



Panoramic Resources Limited
Interim report
for the half-year 31 December 2016

ABN: 47 095 792 288

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

Interim Financial Report

For the half-year ended 31 December 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Panoramic Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This financial report covers the consolidated entity consisting of Panoramic Resources Limited and its subsidiaries.

The financial report is presented in Australian dollars.

Panoramic Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

The Company's registered office is:

Panoramic Resources Limited
Level 9
553 Hay Street
Perth WA 6000

Appendix 4D - Interim Financial Report for the half-year ended 31 December 2016

Results for announcement to the market:

		% movement		2015 \$'000		2016 \$'000
Revenue from ordinary activities (<i>note 1</i>)	Down	83.4%	from	50,419	to	8,367
Net loss after tax from ordinary activities	Down	99.5%	from	(138,716)	to	(665)
Net loss after tax attributable to members	Down	99.8%	from	(138,716)	to	(325)

Note 1 - Revenue is after including interest income and after including gains on delivered/deferred commodity hedges/currency hedges of \$46,000 (2015: loss \$1,305,000).

Dividends

No dividend has been paid or declared at the end of the reporting period.

Net tangible assets per share

	31 December 2015 \$ per share	31 December 2016 \$ per share
Net tangible asset backing (per share)	0.30	0.27

Entities over which control has been gained or lost during the period:

- (i) The Company incorporated a wholly owned subsidiary during the period – Horizon Gold Limited (ACN 614 175 923) (“Horizon Gold”) on 10 August 2016 (*note 2*); and
- (ii) The Company did not lose control of any entity during the period (excluding wholly-owned subsidiaries that were wound-up and deregistered in Australia or overseas).

Note 2 – on 8 December 2016, the Company’s interest in Horizon Gold was reduced from 100% to 51%. The contribution of Horizon Gold to the consolidated entity’s net loss after tax from ordinary activities during the period was a net loss of \$694,000 (2015: not applicable).

Emphasis of matter

This Interim Financial Report is based on accounts which have been reviewed by the consolidated entity’s Independent Auditor and which contain an Independent Review Report that is subject to an emphasis of matter about the consolidated entity’s ability to continue as a going concern. Note 1(c) of the “Notes to the Consolidated Financial Statements” describes the conditions that indicate the existence of material uncertainty that may cast doubt on the consolidated entity’s ability to realise its assets and discharge its liabilities in the normal course of business.

Other information required by Listing Rule 4.2A:

Except for the matters noted above and subject to the requirements being applicable to the Company, all the disclosure requirements pursuant to ASX Listing Rule 4.2A.3 are contained within Panoramic Resources Limited’s Interim Report for the period ended 31 December 2016 which accompanies this Interim Report (Appendix 4D).

Directors' report

The directors present their report on the consolidated entity consisting of Panoramic Resources Limited and the entities it controlled at the end of, or during, the half-year 31 December 2016.

Directors

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

Brian M Philips
Peter J Harold
John Rowe
Peter R Sullivan

Operating and Financial Review

Operating Result for the Half-year

The consolidated entity recorded a loss after tax for the financial period ended 31 December 2016 of \$665,000 (2015: loss after tax of \$138,716,000).

The results, in comparison to the previous corresponding half-year, reflect:

- a 83.4% decrease in total net revenue, due to the significantly lower volume of product sold by the Nickel Division after concentrate production at the Savannah Nickel Project was stopped in May 2016;
- a 91.4% decrease in the cost of goods sold (COGS) (including depreciation and amortisation expenses and one-off employee termination and redundancy costs) over the period, which primarily reflected the reduction in production over the period after operational changes were made as a result of the Savannah Nickel Project being on full care and maintenance during the period;
- the expensing of \$295,000 of greenfield exploration and evaluation expenditure, being \$1,911,000 lower than the previous corresponding half-year;
- as a result of the Savannah Nickel Project being on care and maintenance during the period (together with the Lanfranchi Nickel Project and the Gum Creek Gold Project), expenditure on care and maintenance costs increased by 967% to \$5,830,000;
- a 23.6% reduction in corporate and marketing costs, due to the reduction in resource and staffing levels at the Perth Office; and
- as a result of a review of the carrying value of the Gum Creek Gold Project at 30 September 2016, an impairment charge reversal of \$8,995,000 was made against the carrying values of the project's assets. The total impairment reversal made during the period was \$9,178,000.

Review of operations

Nickel Division

During the period, the Savannah Nickel Project remained on full care and maintenance.

The project shipped 10,227 dry metric tonnes of concentrate containing 886 tonnes of nickel, 497 tonnes of copper and 42 tonnes of cobalt. This concentrate had remained unsold as at the end of the previous financial year. At 31 December 2016, approximately 480 dry metric tonnes of concentrate packed in two tonne bags was stockpiled in Wyndham waiting to be sold.

Sundry income totaling \$1.1 million was received from the sale of redundant mobile equipment and maintenance spares during the period.

The Lanfranchi Nickel Project remained on full care and maintenance.

Review of operations (continued)

Development Projects

Gold Division

In June 2016, the directors resolved to commence a process to divest the Gum Creek Gold Project (*refer to "Corporate Activities" section below*). On 21 October 2016, the Company entered into an agreement with wholly owned subsidiaries, Horizon Gold Limited ("Horizon Gold") and Panoramic Gold Pty Ltd ("Pan Gold") to sell Pan Gold (which owns the Gum Creek Gold Project) to Horizon Gold subject to a \$15 million initial public offering ("IPO") of Horizon. In consideration for the sale, the Company was issued 39.03 million shares in Horizon valued at \$15.62 million on the day of the listing (21 December 2016) which represented a 51% interest in Horizon.

Platinum Group Metals (PGM) Division

At the Thunder Bay North Project located in north-west Ontario, Canada, Rio Exploration Canada Inc. ("RTEC") continued exploration activities under the farm-in whereby RTEC can earn a 70% interest in the project by sole funding C\$20 million over five years from 1 January 2015, with a minimum spend of C\$5 million. In January 2017, RTEC confirmed that it had achieved the minimum spend condition, with total expenditure approaching C\$8 million.

At the Panton PGM Project, the Company sponsored research being undertaken by Curtin University on alternative leaching methods applicable to Panton ore.

Exploration Activities

During the period, the consolidated entity continued work on the Savannah North Project and explored