued capital \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Cash flow hedge reserve \$'000	Other reserves \$'000	Total equity \$'000
Balance at 1 July 2010		<u>101,953</u>	<u>12,705</u>	<u>144,968</u>	<u>(1,209)</u>	<u>32,707</u>	<u>291,124</u>
Changes in the fair value of available-for-sale financial assets, net of tax	28	-	-	-	-	(1,225)	(1,225)
Changes in the fair value of cash flow hedges, net of tax	28	-	-	-	468	-	468
Transfer to net profit, net of tax	28	-	-	-	<u>6,218</u>	-	<u>6,218</u>
Net income/(expense) recognised directly in equity		-	-	-	6,686	(1,225)	5,461
Profit for year		-	-	<u>20,629</u>	-	-	<u>20,629</u>
Total recognised income and expense for the year		-	-	<u>20,629</u>	<u>6,686</u>	<u>(1,225)</u>	<u>26,090</u>
Contributions of equity, net of transaction costs	27	2,722	-	-	-	-	2,722
Dividends provided for or paid	29	-	-	(21,645)	-	-	(21,645)
Employee share options - value of employee services	7, 28	-	<u>3,182</u>	-	-	-	<u>3,182</u>
Balance at 30 June 2011		<u>104,675</u>	<u>15,887</u>	<u>143,952</u>	<u>5,477</u>	<u>31,482</u>	<u>301,473</u>
Balance at 1 July 2011		104,675	15,887	143,952	5,477	31,482	301,473
Changes in the fair value of available-for-sale financial assets, net of tax	28	-	-	-	-	(166)	(166)
Changes in the fair value of cash flow hedges, net of tax	28	-	-	-	2,445	-	2,445
Exchange differences on translation of foreign operations		-	-	-	-	734	734
Transfer to net profit, net of tax		-	-	-	<u>(2,343)</u>	-	<u>(2,343)</u>
Net income/(expense) recognised directly in equity		-	-	-	102	568	670
Loss for year		-	-	<u>(18,212)</u>	-	-	<u>(18,212)</u>
Total recognised income and expense for the year		-	-	<u>(18,212)</u>	<u>102</u>	<u>568</u>	<u>(17,542)</u>
Contributions of equity, net of transaction costs	27	29,090	-	-	-	-	29,090
Dividends provided for or paid	29	-	-	(8,282)	-	-	(8,282)
Employee share options - value of employee services	7, 28	-	<u>2,754</u>	-	-	-	<u>2,754</u>
		<u>29,090</u>	<u>2,754</u>	<u>(8,282)</u>	-	-	<u>23,562</u>
Balance at 30 June 2012		<u>133,765</u>	<u>18,641</u>	<u>117,458</u>	<u>5,579</u>	<u>32,050</u>	<u>307,493</u>

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

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 6.

Panoramic Resources Limited
Consolidated statement of cash flows
For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		229,528	226,850
Payments to suppliers and employees (inclusive of goods and services tax)		(184,251)	(158,684)
Income tax refund/(paid)		1,336	(20,847)
Payments for exploration and evaluation expense		(6,705)	(6,305)
Borrowing cost paid		(353)	(332)
Net cash inflow from operating activities	37	<u>39,555</u>	<u>40,682</u>
Cash flows from investing activities			
Payments for investments		(6,900)	(8,065)
Interest received		4,217	5,093
Payments for property, plant and equipment		(33,567)	(27,585)
Payments for exploration		(19,167)	(4,083)
Payment of development costs		(20,873)	(27,774)
Payments for mineral properties		-	(12,190)
Proceeds from other financial assets - term deposits		(5,511)	87,669
Proceeds from sale of plant and equipment		222	39
Proceeds from sale of investments		-	9,517
Net cash (outflow) inflow from investing activities		<u>(81,579)</u>	<u>22,621</u>
Cash flows from financing activities			
Proceeds from issues of equity securities		-	2,722
Repayment of borrowings		(1,178)	(3,295)
Dividends paid to company's shareholders	29	<u>(8,282)</u>	<u>(21,645)</u>
Net cash outflow from financing activities		<u>(9,460)</u>	<u>(22,218)</u>
Net (decrease) / increase in cash and cash equivalents		(51,484)	41,085
Cash and cash equivalents at the beginning of the financial year		<u>90,852</u>	<u>49,779</u>
Cash and cash equivalents at end of year	9	<u>39,368</u>	<u>90,864</u>

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

* Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 6.

1 Summary of significant accounting policies

The financial report of Panoramic Resources Limited (the Parent or the Company) and its subsidiaries (the Group) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 28 August 2012.

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

The principal activities of the consolidated entity during the course of the financial year consisted of exploration, evaluation, development, and production of mineral deposits.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, trade receivables and available for sale investments, which have been measured at fair value.

(b) New accounting standards and interpretations

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board.

(i) Changes in accounting policies and disclosures.

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

The Company has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2011:

- The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other
 - (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other
 - (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.
- Amendments to Australian Accounting Standards

[AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]

Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.

1 Summary of significant accounting policies (continued)

- Amendments to Australian Accounting Standards arising from the Annual Improvements Project

[AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.

Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.
- Amendments to Australian Accounting Standards

[AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.

These amendments have no major impact on the requirements of the amended pronouncements.
- Australian Additional Disclosures

This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

 - (a) Compliance with Australian Accounting Standards
 - (b) The statutory basis or reporting framework for financial statements
 - (c) Whether the entity is a for-profit or not-for-profit entity
 - (d) Whether the financial statements are general purpose or special purpose
 - (e) Audit fees
 - (f) Imputation credits
- Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]

The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

1 Summary of significant accounting policies (continued)

- Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]

This Standard makes amendments to:

- AASB 127 Consolidated and Separate Financial Statements
- AASB 128 Investments in Associates
- AASB 131 Interests in Joint Ventures

to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.

(ii) Accounting Standards and Interpretations issued but not yet effective

- AASB 1048 Interpretation of Standards

AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.

- Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

- Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

- AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

Consequential amendments were also made to other standards via AASB 2011-7.

1 Summary of significant accounting policies (continued)

- AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- Controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

- AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.
- AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Consequential amendments were also made to other standards via AASB 2011-8.

- AASB 119 Employee Benefits

The main change introduced by AASB 119 is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

Consequential amendments were also made to other standards via AASB 2011-10.

- Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

Consequential amendments were also made to other standards via AASB 2011-12.

1 Summary of significant accounting policies (continued)

- Annual Improvements to IFRSs 2009-2011 Cycle

This standard sets out amendments to International Financial Reporting

Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

IFRS 1 First-time Adoption of International Financial Reporting Standards

- Repeated application of IFRS 1
- Borrowing costs

IAS 1 Presentation of Financial Statements

- Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment

- Classification of servicing equipment

IAS 32 Financial Instruments: Presentation

- Tax effect of distribution to holders of equity instruments

IAS 34 Interim Financial Reporting

- Interim financial reporting and segment information for total assets and liabilities

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.

- AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position
- AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following:
 - repeat application of AASB 1 is permitted (AASB 1); and
 - clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

1 Summary of significant accounting policies (continued)

- AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.
 - (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
 - (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
 - (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
 - (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.
- AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Panoramic Resources Limited and all entities that Panoramic Resources Limited controlled from time to time during the year and at the reporting date.

Information from the financial statements of subsidiaries is included from the date that the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements, and estimations which have the most significant effect on the amounts recognised in the financial statements.

1 Summary of significant accounting policies (continued)

Determination of mineral resources and ore reserves

The Group estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code') as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Significant judgement is required in assessing the available reserves. Factors that must be considered in determining reserves and resources are the company's history of converting resources to reserves and the relevant time frame, market and future developments.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

Impairment of capitalised exploration and evaluation expenditure

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved and probable reserves and mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Capitalised exploration and evaluation expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment of capitalised mine development expenditure and mine properties

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The future recoverability of capitalised mine development expenditure and mine properties is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure and mine properties is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Impairment of property, plant and equipment

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;

1 Summary of significant accounting policies (continued)

- Future commodity prices; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Property, plant and equipment that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques, discount rates or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by a Black Scholes model and a Binomial model, using the assumptions detailed in note 40.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of concentrates/ore

A sale is recorded when control of the concentrates/ore has passed to the buyer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, finance charges in respect of finance leases and foreign exchange differences net of the effect of hedges of borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than twelve months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate to the extent that they relate to the qualifying asset.

Exploration and evaluation expenditure carried forward relating to areas of interest which have not reached a stage permitting reliable assessment of economic benefits are not qualifying assets.

1 Summary of significant accounting policies (continued)

(g) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(h) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in the banks short-term deposits with an original maturity not exceeding three months and if greater than three months, principal amounts can be redeemed in full with interest payable at the same cash rate from inception as per the agreement with each bank, net of bank overdrafts.

(i) Term deposits

Term deposits are stated at nominal value. These deposits have original maturity of three months or more.

(j) Trade and other receivables

(i) Nickel concentrate

Mining revenue from nickel concentrate sales exported from the Savannah Nickel Project is recognised at its provisional price on the day the product has been shipped from port. 100% of the provisional value is payable in approximately 7 working days from issue of a provisional invoice. At each reporting date, provisional priced nickel is marked to market based on forward selling price for the quotational period stipulated in the contract until the quotational period expires and change in fair value is recognised as revenue. Increments and decrements in the final measured contained nickel in nickel concentrate delivered to the customer are brought to account upon presentation of the final invoice.

(ii) Nickel ore

Mining revenue from Lanfranchi nickel ore delivered to the Kambalda concentrator is recognised at its provisional price net of the amount goods and services tax (GST) payable to the taxation authority. 70% of the provisional invoice is payable one month after issue. Revenue is recognised based on estimated fair value of the consideration receivable. At each reporting date, provisional priced nickel is marked to market based on forward selling price for the quotational period stipulated in the contract until the quotational period expires and change in fair value is recognised as revenue.

(iii) Other receivables

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(k) Inventories

(i) Raw materials and stores, work in progress and finished goods

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing inventory to its present location and condition are accounted for as follows:

- ore stocks – cost of direct mining and a proportion of site overheads; and
- concentrates and work in progress – cost of direct mining, processing, transport and labour and a proportion of site overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1 Summary of significant accounting policies (continued)

(ii) Spares for production

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value.

(l) Derivative financial instruments and hedging

The Group uses derivatives such as United States dollar nickel and copper forward sales contracts, United States dollar nickel options, United States denominated currency options and United States denominated forward currency sales contracts to manage its risks associated with foreign currencies and commodity prices fluctuations. These derivative financial instruments are stated at fair value.

Derivatives are not held for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a cash flow hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A hedge of the foreign currency risk and commodity price risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in the fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and that could affect profit and loss. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

The Group tests each of the designated cash flow hedges for effectiveness at the inception of the hedge and then at each reporting date both prospectively and retrospectively using the dollar offset method. This is done by comparing the changes in the present value of the cash flow arising from hedged forecast sale at the forward rate, compared to changes in the fair value of the forward contract. Measurement of the cash flow changes is based on the respective forward curve over the hedge horizon.

At each balance sheet date, the Group measures ineffectiveness using ratio offset method. For cash flow hedges if the risk is over-hedged, the ineffective portion is taken immediately to the income/expense in the income statement.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(m) Foreign currency translation

Both the functional and presentation currency of Panoramic Resources Limited and its Australian subsidiaries is Australian dollars (A\$).

1 Summary of significant accounting policies (continued)

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) Interest in jointly controlled assets

Interests in unincorporated joint venture assets are recognised by including in the respective classifications, the share of the individual assets employed and share of liabilities and expenses incurred from the date joint control commences to the date joint control ceases.

(o) Investments

(i) Available-for-sale financial assets

After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Investments which are not classified as held for trading or held to maturity are treated as available for sale financial assets.

(p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

1 Summary of significant accounting policies (continued)

Unrecognised deferred tax assets and liabilities are reassessed at each balance sheet date and reduced to the extent that it is no longer probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Panoramic Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Panoramic Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Panoramic Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Company. Details about the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(q) Other taxes

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the 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 as applicable; and
- 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 balance sheet.

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.

(r) Property, plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of plant and equipment constructed for and by the consolidated entity, where applicable, includes the cost of materials and direct labour. The proportion of overheads and other incidental costs directly attributable to its construction are also capitalised to the cost of plant and equipment.

Costs incurred on plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs incurred on plant and equipment that do not meet the criteria for capitalisation are expensed as incurred.

1 Summary of significant accounting policies (continued)

Depreciation and amortisation

Depreciation and amortisation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives used for each class of asset are as follows:

Office equipment	3-4 years
Office furniture and fittings	5 years
Plant and equipment under hire purchase	over the lease term
Plant and equipment under finance lease	over the lease term
Process plant and buildings	lesser of life of mine and life of asset

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Property, plant and equipment that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Derecognition and disposal

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.

Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(s) Exploration, evaluation, development, mine properties and rehabilitation expenditure

(i) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation in the area of interest that have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are expensed as incurred.

Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area or, alternatively, by its sale.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation is assessed for impairment.

Impairment

The carrying value of capitalised exploration expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit in which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

1 Summary of significant accounting policies (continued)

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

Capitalised exploration and evaluation expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(ii) Mine development expenditure

Mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Impairment

The carrying value of capitalised mine development is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit in which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

Capitalised mine development expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(iii) Mine properties

Mine properties expenditure represents the cost incurred in the acquisition of a mining lease, and represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired mining lease at the date of acquisition. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Impairment

The carrying value of capitalised mine properties is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine properties expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit in which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

Mine property expenditure that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(iv) Provisions for decommissioning and rehabilitation

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

1 Summary of significant accounting policies (continued)

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided in the period in which obligation arise. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. Over time, the liability is increased for the change in net present value based on a risk adjusted pre-tax discount rate appropriate to the risk inherent in the liability. The unwinding of the discount is included in financing cost. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in the Income Statement on a prospective basis over the remaining life of the operation.

(t) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would be determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(u) Trade and other payables

Trade payables and other payables are carried at amortised costs and 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.

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

1 Summary of significant accounting policies (continued)

(w) Provisions

Provisions are recognised when the economic entity has a present obligation (legal or constructive) to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required 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, for example under an insurance contract, 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 income statement net of any reimbursement.

The effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(x) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date of national government bonds with terms of maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments Equity settled transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Monte-Carlo simulation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of Panoramic Resources Limited if applicable.

The cost of equity-settled transactions is recognised, together with the corresponding increase in reserve, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

1 Summary of significant accounting policies (continued)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iv) Bonus plans

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(y) Contributed equity

Incremental costs directly attributable to the issue of new shares for the acquisition of a business are deducted from equity and not expensed as an acquisition related cost.

(z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(aa) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be 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 the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 at fair value as at the acquisition date 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 in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

2 Financial risk management

The Group's principal financial instruments comprise receivables, payables, finance leases, hire purchase contracts, cash and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

To manage exposure to commodity prices and exchange rates the Group uses derivative instruments, principally forward sales contracts and put and call options. The purpose is to manage the commodity price and currency rate risks arising from the Group's operations. These derivatives provide economic hedges and qualify for hedge accounting and are based on limits set by the board. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to commodity prices, interest rate and foreign exchange risk and assessments of market forecasts for commodity prices and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for the identification and control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of commodity prices, foreign currency and interest rate risk, credit allowances and future cash flow forecast projections.

(a) Foreign exchange risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases in a currency other than the entity's functional currency. Approximately 100% of the Group's sales are denominated in United States Dollars, whilst most of the costs are denominated in Australian Dollars. The Group's functional currency is Australian Dollars.

The Group's profit and loss and balance sheet can be affected significantly by movements in the US\$/A\$ exchange rates. The Group seeks to mitigate the effect of its net foreign currency exposure by using derivative instruments, principally forward foreign currency contracts and put and call options.

It is the Group's policy to enter into derivative instruments to hedge foreign currency exposure once the likelihood of such exposure is highly probable and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness. The Group will follow its current policy of matching and hedging up to 80% of sales revenues in US\$.

Information about the Group's foreign exchange contracts is provided in note 14.

At 30 June 2012, the Group had the following exposure to US\$ foreign currency that is not designated in cash flow hedges.

	2012	2011
	\$'000	\$'000
Cash at bank	4,293	9,430
Trade receivables	<u>28,968</u>	<u>28,620</u>
Net exposure	<u>33,261</u>	<u>38,050</u>

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. The +/- 10% (2011: +/-10%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar, for the preceding 5 years and management's expectation of future movements.

2 Financial risk management (continued)

At 30 June 2012, had the US Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Impact on post-tax profit		Impact on equity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
AUD to USD +10% (2011: +10%)	1,846	1,755	354	(405)
AUD to USD -10% (2011: -10%)	(1,511)	(1,497)	(290)	270

Management believes the balance sheet date risk exposures are representative of the risk exposure inherent in the financial instruments.

(b) Interest rate risk

The Group has put in place a Cash Management Policy to ensure that up to 180 days (2011: 180 days) excess cash holdings are invested with a range of institutions that have sufficient financial strength to ensure the security of the investments. The Group policy is to reduce and manage cash flow interest rate risk by ensuring a timely reduction in debt obligations through scheduled debt repayments and non-scheduled debt repayments when excess cash is available.

	30 June 2012		30 June 2011	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash at bank and in hand	1.7 %	20,970	3.1 %	17,408

The following sensitivity is based on the interest rate risk exposures in existence at the balance sheet date. The sensitivity used is +/- 50 basis points which is based on reasonably, possible changes, over a financial year, using the observed range of actual historical Australian short term deposit rate movements over the last 3 years and management's expectation of future movements.

Judgements of reasonably possible movements	Carrying amount \$'000	Interest rate risk			
		-0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2012 Financial assets					
Cash and cash equivalents	20,970	(8)	-	8	-
Total increase/ (decrease)		(8)	-	8	-
Judgements of reasonably possible movements	Carrying amount \$'000	Interest rate risk			
		-0.05%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2011 Financial assets					
Cash and cash equivalents	17,408	(9)	-	9	-
Total increase/ (decrease)		(9)	-	9	-

(c) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Disclosure of fair value measurements is by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

2 Financial risk management (continued)

- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)
- (d) At 30 June 2012 the Group does not have any level 3 instruments

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2012.

Group - as at 30 June 2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments	-	2,217	-	2,217
Derivatives in an effective hedge relationship	-	6,712	-	6,712
Trade receivables	-	28,968	-	28,968
Available-for-sale financial assets				
Equity securities	4,952	-	-	4,952
Total assets	4,952	37,897	-	42,849
Liabilities				
Liabilities				
Derivative instruments	-	289	-	289
Total liabilities	-	289	-	289

Group - as at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments	-	1,818	-	1,818
Derivatives in an effective hedge relationship	-	7,900	-	7,900
Trade receivables	-	28,620	-	28,620
Available-for-sale financial assets				
Equity securities	6,621	-	-	6,621
Total assets	6,621	38,338	-	44,959
Liabilities				
Financial liabilities at fair value through profit and loss				
Derivative instruments	-	287	-	287
Derivatives in an effective hedge relationship	-	130	-	130
Total liabilities	-	417	-	417

The available-for-sale financial assets are traded in active markets. Their fair value is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. 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. These instruments are included in level 2. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

2 Financial risk management (continued)

(d) Commodity Price Risk

The Groups' exposure to nickel prices is very high as approximately 80-85% of total revenue comes from the sale of nickel. Nickel is sold on the basis of nickel prices quoted on the London Metal Exchange (LME).

The Groups' profit and loss account and balance sheet can be affected significantly by movements in nickel prices on the LME. The Group seeks to mitigate the effect of its nickel prices exposure by using derivative instruments, principally forward sales contracts and put and call options. The limits of hedging are set by the Board.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to commodity price risk. The +/- 30% (2011: +/-30%) sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical prices for the preceding 5 year period and management's expectation of future movements.

Judgements of reasonably possible movements	Carrying amount \$'000	Price risk			
		-30%		+30%	
		Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
2012 Financial assets					
Accounts receivable	28,952	(6,482)	-	6,482	-
Derivatives - cash flow hedges	6,507	-	(2,357)	-	2,357
Total increase/ (decrease)		<u>(6,482)</u>	<u>(2,357)</u>	<u>6,482</u>	<u>2,357</u>
Judgements of reasonably possible movements	Carrying amount \$'000	Price risk			
		-30%		+30%	
		Profit \$'000	Other Equity \$'000	Profit \$'000	Other Equity \$'000
2011 Financial assets					
Accounts receivable	9,611	(10,096)	-	10,308	-
Derivatives - cash flow hedges	6,240	-	(15,404)	-	15,404
Total increase/ (decrease)		<u>(10,096)</u>	<u>(15,404)</u>	<u>10,308</u>	<u>15,404</u>

(e) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments.

The Group's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of these assets as indicated in the balance sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to net settled derivatives is the total mark to market gain, should counterparts not honour their obligations. In case of gross-settled derivatives, the maximum exposure is the notional value. Gross-settled derivatives are held with financial institutions with sound credit rating.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

The Group has a concentration of credit risk in that it depends on two major customers for a significant volume of revenue.

Under the Group's risk management framework, each customer is analysed individually for creditworthiness on an ongoing basis in order to minimise the risk of default. The Group believes that both its customers are of sound creditworthiness as evidenced by the compliance with the off-take agreement's payment terms over the life of each project.

2 Financial risk management (continued)

(f) Equity price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale. The fair value of these investments are based on quoted market prices.

The group hold investments of shares in several listed entities who are joint venture partners or potential joint venture partners. The board has not reacted to short-term price fluctuations as it has a medium to long term view on these investments. These investments represent 1% (2011: 2%) of total assets and have yet to generate any revenue.

The following sensitivity is based on the equity price risk exposures in existence at the balance sheet date. The sensitivity used is +/- 30% which is based on reasonably, possible changes, over as financial year, based on the share price fluctuations of the last 12 months and management's expectation of future movements.

	-30%		+30%	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Impact on post tax profit				
Available-for-sale financial investment	(557)	(1,232)	-	-
Impact on equity				
Available-for-sale financial investment	(134)	(158)	691	1,390

(g) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding when necessary and the ability to close-out market positions.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans(when required), finance leases and committed available credit lines.

The Group monitors on a regular basis rolling forecasts of liquidity on the basis of expected cash flow.

The Group has put in place a Group Cash Management Policy to ensure that up to 180 days (2011: 180 days) excess cash holdings are invested with a range of institutions that have sufficient financial strength to ensure the security of the investment. This policy is reviewed and approved by the Board on an annual basis. When bank loans are used the Group's policy is to reduce and manage cash flow interest rate risk by ensuring a timely reduction in debt obligations through scheduled debt repayments and non scheduled debt repayments when excess cash is available.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2 Financial risk management (continued)

Group - At 30 June 2012	Less than 1 year	Between 1 and 5 years	Total contract ual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000
Non-derivatives				
Trade payables	26,040	-	26,040	26,040
Finance lease liabilities	<u>3,183</u>	<u>7,880</u>	<u>11,063</u>	<u>9,645</u>
Total non-derivatives	<u>29,223</u>	<u>7,880</u>	<u>37,103</u>	<u>35,685</u>
Derivatives				
Forward commodity contracts - cash flow hedges				
- (inflow)	(6,397)	-	(6,397)	(6,712)
Commodity put options				
- (inflow)	(1,471)	-	(1,471)	(2,191)
Foreign exchange call options				
- outflow	-	-	-	227
Foreign exchange put options				
- (inflow)	-	-	-	(26)
Commodity call options				
- outflow	-	-	-	62
Total derivatives	<u>(7,868)</u>	<u>-</u>	<u>(7,868)</u>	<u>(8,640)</u>
Group - At 30 June 2011				
	Less than 1 year	Between 1 and 5 years	Total contract ual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000
Non-derivatives				
Trade payables	23,956	-	23,956	23,956
Finance lease liabilities	<u>910</u>	<u>611</u>	<u>1,521</u>	<u>1,423</u>
Total non-derivatives	<u>24,866</u>	<u>611</u>	<u>25,477</u>	<u>25,379</u>
Derivatives				
Gross settled forward commodity contracts - cash flow hedges				
- (inflow)	(5,549)	(2,380)	(7,929)	(7,976)
Gross settled foreign exchange contracts - cash flow hedges				
- (inflow)	(1,767)	-	(1,767)	-
- outflow	1,910	-	1,910	130
Gross settled foreign exchange put options				
- (inflow)	(3,792)	-	(3,792)	(246)
- outflow	<u>3,737</u>	<u>-</u>	<u>3,737</u>	<u>-</u>
Total derivatives	<u>(5,461)</u>	<u>(2,380)</u>	<u>(7,841)</u>	<u>(8,092)</u>

3 Segment information

Business 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 has identified four operating segments being: (1) Nickel - the aggregation of the Savannah Nickel Project, Lanfranchi Nickel Project and Copernicus Nickel Project; (2) Gold - the Gidgee Gold Project and Mount Henry Gold Project; (3) Platinum Group Metals - the Thunder Bay North Project; (4) Australian Exploration; and (5) Overseas Exploration

Nickel

The Savannah Nickel Project and the Lanfranchi Nickel Project both mine nickel ore. At the Savannah Nickel Project, nickel concentrate is produced and sold to the one customer Sino Nickel Pty Ltd (a company owned by the Jinchuan Group Limited (60%) and Sino Mining International Limited (40%)). At the Lanfranchi Nickel Project, nickel ore is delivered and sold to the one customer BHP Billiton Nickel West Pty Ltd.

The Copernicus Nickel Project, a nickel producing project in which the Group has a ~78% interest, is currently under care and maintenance. No revenue was generated from this project in the reporting period.

Gold

The 100% owned and operated Gidgee Gold Project is located 640kms northeast of Perth in Western Australia, and was purchased by the Company in January 2011. The Company refurbished the site's village and administration areas and commenced exploration and evaluation activities from July 2011.

In May 2012, the Company acquired the Wilsons Gold Project from Apex Minerals Limited. The Wilsons Gold Project is approximately 650km north east of Perth, within trucking distance of the existing Gidgee processing facility. The Wilsons Gold Project acquisition forms part of the Gidgee Gold Project and the combined Resource of Gidgee following the acquisition increased to 634,000ozs of gold.

In June 2012, the Company has executed an agreement with Matsa Resources Limited to acquire a 70% equity interest in the Mt Henry Gold Project. The Mt Henry Gold Project comprises of three deposits being Mt Henry, North Scotia and Selene. The Project is located on the southern end of the Norseman – Wiluna Greenstone belt. The Project has a combined Resource of 26.4Mt @ 1.72g/t for 1.46M0z of Au. The Company will act as sole operator and will free carry Matsa to the completion of a Bankable Feasibility Study.

Platinum Group Metals (PGM)

During the year, the Company acquired Magma Metals Limited by way of an off-market takeover bid. Magma's principal project, the Thunder Bay North PGM Project, is located in northwest Ontario, Canada. The Thunder Bay North PGM Project remains subject to further exploration drilling, engineering studies and a review of the 2011 Preliminary Economic Assessment (PEA).

In May 2012, the Company executed an agreement with Platinum Australia Limited to purchase the Panton PGM Project. The Panton Project is located 60km north of Halls Creek, in the East Kimberley Region of Western Australia. The project has a resource of 14.32 million tonnes at 2.19g/t Pt, 2.39g/t Pd, 0.31 g/t Au on granted mining leases. The Company will continue to develop the asset through the optimisation of the project's mining and processing options.

Australian and Overseas Exploration

The Group's primary exploration and evaluation activities cover the regional areas of Western Australia. The Group is also party to joint venture agreements to conduct overseas exploration and evaluation activities in Scandanavia.

The Group's Exploration Manager is responsible for budgets and expenditure by the Group's exploration team. The exploration division does not normally derive any income. Should a project generated by the exploration division commence generating income or lead to the construction or acquisition of a mining operation, that operation would then be disaggregated from the exploration and become a separate reportable segment.

Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

3 Segment information (continued)

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, derivative financial instruments, property, plant and equipment and development and mine properties. Segment liabilities consist primarily of trade and other creditors, employee benefits, derivative financial instruments, finance leases and borrowings and provision for rehabilitation.

(a) Operating business segments

2012	Nickel \$'000	Gold \$'000	Platinum Groups Metals \$'000	Australian Exploration \$'000	Overseas Exploration \$'000	Total \$'000
Segment revenue						
Sales	228,833	-	-	-	-	228,833
Other revenue	3,521	8	25	6	-	3,560
Total segment revenue	232,354	8	25	6	-	232,393
Unallocated revenue (i)						657
Consolidated revenue						233,050
Segment result						
Segment result	5,822	(3,489)	(1,080)	(3,580)	(2,649)	(4,976)
Intersegment elimination						(1,587)
Corporate charges and other unallocated revenue and expenses						(14,746)
Loss before income tax						(21,309)
Income tax expense						3,097
Loss for the year						(18,212)
Segment assets and liabilities						
Segment assets	315,799	46,974	41,366	17,908	31	422,079
Intersegment elimination						(24,923)
Unallocated assets (ii)						34,189
Total assets						431,345
Segment liabilities	88,703	21,481	1,518	186	447	112,335
Intersegment elimination						4,612
Unallocated liabilities (ii)						6,905
Total liabilities						123,852
Other segment information						
Acquisitions of property, plant and equipment	-	-	-	-	-	41,316
Total acquisitions						41,316
Depreciation and amortisation expense	51,187	-	3	-	-	51,449
Total depreciation and amortisation						51,449
Mark to market of financial derivatives	2,642	-	-	-	-	2,642

3 Segment information (continued)

2011	Nickel \$'000	Gold \$'000	Platinum Group Metals \$'000	Australian Exploration \$'000	Overseas Exploration \$'000	Total \$'000
Segment revenue						
Sales	240,614	-	-	-	-	240,614
Other revenue	<u>5,264</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,268</u>
Total segment revenue	<u>245,878</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,882</u>
Unallocated revenue (i)						<u>3,700</u>
Consolidated revenue						<u>249,582</u>
Segment result						
Segment result	<u>47,538</u>	<u>-</u>	<u>(3,125)</u>	<u>(2,836)</u>	<u>-</u>	41,577
Intersegment elimination						(1,639)
Corporate charges and other unallocated revenue and expenses						<u>(9,155)</u>
Profit before income tax						30,783
Income tax expense						<u>(10,154)</u>
Profit for the year						<u>20,629</u>
Segment assets and liabilities						
Segment assets	<u>355,127</u>	<u>20,908</u>	<u>16,310</u>	<u>14</u>	<u>-</u>	392,359
Intersegment elimination						(728)
Unallocated assets (ii)						<u>17,079</u>
Total assets						<u>408,710</u>
Segment liabilities	<u>85,552</u>	<u>8,905</u>	<u>117</u>	<u>-</u>	<u>-</u>	94,574
Intersegment elimination						(355)
Unallocated liabilities (ii)						<u>13,018</u>
Total liabilities						<u>107,237</u>
Other segment information						
Acquisitions of property, plant and equipment	<u>23,448</u>	<u>3,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	27,364
Unallocated						<u>219</u>
Total acquisitions						<u>27,583</u>
Depreciation and amortisation expense	<u>45,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	45,827
Unallocated						<u>246</u>
Total depreciation and amortisation						<u>46,073</u>
Mark to market of financial derivatives	<u>779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>779</u>

(i) Unallocated revenue includes interest income

(ii) Unallocated assets and liabilities includes assets and liabilities held by the parent entity

3 Segment information (continued)

(b) Geographical segments

	Segment revenues from sales to external customers	
	2012 \$'000	2011 \$'000
Australia	95,481	133,251
China	<u>128,249</u>	<u>136,546</u>
	<u>223,730</u>	<u>269,797</u>

Segment revenues are allocated based on the country in which the customer is located. Sales to external customers exclude hedging gains and losses, transport, port and shipping charges, and therefore this amount will not agree to the revenue from continuing operations as shown in the consolidated income statement.

The Group has two major customers to which it delivers nickel concentrate and nickel ore. The Group's most significant client accounts for \$128.249 million (2011: \$136.546 million) of external revenue. The next most significant client accounts for \$95.481 million (2011: \$133.251 million) of revenue.

4 Revenue

	Consolidated	
	2012 \$'000	2011 \$'000
<i>Revenue</i>		
Sale of goods	<u>228,833</u>	<u>243,445</u>
	<u>228,833</u>	<u>243,445</u>
<i>Other revenue</i>		
Interest	<u>4,217</u>	<u>6,137</u>
	<u>4,217</u>	<u>6,137</u>
	<u>233,050</u>	<u>249,582</u>

5 Other income

	Consolidated	
	2012 \$'000	2011 \$'000
Sundry income	<u>5</u>	<u>4,465</u>

6 Correction of error and revision of estimates

(a) Correction of error in deferred tax liabilities

In the 30 June 2011 balance sheet a deferred tax asset was incorrectly recognised for the capital loss associated with the impact of available for sale investments when it was not probable that a future capital gain would be available to utilise the loss.

The error has been corrected by restating each of the affected line items for the prior year, as described in the table below.

	30 June 2011 \$'000	Increase/ (Decrease) \$'000	30 June 2011 (Restated) \$'000	30 June 2010 \$'000	Increase/ (Decrease) \$'000	1 July 2010 (Restated) \$'000
Balance sheet (extract)						
Deferred tax liabilities	44,382	1,663	46,045	-	-	-
Retained earnings	145,615	(1,663)	143,952	-	-	-
				2011 \$'000	Profit Increase/ (Decrease) \$'000	2011 (Restated) \$'000
Income tax expense				8,491	1,663	10,154
Profit is attributable to:						
Owners of Panoramic Resources Limited				22,292	(1,663)	20,629

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was an decrease of \$0.08 cents per share.

7 Expenses

	Consolidated	
	2012	2011
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Cost of sales of goods</i>		
Cost of production	(157,877)	(136,681)
Royalties	(11,420)	(12,596)
Depreciation - property, plant and equipment	(13,005)	(12,141)
Amortisation - finance lease and hire purchase assets	(1,289)	(1,206)
Amortisation - deferred development costs	(25,942)	(21,736)
Amortisation - mine properties	(10,954)	(10,744)
	<u>(220,487)</u>	<u>(195,104)</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	(387)	(386)
Unwinding of discount - rehabilitation	(1,203)	(1,038)
	<u>(1,590)</u>	<u>(1,424)</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	868	729
Total rental expense relating to operating leases	<u>868</u>	<u>729</u>
<i>Derivative Financial Instruments</i>		
Mark to market of derivative instruments which are not in an effective hedge relationship	(1,902)	(779)
	<u>(1,902)</u>	<u>(779)</u>
<i>Other</i>		
Corporate and marketing costs	(16,135)	(13,995)
Fair value gains on other financial assets at fair value through profit or loss	93	88
Amortisation - finance lease and hire purchase assets	(77)	-
Depreciation - property, plant and equipment not used in production	(182)	(246)
Net (loss) gain on disposal of property, plant and equipment	(213)	35
	<u>(16,514)</u>	<u>(14,118)</u>
<i>Breakdown of employee benefits expense</i>		
Salaries and wages	(45,634)	(37,372)
Payroll tax	(3,061)	(3,385)
Superannuation	(4,676)	(3,640)
Share based payments expense	(2,754)	(3,182)
Other	(5,924)	(5,150)
	<u>(62,049)</u>	<u>(52,729)</u>

8 Income tax expense

	Consolidated	
	2012	2011
	\$'000	\$'000
(a) Income tax expense		
Current tax	2,763	4,725
Deferred tax	(5,479)	6,986
Adjustments for current tax of prior periods	(371)	(4,266)
Adjustments for deferred tax of prior periods	(10)	2,709
	<u>(3,097)</u>	<u>10,154</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit (loss) from continuing operations before income tax expense	(21,309)	30,783
Profit from discontinuing operations before income tax expense	(6,393)	-
Tax at the Australian tax rate of 30% (2011 - 30%)	<u>(6,393)</u>	<u>9,235</u>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	20	13
Donations	11	41
Share-based payments	827	560
Research and development	(203)	(514)
Foreign exploration	790	702
Investment allowance	-	12
Deferred tax assets on capital losses not recognised	2,232	1,663
Adjustments for current tax of prior periods	(371)	(1,558)
Adjustments recognised in the current year in relation to deferred tax of prior years	(10)	-
Income tax expense	<u>(3,097)</u>	<u>10,154</u>
(c) Amounts recognised directly in equity		
Relating to financial instruments	(71)	(2,866)
Relating to equity securities available for sale	-	525
Relating to asset revaluation reserve	44	-
	<u>(27)</u>	<u>(2,341)</u>
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	1,869	-
Potential tax benefit @ 30%	<u>561</u>	<u>-</u>
All unused tax losses relate to capital losses where there is no certainty of recovery.		
(e) Unrecognised temporary differences		
Foreign currency translation	339	-
Investments at fair value	11,114	5,548
	<u>11,453</u>	<u>5,548</u>
Unrecognised deferred tax assets relating to the above temporary differences	<u>3,436</u>	<u>1,663</u>

A deferred tax asset has not been recognised in respect of temporary differences of \$339,000 (2011: \$0) arising as a result of the translation of the financial statements of the consolidated entity's subsidiary in Finland. The deferred tax asset will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

8 Income tax expense (continued)

A deferred tax asset has not been recognised in respect of temporary differences of \$11,114,210 (2011: \$5,548,237) relating to the fair value adjustments made on available-for-sale investments as their recovery is uncertain.

(f) Tax consolidation legislation

The Company and its wholly-owned subsidiaries have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Panoramic Resources Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable/(receivable) to/ (from) other entities in the tax-consolidated group in conjunction with any tax-funding arrangement amounts (refer below).

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement from 1 July 2005 which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

There is no tax sharing arrangement in place as at balance date.

9 Current assets - Cash and cash equivalents

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash at bank and in hand (b)	20,970	17,408
Deposits at call (c)	<u>18,398</u>	<u>73,456</u>
	<u>39,368</u>	<u>90,864</u>

9 Current assets - Cash and cash equivalents (continued)

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Balances as above	39,368	90,864
Balances per statement of cash flows	<u>39,368</u>	<u>90,864</u>

(b) Cash at bank and on hand

Generally cash at bank earns interest at floating rates based on daily bank deposit rates. The weighted average interest rate achieved for the year was 1.7% (2011: 3.1%).

(c) Deposits at call

Short-term deposits are made of varying maturities not exceeding three months and earn interest at the respective short-term deposit rates. If short-term deposits have original maturity greater than three months, principal amounts can be redeemed in full with interest payable at the same cash rate from inception as per the agreement with each bank, net of bank overdrafts. The weighted average interest rate achieved for the year was 5.4% (2011: 6.1%).

(d) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

10 Current assets - Trade and other receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Net trade receivables		
Trade receivables	28,968	28,620
Other receivables	4,046	3,946
Other related party receivables	-	1,964
	<u>33,014</u>	<u>34,530</u>

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. A breach of contractual terms would be considered objective evidence. The amount of the allowance/impairment loss is the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Trade receivables are adjusted upwards or downwards depending on movements in spot commodity prices from the date a provisional invoice is prepared until the presentation of a final invoice to the customer, known as the quotational period (QP).

\$6.713 million (2011: \$9.611 million) included in trade receivables is subject to change in the nickel price.

All receivables are current.

(b) Other receivables

These amounts relate to receivables for goods and services tax, diesel fuel rebates and sundry items. Interest may be charged at commercial rates where the terms of repayments exceed six months. Collateral is not normally obtained.

10 Current assets - Trade and other receivables (continued)

(c) Other related party receivables

For terms and conditions relating to related party receivables refer to note 33.

(d) Foreign exchange and interest rate risk

The balance of trade receivables is exposed to movements in United States currency exchange rates and spot commodity prices.

All trade receivables are non-interest bearing in 2011 and 2012.

Information on foreign exchange and interest rate risk is provided in note 2.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value, at 30 June 2011 and 2012.

Trade receivables are adjusted upwards or downwards depending on movements in spot commodity prices from the date a provisional invoice is prepared until the presentation of a final invoice to the customer, known as the quotational period (QP).

Information on credit risk is provided in note 2.

11 Current assets - Term deposits

	Consolidated	
	2012	2011
	\$'000	\$'000
Term deposits	6,500	977
Cash backed bonds	117	12
	<u>6,617</u>	<u>989</u>

Term deposits are made for varying periods of between 90 and 270 days, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average interest rate achieved for the year was 5.4% (2011: 6.1%).

12 Current assets - Prepayments

	Consolidated	
	2012	2011
	\$'000	\$'000
Prepayments	<u>1,564</u>	<u>1,348</u>

13 Current assets - Inventories

	Consolidated	
	2012	2011
	\$'000	\$'000
Spares for production		
- at cost	10,863	8,474
- at net realisable value	666	346
Nickel ore stocks on hand		
- at cost	-	1,367
- at net realisable value	1,096	-
Concentrates stocks on hand		
- at cost	-	2,135
- at net realisable value	1,377	-
	<u>14,002</u>	<u>12,322</u>

14 Derivative financial instruments

	Consolidated	
	2012 \$'000	2011 \$'000
Current assets		
Foreign exchange put options (a)	26	246
Commodity put options ((a)(i))	2,191	1,202
Forward commodity contracts ((a)(i))	<u>6,507</u>	<u>5,549</u>
Total current derivative financial instrument assets	<u>8,724</u>	<u>6,997</u>
Non-current assets		
Forward commodity contracts ((a)(i))	205	2,427
Commodity put options ((a)(i))	<u>-</u>	<u>293</u>
Total non-current derivative financial instrument assets	<u>205</u>	<u>2,720</u>
Current liabilities		
Forward foreign exchange contracts ((a)(i))	-	130
Foreign exchange call options ((a))	227	-
Commodity call options ((a)(i))	<u>62</u>	<u>287</u>
Total current derivative financial instrument liabilities	<u>289</u>	<u>417</u>
Total derivative financial instrument assets (liabilities)	<u>8,640</u>	<u>9,300</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 (refer to note 2).

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

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

The nickel forward contracts and put options are hedging highly probable forecast sales to occur over the next two years.

These contracts have been designated as cashflow hedges and are timed to mature when sales are scheduled to occur.

14 Derivative financial instruments (continued)

Consolidated	Tonnes Hedged 30 June 2012	Average USD Price 30 June 2012 \$	Tonnes Hedged 30 June 2011	Average USD Price 30 June 2011 \$
Nickel Sell Call Options				
Not later than one year	1,200	25,250	600	30,000
Nickel Buy Put Options				
Not later than one year	1,200	18,000	1,452	18,000
Nickel Fixed Forward				
Not later than one year	675	26,468	2,700	25,688
Later than one year	-	-	675	26,465

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Company adjusts the initial measurement of the component recognised in the income statement by the related amount deferred in equity.

Consolidated	Kilolitres Hedged 30 June 2012	Average US\$ Price per litre 30 June 2012	Kilolitres Hedged 30 June 2011	Average US\$ Price per litre 30 June 2011
Diesel Collars				
Not later than one year	3,375	0.83	4,500	0.60
Later than one year	-	-	1,125	0.60

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

The forward foreign exchange contracts and foreign exchange put options are hedging highly probable forecasted receipts to occur over the next two years that will be denominated in United States dollars.

These contracts have been designated as cashflow hedges and are timed to mature when receipts are scheduled to be received.

Consolidated	USD Hedged 30 June 2012 \$'000	Average Rate 30 June 2012 \$	USD Hedged 30 June 2011 \$'000	Average Rate 30 June 2011 \$
Foreign Exchange Forwards				
Not later than one year	-	-	1,844	0.97
Foreign Exchange Calls				
Not later than one year	24,000	0.95	-	-
Foreign Exchange Puts				
Not later than one year	24,000	1.12	12,000	1.07

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Company adjusts the initial measurement of the component recognised in the income statement by the related amount deferred in equity.

14 Derivative financial instruments (continued)

(b) Risk exposures

Information about the Company's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial assets mentioned above.

15 Current assets - Current tax receivables

	Consolidated	
	2012	2011
	\$'000	\$'000
Current tax receivable	-	966

16 Non-current assets - Available-for-sale financial assets

	Consolidated	
	2012	2011
	\$'000	\$'000
At beginning of year	6,621	9,229
Additions	6,900	8,059
Disposals	-	(3,387)
Losses from impairment	(5,334)	(5,536)
Reclassification on acquisition of Magma Metals Ltd	(2,997)	-
Revaluation (deficit) transfer to equity	(238)	(1,744)
At end of year	<u>4,952</u>	<u>6,621</u>

	Consolidated	
	2012	2011
	\$'000	\$'000
Securities - listed	<u>4,952</u>	<u>6,621</u>

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

An impairment loss of \$2.872 million (2011: 5.536 million) was recognised in relation to the Company's investment in Magma Metals Limited. In May 2012, the Company acquired the Thunder Bay North Project by way of an off-market takeover bid of Magma Metals Limited (1 Panoramic shares for 7 Magma shares). The Company attained control of Magma Metals Limited on 11 May 2012 when it achieved 50% acceptance of its takeover offer, at this point, the investment was fair valued at \$2.997 million based on the Company's share price of 12 cents. The investment in Magma Metals Limited was then recognised as a subsidiary of the Group rather than an available-for-sale financial asset.

During the year, an impairment loss of \$2.243 million was recognised in relation to the Company's investment in Hot Chili Limited at 30 June 2012 after significant and sustained fall in the Hot Chili share price. The fair value has been calculated using the closing share price at 30 June 2012 of 40.5 cents.

During the year, an impairment loss of \$0.219 million was recognised in relation to the Company's investment in Thundelarra Exploration Limited at 30 June 2012 after a fall in the Thundelarra share price. The fair value has been calculated using the closing share price at 30 June 2012 of 6.3 cents.

17 Non-current assets - Property, plant and equipment

	Construction in progress \$'000	Plant and equipment \$'000	Leased plant & equipment \$'000	Total \$'000
At 1 July 2010				
Cost	5,306	124,700	15,426	145,432
Accumulated depreciation and impairment	(444)	(80,634)	(12,375)	(93,453)
Net book amount	<u>4,862</u>	<u>44,066</u>	<u>3,051</u>	<u>51,979</u>
Year 30 June 2011				
Opening net book amount	4,862	44,066	3,051	51,979
Additions	21,346	7,068	-	28,414
Transfers (to) from other asset class	(5,946)	5,599	(484)	(831)
Disposals	-	(4)	-	(4)
Depreciation charge	-	(12,387)	(1,207)	(13,594)
Closing net book amount	<u>20,262</u>	<u>44,342</u>	<u>1,360</u>	<u>65,964</u>
At 30 June 2011				
Cost	20,706	148,741	3,041	172,488
Accumulated depreciation and impairment	(444)	(104,399)	(1,681)	(106,524)
Net book amount	<u>20,262</u>	<u>44,342</u>	<u>1,360</u>	<u>65,964</u>
Year 30 June 2012				
Opening net book amount	20,262	44,342	1,360	65,964
Additions	31,409	5,818	4,090	41,317
Transfer (to) from other asset class	(28,883)	23,295	5,199	(389)
Disposals	-	(413)	-	(413)
Depreciation charge	-	(13,187)	(1,366)	(14,553)
Closing net book amount	<u>22,788</u>	<u>59,855</u>	<u>9,283</u>	<u>91,926</u>
At 30 June 2012				
Cost	23,232	172,257	12,355	207,844
Accumulated depreciation and impairment	(444)	(112,402)	(3,072)	(115,918)
Net book amount	<u>22,788</u>	<u>59,855</u>	<u>9,283</u>	<u>91,926</u>

17 Non-current assets - Property, plant and equipment (continued)

The recoverable amount of each mine operation at the cash generating unit level has been determined based on a value in use calculation using cash flow projections based on financial budgets covering life of the mine incorporating current market assumptions approved by the Directors. The cash generating unit comprises the plant and equipment, mine development and mine properties. A discount rate of 15.0% (2011: 15.0%) pre-tax was used in the calculation of the assets' recoverable amount.

In January 2011, the Group purchased the Gidgee Gold Project from Apex Mineral NL for \$15.5 million. Included in the plant and equipment at 30 June 2011 was an amount of \$3,786,500 relating to the infrastructure acquired from the purchase of the Gidgee Gold Project.

The Company attained control of Magma Metals Limited on 11 May 2012 when it achieved 50% acceptance of its takeover offer. Property, plant and equipment relating to this acquisition of \$405,00 is included in additions for the year.

(a) Non-current assets pledged as security

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. The carrying amounts of assets pledged as security for current and non-current borrowings are \$9.283 million (2011: \$1.360 million).

Included in the balances of plant and equipment are assets of Donegal Resources Pty Ltd over which two mortgages were granted as security in relation to a rehabilitation bank guarantee.

18 Non-current assets - Exploration and evaluation, development expenditure and mine properties

(a) Exploration and evaluation

	Consolidated	
	2012	2011
	\$'000	\$'000
Total exploration and evaluation	<u>84,272</u>	<u>14,319</u>

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or the sale of the respective mining areas.

Exploration and evaluation - reconciliation

Reconciliations of the carrying amounts of exploration and evaluation expenditure at the beginning and the end of the current and previous financial year are set out below:

Consolidated	2012	2011
	\$'000	\$'000
Carrying amount at start of year	14,325	14,267
Expenditure incurred during the year	9,573	4,083
Acquisition of projects	41,675	-
Transfer from other asset class	18,699	-
Transfer to mine development expenditure	<u>-</u>	<u>(4,031)</u>
Carrying amount at end of year	<u>84,272</u>	<u>14,319</u>

18 Non-current assets - Exploration and evaluation, development expenditure and mine properties (continued)

Acquisition of exploration properties

In May 2012, the Company purchased the Panton PGM (platinum group metals) Project and the rights to use the Panton Process (a patented metallurgical process). An amount of \$5.591 million is recognised relating to this acquisition.

In May 2012, the Company acquired Wilsons Gold Project from Apex Minerals Limited. An amount of \$8.295 million is recognised relating to this acquisition.

The Company attained control of Magma Metals Limited on 11 May 2012 when it achieved 50% acceptance of its takeover offer. An amount of \$27.789 million is recognised relating to this acquisition.

(b) Mine development expenditure

	Consolidated	
	2012	2011
	\$'000	\$'000
Cost		
Opening balance	273,185	240,549
Expenditure incurred	21,160	27,774
Transfer from exploration and evaluation	15	4,031
Transfer from construction in progress	-	831
Increase in rehabilitation cost capitalised	8,466	-
Disposals	(135)	-
Closing balance	<u>302,691</u>	<u>273,185</u>
Accumulated depreciation and impairment		
Opening balance	(176,352)	(154,616)
Amortisation for the year	(25,942)	(21,736)
Amortisation on disposals	113	-
Closing balance	<u>(202,181)</u>	<u>(176,352)</u>
Total development properties	<u>100,510</u>	<u>96,833</u>

(c) Mine properties

Cost		
Opening balance	113,180	97,068
Transfer to other asset class	(18,699)	-
Mine properties expenditure incurred	-	16,612
Write off of relinquished projects	-	(500)
Closing balance	<u>94,481</u>	<u>113,180</u>
Accumulated depreciation and impairment		
Opening balance	(39,257)	(28,513)
Amortisation for the year	(10,954)	(10,744)
Closing balance	<u>(50,211)</u>	<u>(39,257)</u>
Total property	<u>44,270</u>	<u>73,923</u>

Valuation of mineral properties

Included in the mineral properties at 30 June 2011 was an amount of \$16,611,768 relating to the purchase of the Gidgee Gold Project in January 2011.

19 Non-current assets - Deferred tax assets

	Consolidated	
	2012	2011
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Employee benefits	2,474	2,130
Provisions	8,750	8,308
Tax losses	4,633	-
Financial instruments at fair value	81	119
Superannuation	21	1
Trading Stock	255	230
Foreign exchange	23	456
Accrued Expenses	7	7
Total deferred tax assets	<u>16,244</u>	<u>11,251</u>
Set-off of deferred tax amounts pursuant to set-off provisions (note 25)	<u>(16,244)</u>	<u>(11,251)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>
Movements:		
Opening balance at 1 July	11,251	12,563
Credited/(charged) to the income statement	4,496	1,554
(Charged)/credited to equity	497	(2,866)
Closing balance at 30 June	<u>16,244</u>	<u>11,251</u>

20 Non-current assets - Other non-current assets

	Consolidated	
	2012	2011
	\$'000	\$'000
Cash backed bonds	421	314
Deposit paid on Mt Henry Aquisition	<u>1,500</u>	<u>-</u>
	<u>1,921</u>	<u>314</u>

Cash backed bonds are placed with a financial institution in respect to Copernicus Nickel Mines' miscellaneous mining licenses.

21 Current liabilities - Trade and other payables

	Consolidated	
	2012	2011
	\$'000	\$'000
Trade payables	8,829	7,818
Accrued expenses	<u>17,210</u>	<u>16,138</u>
	<u>26,039</u>	<u>23,956</u>

Trade payables are non-interest bearing and are normally settled on 30 day terms.

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

22 Current liabilities - Borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
Lease and hire purchase liabilities	<u>2,455</u>	<u>834</u>

(a) Risk exposures

Details of the Company's exposure to risks arising from current borrowings are set out in note 24.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 24.

(c) Security

Details of the Group's security relating to non-current borrowings are set out in note 24.

23 Current liabilities - Provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Employee benefits - long service leave	2,572	1,918
Employee benefits - annual leave	<u>5,085</u>	<u>4,460</u>
	<u>7,657</u>	<u>6,378</u>

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service. Where employees have not completed the required period of service their pro rata entitlement is recognised as a non-current provision for long service leave.

24 Non-current liabilities - Borrowings

	Consolidated	
	2012	2011
	\$'000	\$'000
Secured		
Lease hire purchase liabilities (note 32)	<u>7,190</u>	<u>589</u>

(a) Assets pledged as security

Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are \$9.283 million (2011: \$1.360 million).

(b) Other loans

Finance lease liabilities

Finance lease liabilities have an average term of 4 years (2011: 4.5 years). The average discount rate implicit in the hire purchase liability is 7.20% (2011: 7.2%). Secured finance lease liabilities are secured by a charge over the asset.

Financing facilities available

At reporting date, there is a performance bond facility available. The performance bond facility is \$22.5 million (2011: \$22.5 million) with a drawdown amount at reporting date of \$18.7 million (2011: \$18.3 million) and \$3.8 million (2011: \$4.2 million) available to be used.

24 Non-current liabilities - Borrowings (continued)

(c) Interest rate risk exposures

The following table sets out the Company's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

2012	Fixed interest rate						Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Non- interest bearing \$'000	
Trade and other payables (note 21)	-	-	-	-	-	26,039	26,039
Lease liabilities (notes 22, 24 and 32)	-	2,455	2,392	2,459	2,339	-	9,645
	-	2,455	2,392	2,459	2,339	26,039	35,684
Weighted average interest rate	- %	7.2 %	7.2 %	7.2 %	7.1 %	- %	
2011	Fixed interest rate						Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Non- interest bearing \$'000	
Trade and other payables (note 21)	-	-	-	-	-	23,956	23,956
Lease liabilities (notes 22, 24 and 32)	-	834	589	-	-	-	1,423
	-	834	589	-	-	23,956	25,379
Weighted average interest rate	- %	7.2 %	7.3 %	- %	- %	- %	

(d) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2012		2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Lease liabilities	9,645	9,645	1,423	1,423
	9,645	9,645	1,423	1,423

(i) On-balance sheet

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

The interest rates implicit in the agreements varies from the current interest rates, however the impact is not significant as such the carrying value is assumed to approximate their fair value.

25 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial instruments at fair value	2,665	2,888
Inventories	3,714	2,876
Borrowing costs capitalised	2	-
Accrued income	252	502
Property, plant and equipment	4,702	4,175
Exploration and evaluation, development expenditure and mine properties	48,200	46,853
Other	-	2
Total deferred tax liabilities	<u>59,535</u>	<u>57,296</u>
Set-off of deferred tax asset pursuant to set-off provisions (note 19)	<u>(16,244)</u>	<u>(11,251)</u>
Net deferred tax liabilities	<u>43,291</u>	<u>46,045</u>

Movements:

Opening balance at 1 July	57,296	48,236
(Credited)/charged to the income statement	1,769	9,585
Charged/(credited) to equity (notes 27 and 28)	<u>470</u>	<u>(525)</u>
Closing balance at 30 June	<u>59,535</u>	<u>57,296</u>

26 Non-current liabilities - Provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Employee benefits - long service leave	702	721
Rehabilitation	<u>36,229</u>	<u>28,297</u>
	<u>36,931</u>	<u>29,018</u>

A provision for rehabilitation is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the rehabilitation of a mining site. Estimates of the rehabilitation are based on the anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislations in relation to rehabilitation of such mines in the future.

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Provision for rehabilitation	2012 \$'000	2011 \$'000
Movements:		
Carrying amount at start of year	28,297	22,511
Charged/(credited) to the income statement		
- additional provisions recognised	8,633	4,748
- provisions utilised	(1,904)	-
- unwinding of discount	1,203	1,038
Carrying amount at end of year	<u>36,229</u>	<u>28,297</u>

During the year, additional rehabilitation and restoration provision was recognised in relation to the Gidgee Gold Project and the construction of a new camp site at the Lanfranchi Nickel Mine.

27 Contributed equity

		Consolidated		Consolidated	
		2012	2011	2012	2011
		No. of shares	No. of shares	\$'000	\$'000
(a) Share capital					
Ordinary shares fully paid		241,681,195	207,050,710	133,765	104,675
(b) Movements in ordinary share capital:					
Date	Details	Number of shares		\$'000	
1 July 2010	Opening balance	205,262,842		101,953	
	Exercise of unlisted options - 23-Aug-10	12,500		28	
	Exercise of unlisted options - 1-Sep-10	312,500		687	
	Exercise of unlisted options - 28-Sep-10	25,000		55	
	Exercise of unlisted options - 29-Sep-10	75,000		165	
	Exercise of unlisted options - 30-Sep-10	375,000		825	
	Exercise of unlisted options - 27-Oct-10	12,500		27	
	Exercise of unlisted options - 22 Nov 10	12,500		27	
	Exercise of unlisted options - 22-Dec-10	412,500		908	
	Employee share scheme issue -10-Feb-11	550,368		-	
30 June 2011	Balance at end of year	207,050,710		104,675	
1 July 2011	Opening balance	207,050,710		104,675	
	Share Issue - 5-Jun-12	19,783,307		16,618	
	Share Issue - 15-Jun-12	11,880,543		9,980	
	Share Issue ***	2,966,635		2,492	
30 June 2012	Balance at end of year	241,681,195		133,765	

*** Unissued capital pending compulsory acquisition of Magma shares at 30 June 2012 and shares issued at 25 July 2012.

(c) Movements in share options issued over ordinary shares

Date	Details	Number of shares	Issue Price \$
1 July 2010	Opening balance	4,412,500	
	Exercised 2010/11	(12,500)	2.20
	Exercised 2010/11	(312,500)	2.20
	Exercised 2010/11	(25,000)	2.20
	Exercised 2010/11	(75,000)	2.20
	Exercised 2010/11	(375,000)	2.20
	Exercised 2010/11	(12,500)	2.20
	Exercised 2010/11	(12,500)	2.20
	Exercised 2010/11	(412,500)	2.20
	Exercised 2010/11	(175,000)	2.20
30 June 2011	Balance at end of year	3,000,000	
30 June 2012	Balance at end of year	3,000,000	

27 Contributed equity (continued)

(d) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(e) Capital 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 that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2012, the Group paid dividends of \$8.282 million (2011: \$21.645 million). The Group's target dividend payments each financial year is to payout a minimum of 40-50% of net profits.

Management monitor capital through the gearing ratio (total borrowings / contributed equity). The debt to equity ratio (borrowings on equity interest in shareholders' equity) at 30 June 2012 was 7.21% (2011: 1.4%).

The Group has put in place a Group Cash Management Policy to ensure that up to 180 days (2011: 180 days) excess cash holdings are invested with a range of institutions that have sufficient financial strength to ensure the security of the investment. (Refer to note 2 Financial risk management)

The Group is not subject to any externally imposed capital requirements.

Management consider that the total equity of the Group (contributed equity, reserves and retained earnings) plus borrowings (current and non-current) is what it manages as capital. At June 2012 this was \$317.138 million (2011: \$304.559 million).

28 Reserves

	Consolidated	
	2012	2011
	\$'000	\$'000
Reserves		
Mineral properties revaluation reserve, net of tax	31,252	31,252
Available-for-sale investments revaluation reserve, net of tax	64	230
Hedging reserve - cash flow hedges, net of tax	5,579	5,477
Share-based payments reserve	18,641	15,887
Foreign currency translation reserve	734	-
	<u>56,270</u>	<u>52,846</u>
	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Mineral properties revaluation reserve</i>		
Balance 1 July	<u>31,252</u>	<u>31,252</u>
Balance 30 June	<u>31,252</u>	<u>31,252</u>
<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 July	230	1,455
Revaluation - gross	(238)	(1,750)
Deferred tax	<u>72</u>	<u>525</u>
Balance 30 June	<u>64</u>	<u>230</u>
<i>Hedging reserve - cash flow hedges</i>		
Balance 1 July	5,477	(1,209)
Remeasurement of cash flow hedges net of tax	2,445	468
Transfer to net profit - net of tax	<u>(2,343)</u>	<u>6,218</u>
Balance 30 June	<u>5,579</u>	<u>5,477</u>
<i>Share-based payments reserve</i>		
Balance 1 July	15,887	12,705
Employee share plan expense - charged to the consolidated entity	<u>2,754</u>	<u>3,182</u>
Balance 30 June	<u>18,641</u>	<u>15,887</u>
<i>Foreign currency translation reserve</i>		
Balance 1 July	-	-
Currency translation differences arising during the year :		
Associates	<u>734</u>	<u>-</u>
Balance 30 June	<u>734</u>	<u>-</u>

28 Reserves (continued)

Asset revaluation reserve

Panoramic increased the groups holding in Lanfranchi from 75% to 100% in 2009. This required revaluation of the original interest. The asset revaluation reserve resulted from the increase in the fair value of the original interest.

Share based payments reserve

The share based payments reserve is used to record the value of share based payments provided to employees as part of their remuneration. The reserve is also used to record share based payments provided to third parties as part of the acquisition of an entity.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Available-for-sale investments revaluation reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

29 Dividends

	Consolidated entity	
	2012	2011
	\$'000	\$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2011 of 2 cents (2010: 6.5 cents) per fully paid share paid on 21 September 2011 (30 June 2010: 24 September 2010)		
Fully franked based on tax paid @ 30%	<u>4,141</u>	<u>13,363</u>
	4,141	13,363
Interim dividend for the half-year ended 31 December 2011 of 2 cents (31 December 2010: 4 cents) per fully paid share paid on 21 March 2012 (2010: 25 March 2011)		
Fully franked based on tax paid @ 30%	<u>4,141</u>	<u>8,282</u>
	4,141	8,282
Total dividends provided for or paid	<u>8,282</u>	<u>21,645</u>

	Consolidated	
	2012	2011
	\$'000	\$'000
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end no further dividend was recommended. In 2011, the directors recommended the payment of a final dividend of 2 cents per fully paid ordinary share, fully franked based on tax paid at 30%. At 30 June 2012, the aggregate amount of the proposed dividend not recognised as a liability at year end, is	<u>-</u>	<u>4,141</u>

29 Dividends (continued)

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits.

	Consolidated	
	2012	2011
	\$'000	\$'000
Franking account balance as at the end of the financial year at 30% (2011: 30%)	19,327	26,510
Changes to franking credits that will arise from payment/(refund) of income tax payable as at end of the financial year	-	(967)
Impact on franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as distribution to equity holders during the period	-	(1,775)
	<u>19,327</u>	<u>23,768</u>

The tax rate at which paid dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at the rate of 30% (2011: 30%).

30 Key management personnel disclosures

(a) Directors

The following persons were directors of Panoramic Resources Limited during the financial year:

(i) Chairman - non-executive

B M Phillips (Appointed 17 November 2011)

C J G de Guingand (Retired 17 November 2011)

(ii) Executive directors

P J Harold, Managing Director

(iii) Non-executive directors

C D J Langdon

J Rowe

B M Phillips (Appointed as Chairman on 17 November 2011)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

T R Eton	Chief Financial Officer / Company Secretary	Panoramic Resources Limited
C J Williams	General Manager - Project Development and Technical Services	Panoramic Resources Limited
S A Jessop (from 1 Jul 2011 to 4 Nov 2011) resigned	Manager - Projects	Panoramic Resources Limited
T J Strong (from 6 Feb 2012)	General Manager - Nickel Operations	Panoramic Resources Limited
T J Strong (from 1 Jul 2011 to 5 Feb 2012)	Operations Manager - Savannah Project	Savannah Nickel Mines Pty Ltd
M A Recklies (from 28 Dec 2011)	Operations Manager - Savannah Project	Savannah Nickel Mines Pty Ltd
R J Thorburn	Operations Manager - Lanfranchi Project	Lanfranchi Nickel Mines Pty Ltd

(c) Key management personnel compensation

	Consolidated	
	2012	2011
	\$'000	\$'000
Short-term employee benefits	2,987	2,950
Post-employment benefits	217	209
Share-based payments	3,277	1,786
	<u>6,481</u>	<u>4,945</u>

30 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Securities provided as remuneration

Details of securities provided as remuneration, together with terms and conditions of the securities, can be found in the remuneration report.

(ii) Security holdings

The number of securities over ordinary shares in the company held during the financial year by each director of Panoramic Resources Limited and other key management personnel of the Group, including their personally related parties are provided in the following table. In the table provided, performance shares are separately identified. All other securities relate to options.

2012							
Name	Balance at start of the year	Granted as compensation	Exercised	Other changes #	Balance at end of the year	Unvested	Vested and exercisable
Directors of Panoramic Resources Limited							
Performance Rights							
P J Harold	1,040,000	-	-	-	1,040,000	1,040,000	-
Other key management personnel of the Company							
Performance Rights							
T R Eton	590,000	-	-	-	590,000	590,000	-
C J Williams	590,000	-	-	-	590,000	590,000	-
S A Jessop	395,000	-	-	(395,000)	-	-	-
R J Thorburn	395,000	-	-	-	395,000	395,000	-
T J Strong	395,000	-	-	-	395,000	395,000	-
M A Recklies	80,000	-	-	-	80,000	80,000	-

Other changes relate to performance rights which were forfeited on resignation.

2011							
Name	Balance at start of the year	Granted as compensation	Exercised	Other changes #	Balance at end of the year	Unvested	Vested and exercisable
Directors of Panoramic Resources Limited							
Performance Rights							
P J Harold	500,000	1,040,000	(260,000)	(240,000)	1,040,000	1,040,000	-
Other key management personnel of the Company							
Options							
T R Eton	550,000	-	(550,000)	-	-	-	-
C J Williams	100,000	-	(100,000)	-	-	-	-
S A Jessop	50,000	-	(50,000)	-	-	-	-
T J Strong	75,000	-	(75,000)	-	-	-	-
Performance Rights							
T R Eton	-	590,000	-	-	590,000	590,000	-
C J Williams	-	590,000	-	-	590,000	590,000	-
S A Jessop	-	395,000	-	-	395,000	395,000	-
R J Thorburn	-	395,000	-	-	395,000	395,000	-
T J Strong	-	395,000	-	-	395,000	395,000	-

30 Key management personnel disclosures (continued)

Other changes relate to performance rights which were forfeited on resignation.

(iii) *Share holdings*

The number of shares in the company held during the financial year by each director of Panoramic Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012				
Name	Balance at the start of the year	Purchased during the year	Other changes during the year	Balance at the end of the year
Directors of Panoramic Resources Limited				
P J Harold	3,490,785	-	-	3,490,785
C J G de Guingand	150,366	10,000	(160,366)	-
C D J Langdon	25,000	-	-	25,000
J Rowe	10,000	-	-	10,000
B M Phillips	10,000	-	-	10,000
Other key management personnel of the Company				
Ordinary shares				
T R Eton	100,000	-	-	100,000
C J Williams	155,000	-	-	155,000
R J Thorburn	10,200	-	-	10,200
T J Strong	188,000	-	-	188,000
M A Recklies	100,000	-	-	100,000

2011				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Panoramic Resources Limited				
P J Harold	3,899,791	-	(409,006)	3,490,785
C J G de Guingand	150,366	-	-	150,366
C D J Langdon	25,000	-	-	25,000
J Rowe	10,000	-	-	10,000
B M Phillips	10,000	-	-	10,000
Other key management personnel of the Company				
Ordinary shares				
T R Eton	50,000	550,000	(500,000)	100,000
C J Williams	130,000	100,000	(75,000)	155,000
S A Jessop	60,000	50,000	(110,000)	-
R J Thorburn	-	-	10,200	10,200
T J Strong	188,000	75,000	(75,000)	188,000

All equity transactions with key management personnel other than those arising from the exercise of options or performance shares have been entered into on terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(e) Other transactions with key management personnel

Mr C De Guingand (Non-Executive Chairman) is a Director of Mineral Commerce Services Pty Ltd which, during the year was paid \$57k (2011: \$105k) by shipping owners, Spliethoff (Amsterdam), for shipping brokerage services provided to the Group on normal commercial terms and conditions. This amount is not included in the remuneration report disclosed in the directors report.

30 Key management personnel disclosures (continued)

Mr J Rowe is Director of John Rowe Consulting Pty Ltd to which no amount was paid during the year, (2011: \$36k) for geological consulting services based on normal commercial terms and conditions. This amount is included in the remuneration report disclosed in the Directors' Report.

31 Remuneration of auditors

	Consolidated	
	2012	2011
	\$	\$
(a) Audit services		
Amounts received or due and receivable by Ernst & Young for:		
Audit and review of financial reports of the Company and other entity of the consolidated entity	225,525	238,205
Other services in relation to the Company and other entity of the consolidated entity		
- Tax compliance	<u>127,004</u>	<u>46,745</u>
Total remuneration for audit services	<u>352,529</u>	<u>284,950</u>

32 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Property, plant and equipment</i>		
Not later than one year - acquisition of new plant and equipment	<u>2,006</u>	<u>14,006</u>
	<u>2,006</u>	<u>14,006</u>
<i>Mineral tenements expenditure commitments</i>		
Not later than one year	5,561	4,323
Later than one year but not later than five years	14,839	10,738
Later than five years	<u>24,837</u>	<u>20,915</u>
	<u>45,237</u>	<u>35,976</u>

Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

32 Commitments (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
<i>Commitments in relation to finance leases are payable as follows:</i>		
Within one year	3,183	910
Later than one year but not later than five years	<u>7,880</u>	<u>611</u>
	11,063	1,521
Less future finance lease charges	<u>(1,418)</u>	<u>(98)</u>
Present value of minimum lease payments	<u>9,645</u>	<u>1,423</u>

The weighted average interest rate implicit in the hire purchase for the Group is 7.2% (2011: 7.2%).

(b) Operating lease commitments as lessee

(i) Power Supply

The diesel powered power station at the Savannah Nickel project was purpose built by an outside party to supply electricity under a commercial Power Generation & Distribution Agreement, dated 5 April 2004. This Agreement was extended for a further three years on 3 April 2009. The arrangement to supply electricity has been determined as an operating lease in accordance with AASB 17 "Leases".

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Future minimum rentals payable under this operating lease are unable to be determined as electricity supply payments to the outside party are variable.

(ii) Corporate office

The Group has a commercial lease on its corporate office premises. This is a non-cancellable lease expiring on 28 February 2019.

Future minimum rentals payable under non-cancellable operating leases at 30 June 2012 are as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Within one year	1,408	663
Later than one year and not later than five years	<u>4,805</u>	<u>939</u>
	<u>6,213</u>	<u>1,602</u>

(c) Remuneration commitments

	Consolidated	
	2012	2011
	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>1,320</u>	<u>1,367</u>

33 Related party disclosure

(a) Subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012 %	2011 %
Cherish Metals Pty Ltd*	Australia	Ordinary	100	100
Savannah Nickel Mines Pty Ltd	Australia	Ordinary	100	100
Pindan Exploration Company Pty Ltd (formerly Sally Malay Exploration Pty Ltd)	Australia	Ordinary	100	100
SMY Copernicus Pty Ltd**	Australia	Ordinary	100	100
Copernicus Nickel Mine Pty Ltd	Australia	Ordinary	78	60
Donegal Resources Pty Ltd	Australia	Ordinary	100	100
Donegal Lanfranchi Pty Ltd	Australia	Ordinary	100	100
Lanfranchi Nickel Mine Pty Ltd	Australia	Ordinary	100	100
Panoramic Gold Pty Ltd	Australia	Ordinary	100	100
Pindan (USA) Inc.	USA	Ordinary	100	100
Pindan (Finland) Exploration Ltd	Finland	Ordinary	100	100
Panoramic Copper Pty Ltd	Australia	Ordinary	100	-
Panoramic Precious Metals Pty Ltd	Australia	Ordinary	100	-
Mt Henry Gold Pty Ltd	Australia	Ordinary	100	-
Mt Henry Mines Pty Ltd	Australia	Ordinary	100	-
Magma Metals Ltd	Australia	Ordinary	100	-
Greenstone Metals Ltd	Australia	Ordinary	100	-
Magma Metals (Canada) Ltd	Canada	Ordinary	100	-

Cherish Metals Pty Ltd is the holder of 100 shares (of 100 shares) in Lanfranchi Nickel Mines Pty Ltd (LNM) at a cost of \$0.10 per share. LNM is incorporated in Australia and acts as the Operator of the Lanfranchi nickel mine (formerly known as the Lanfranchi Joint Venture).

SMY Copernicus Pty Ltd is the holder of 10 shares in Copernicus Nickel Mines Pty Ltd (CNM) at a cost of \$0.10 per share. CNM is incorporated in Australia and acts as the Manager of the unincorporated Copernicus Joint Venture between SMY Copernicus Pty Ltd ~78% (2011:60%) and Thundelarra Exploration Ltd ~22% (2011:40%).

(b) Ultimate parent

Panoramic Resources Limited is the ultimate parent entity.

(c) Key management personnel (KMP)

Details relating to KMP, including remuneration paid, are included in note 31.

(d) Loans to other related parties

On 30 June 2009 the Company agreed to issue a \$2,000,000 loan to its 40% joint venture partner of the Copernicus Project, Thundelarra Exploration Limited. The loan related to the deferral of the December 2008 and February 2009 Copernicus JV cash call contributions each to the value of \$1,000,000. Interest was accrued on the outstanding cash calls from the period that they became due until 30 June 2009. Interest was charged at 6.45% for the December 2008 cash call and 6.22% for the February 2009 cash call. These rates were calculated based on the average of the 60 day BBSW rate for the period that interest was accrued. The loan is interest free from 1 July 2009 until settlement is made in full on or by 30 June 2012. The loan agreement and interest free period was made conditional upon Thundelarra Exploration Limited either satisfying or waiving the conditions precedent to the East Kimberley JV Agreement.

During the year Thundelarra Exploration Limited elected not to contribute its cash call share of future expenditures and the settlement of the \$2,000,000 loan (plus accrued interest) which was due on 30 June 2012, thereby diluting its relevant interest in equity in the Copernicus Joint Venture from 40% to ~22%. As a result, \$1,869,000 was written-off to the consolidated income statement.

34 Deed of cross guarantee

Pursuant to Class Order 98/1418, relief has been granted to Savannah Nickel Mines Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of its financial report.

As a condition of the Class Order, Panoramic Resources Limited and Savannah Nickel Mines Pty Ltd (the "Closed Group"), entered into a Deed of Cross Guarantee on 29 June 2005. The effect of the deed is that Panoramic Resources Limited has guaranteed to pay any deficiency in the event of winding up of its controlled entity or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entity has also given a similar guarantee in the event that Panoramic Resources Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

On 23 June 2009, Cherish Metals Pty Ltd and Donegal Resources Pty Ltd joined as parties to the Deed of Cross Guarantee. As at reporting date, the "Closed Group" comprise of Panoramic Resources Limited, Savannah Nickel Mines Pty Ltd, Cherish Metals Pty Ltd and Donegal Resources Pty Ltd.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2012 of the Closed Group consisting of Panoramic Resources Limited, Savannah Nickel Mines Pty Ltd, Cherish Metals Pty Ltd and Donegal Resources Pty Ltd.

	2012	2011
	\$'000	\$'000
Consolidated income statement		
Loss from continuing operations before income tax	(8,580)	37,256
Income tax (benefit) expense	<u>(513)</u>	<u>11,383</u>
Profit for the year	<u>(8,067)</u>	<u>25,873</u>
 Retained earnings at the beginning of the financial year	 163,402	 159,174
Net profit/(Loss) for the period	(8,067)	25,873
Dividends provided for or paid	<u>(8,282)</u>	<u>(21,645)</u>
Retained profits at the end of the financial year	<u>147,053</u>	<u>163,402</u>

34 Deed of cross guarantee (continued)

(a) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group consisting of Panoramic Resources Limited, Savannah Nickel Mines Pty Ltd, Cherish Metals Pty Ltd and Donegal Resources Pty Ltd.

	2012 \$'000	2011 \$'000
Current assets		
Cash and cash equivalents	39,098	90,318
Term deposits	-	989
Trade and other receivables	34,770	35,079
Inventories	13,978	12,321
Derivatives	8,724	6,998
Current tax receivables	-	966
Total current assets	<u>96,570</u>	<u>146,671</u>
Non-current assets		
Receivables	70,316	38,780
Available-for-sale investments	135	6,502
Property, plant and equipment	87,017	61,818
Deferred exploration and evaluation expenditure	11,545	9,974
Development expenditure	136,384	151,981
Derivatives	205	2,720
Total non-current assets	<u>305,602</u>	<u>271,775</u>
Total assets	<u>402,172</u>	<u>418,446</u>
Current liabilities		
Trade and other payables	27,600	28,214
Provisions	2,572	1,918
Interest-bearing loans and borrowings	2,455	834
Derivatives	272	365
Current tax liabilities	3,233	-
Total current liabilities	<u>36,132</u>	<u>31,331</u>
Non-current liabilities		
Interest-bearing loans and borrowings	7,189	589
Deferred tax liabilities	31,135	41,069
Provisions	26,196	24,517
Derivatives	17	52
Total non-current liabilities	<u>64,537</u>	<u>66,227</u>
Total liabilities	<u>100,669</u>	<u>97,558</u>
Net assets	<u>301,503</u>	<u>320,888</u>
Equity		
Contributed equity	98,978	104,675
Reserves	55,472	52,811
Retained profits	147,053	163,402
Total equity	<u>301,503</u>	<u>320,888</u>

35 Interests in joint ventures

The Group has a ~78% (2011: 60%) interest in the unincorporated Copernicus Joint Venture, which is involved with the exploration, evaluation, development and production of mineral deposits in the Kimberley region of Western Australia.

The share of the assets, liabilities, revenue and expenses of the jointly controlled operation, which are included in the consolidated financial statements, are as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Current assets	494	352
Non-current assets	<u>3,304</u>	<u>2,432</u>
Total assets	<u>3,798</u>	<u>2,784</u>
Current liabilities	2	-
Non-current liabilities	<u>3,391</u>	<u>2,548</u>
Total liabilities	<u>3,393</u>	<u>2,548</u>
Net assets	<u>405</u>	<u>236</u>
	Consolidated	
	2012	2011
	\$'000	\$'000
Revenues	24	21
Expenses	<u>(41)</u>	<u>(70)</u>
Profit before income tax	<u>(17)</u>	<u>(49)</u>

Contingencies and commitments

There are no contingencies and commitments in relation to the Copernicus Joint Venture at the date of signing this report.

36 Events occurring after the balance sheet date

Takeover of Magma Metals Limited

On 25 July 2012, the Company successfully acquired all or the remaining ordinary shares in Magma, following the compulsory acquisition process. The Company issued 2,966,635 ordinary shares as settlement under the terms of the off-market takeover bid (1 Panoramic share for 7 Magma shares).

Gidjee gold project Scoping Study

On 7 August 2012, the Company announced the Gidjee gold project Scoping Study.

Purchase of a 70% Interest in the Mt Henry gold project

On 16 August 2012, the Company finalised the 70% purchase of the Mt Henry gold project from Matsa Resources Limited. Settlement was completed by payment of \$3.5 million plus 14 million new Panoramic shares.

In the interval between the end of the financial year and the date of this report, apart from the events mentioned above, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

37 Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	Consolidated	
	2012 \$'000	2011 \$'000
(Loss)/Profit for the year	(18,212)	20,629
Depreciation property, plant and equipment	14,553	13,595
Amortisation of development costs	25,942	21,701
Amortisation of mine properties	10,953	10,779
Impairment on available-for-sale financial assets	5,333	5,536
Fair value gains on other financial assets at fair value through profit or loss	-	(88)
Non-cash employee benefits expense - share-based payments	-	3,181
Write-off of loan from related party	1,869	-
Net gain on sale of investment	-	(6,130)
Net loss/(gain) on sale of non-current assets	213	(35)
Share based payments	2,754	-
Interest income	(4,217)	(6,137)
Unrealised loss on foreign exchange	734	-
Increase in trade debtors and others	(352)	(11,629)
(Increase) / decrease in prepayments	(216)	1,875
Increase in trade payables and others	2,707	47
Increase in inventories	(1,680)	(36)
(Increase) / decrease in other assets	(1,711)	197
Decrease / (increase) in derivative financial instruments	807	(419)
Increase / (decrease) in provisions	1,838	(953)
Decrease / (increase) in deferred tax assets	994	(3,307)
Decrease / (increase) in deferred tax liabilities	(4,324)	10,372
Decrease in provision for income tax payable	1,570	(18,496)
Net cash inflow from operating activities	<u>39,555</u>	<u>40,682</u>

38 Non-cash investing and financing activities

	Consolidated	
	2012 \$'000	2011 \$'000
Acquisition of plant and equipment under finance leases	4,090	-
Shares issued as part of an acquisition of development properties	<u>29,090</u>	-
	<u>33,180</u>	-

39 Earnings per share

	Consolidated 2012 Cents	2011 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	<u>(9.4)</u>	<u>10.0</u>
Profit attributable to the ordinary equity holders of the company	<u>(9.4)</u>	<u>10.0</u>

(b) Diluted earnings per share

Profit from continuing operations attributable to the ordinary equity holders of the company	<u>(9.4)</u>	<u>9.9</u>
Profit attributable to the ordinary equity holders of the company	<u>(9.4)</u>	<u>9.9</u>

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated 2012 \$'000	2011 \$'000
<i>Basic earnings per share</i>		
Profit from continuing operations	(18,212)	20,629
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>(18,212)</u>	<u>20,629</u>
<i>Diluted earnings per share</i>		
Profit from continuing operations	(18,212)	20,629
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<u>(18,212)</u>	<u>20,629</u>

(d) Weighted average number of shares used as the denominator

	Consolidated 2012 Number	2011 Number
Weighted average number of ordinary shares for basic earnings per share	193,098,978	206,174,577
Effect of dilution:		
Share options	<u>-</u>	<u>4,202,329</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>193,098,978</u>	<u>210,376,906</u>

Due to loss in the current year, options representing 3,000,000 potential shares are not considered dilutive as at 30 June 2012.

Since balance date;

(i) Movement in ordinary shares on issue -

2,966,635 shares were issued following the compulsory acquisition of Magma shares

(ii) No movement in share options

40 Share-based payments

(a) Employee Option Plan

An employee share option plan was established on 24 August 2004 where the Company, at the discretion of management, granted options over the ordinary shares of Panoramic Resources Limited to certain full time employees of the consolidated entity. The options were issued for nil consideration and do not provide dividend or voting rights until exercised. The options were issued for a term of 4 years and are exercisable over various future dates as detailed below. The options cannot be transferred without director approval and are not quoted on the ASX. Employees are able to apply for 30 day financing terms at market interest rates in order to exercise options that have vested. Options vest when the employee completes service with the Company after the vesting date. Each issued option when exercised will convert to one ordinary share.

Set out below are the summaries of options granted under the plan:

There were no outstanding share options at 30 June 2012.

Consolidated - 2012										
Grant Date	Vesting date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated - 2011										
22/01/07	30/11/07	31/12/10	\$2.20	337,500	-	(312,500)	-	(25,000)	-	-
22/01/07	30/11/08	31/12/10	\$2.20	1,075,000	-	(925,000)	-	(150,000)	-	-
Total				1,412,500	-	(1,237,500)	-	(175,000)	-	-
Weighted average exercise price				\$2.20	\$-	\$2.20	\$-	\$2.20	\$-	\$-

During the year ended 30 June 2011, 175,000 options were forfeited.

The weighted average share price at the date of the exercise of options exercised during the year ended 30 June 2011 was \$2.50.

There were no outstanding share options at 30 June 2011.

40 Share-based payments (continued)

(b) Performance Shares

Employee Share Plan (ESP)

In 2011, an employee share plan was established, at the discretion of management, certain full time employees will be entitled to performance rights to shares in the Company for no consideration, dependent upon the performance of the Company relative to a group of peers. The rights have two tranches (Tranche 1 and Tranche 2) and have two separate performance periods with performance conditions being tested in two different vesting dates (Tranche 1: 1 July 2012 and Tranche 2: 31 December 2013). The peer group comprises those companies who are constituents of the S&P / ASX 300 Metals & Mining Index at the beginning of each relevant performance period. Rights will only be automatically exercised and converted into PAN shares if the TSR ranking of the Company is at or above 50th percentile of the peer group. At the 50th percentile, employees will be entitled to 25% to 49% (pro-rata on a straight-line basis) of the ESP shares, increasing proportionately to 100% at the 75th percentile.

Grant Date	Vesting date	Expiry date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated - 2012									
3/09/10	1/07/12	1/7/12	520,000	-	-	-	-	520,000	-
3/09/10	31/12/13	31/12/13	520,000	-	-	-	-	520,000	-
1/12/10	1/07/12	1/7/12	2,332,500	-	-	-	(465,000)	1,867,500	-
1/12/10	31/12/13	31/12/13	2,332,500	-	-	-	(465,000)	1,867,500	-
Total			<u>5,705,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(930,000)</u>	<u>4,775,000</u>	<u>-</u>
Weighted average exercise price			\$-	\$-	\$-	\$-	\$-	\$-	\$-
Grant Date	Vesting date	Expiry date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated 2011									
1/01/08	31/12/10	31/12/13	1,078,900	-	(550,368)	-	(528,532)	-	-
3/09/10	1/07/12	1/07/12	-	520,000	-	-	-	520,000	-
3/09/10	31/12/13	31/12/13	-	520,000	-	-	-	520,000	-
1/12/10	1/07/12	1/07/12	-	2,437,500	-	-	(105,000)	2,332,500	-
1/12/10	31/12/13	31/12/13	-	2,437,500	-	-	(105,000)	2,332,500	-
Total			<u>1,078,900</u>	<u>5,915,000</u>	<u>(550,368)</u>	<u>-</u>	<u>(738,532)</u>	<u>5,705,000</u>	<u>-</u>
Weighted average exercise price			\$-	\$-	\$-	\$-	\$-	\$-	\$-

The weighted average share price at the date of exercise of performance shares exercised during the year ended 30 June 2012 was not applicable (2011: \$2.58).

The weighted average remaining contractual life of performance shares outstanding at the end of the period was 0.75 years (2011: 1.76 years).

Fair value of Performance Shares

The fair value of each performance share is estimated on the grant date utilising the assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of the Total Shareholder Return (TSR) hurdles that must be met before the Share Based Payment vest in the holder.

The following assumptions were used for grants made and the resulting fair values per performance share for those on issue at 30 June 2012 are:

40 Share-based payments (continued)

	2010 Employee Share Plan (ESP) Tranche 1	2010 Employee Share Plan (ESP) Tranche 2	2010 Employee Share Plan (ESP) Tranche 1	2010 Employee Share Plan (ESP) Tranche 2
Shares issued under the plan	520,000	520,000	2,437,500	2,437,500
Grant date	03/09/2010	03/09/2010	01/12/2010	01/12/2010
Vesting date	01/07/2012	31/12/2013	01/07/2012	31/12/2013
Share price at grant date	\$2.51	\$2.51	\$2.24	\$2.24
Risk free rate	4.38%	4.43%	4.37%	4.42%
Dividend yield	5.5%	5.5%	7.2%	7.2%
Volatility	75%	75%	74%	74%
Fair Value	\$1.68	\$1.61	\$1.18	\$1.37

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not be the actual outcome.

(c) Expenses arising from share-based payment transactions

The cost of equity-settled transactions is recognised, together with the corresponding increase in reserve, over the period in which performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the option ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the number of options that, in opinion of the directors of the consolidated entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

Performance shares under employee share plan amount to \$2,754,000 (2011: \$3,181,000).

41 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	2012	2011
	\$'000	\$'000
Balance sheet		
Current assets	3,162	7,274
Non-current assets	<u>107,052</u>	<u>88,385</u>
Total assets	<u>110,214</u>	<u>95,659</u>
Current liabilities	6,829	1,835
Non-current liabilities	<u>79</u>	<u>107</u>
Total liabilities	<u>6,908</u>	<u>1,942</u>
<i>Shareholders' equity</i>		
Contributed equity	135,895	106,805
Reserves	18,641	16,082
Retained earnings	<u>(51,230)</u>	<u>(29,170)</u>
Capital and reserves attributable to owners of Panoramic Resources Limited	<u>103,306</u>	<u>93,717</u>
Profit or loss for the year	<u>(12,115)</u>	<u>5,859</u>
Total comprehensive loss	<u>(12,115)</u>	<u>5,859</u>

(b) Guarantees entered into by the parent entity

The parent entity has given financial guarantees in respect of:

- (i) leases of subsidiaries amounting to \$9,656,974 (2011: \$1,422,186)
- (ii) the bank facilities of a subsidiary amounting to \$802,500 (2011: \$200,000)
- (iii) a rehabilitation bank guarantee of a subsidiary (see note 33) amounting to \$22,500,000 (2011: \$22,500,000)

No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as the fair value of the guarantees is immaterial.

There are cross guarantees given by Panoramic Resources Limited, Savannah Nickel Mines Pty Ltd, Cherish Metals Pty Ltd and Donegal Resources Pty Ltd as described in note 34. No deficiencies of assets exist in any of these companies.

No liability was recognised by the parent entity or the Group in relation to the cross guarantees.

(c) Contingent liabilities of the parent entity

The parent entity and Group had contingent liabilities at 30 June 2012 in respect of a bank guarantee put in place with a financial institution with a face value of \$709,255.31 (2011: \$360,632) in respect to the leasing of the office space in Perth CBD.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2011, the parent entity entered into finance lease arrangements to acquire computer equipment. The lease payments are \$12,000 per month over a three year period ending 30 June 2014. These commitments are not recognised as liabilities as the relevant assets have not yet been received.

42 Contingencies

(a) Contingent liabilities

The Company had contingent liabilities at 30 June 2012 in respect of a bank guarantee with a financial institution with a face value of \$360,632 (2011: \$360,632) in respect to the leasing of the office space in the Perth CBD.

Controlled entities

Under the terms of Deeds of Cross Guarantees with several finance institutions, the Company has agreed to become a covenantor with Savannah Nickel Mines Pty, Cherish Metals Pty Ltd and Donegal Resource Pty Ltd in regard to indebtedness and liabilities resulting from the lease and hire purchase of mobile equipment and mine buildings. As at reporting date, the Closed Group has lease liabilities amounting to \$9,645,163 (2011: \$1,422,251).

The Company has guaranteed the bank facilities of controlled entities.

(b) Contingent assets

In the directors' opinion there are no contingent assets at the date of signing this report.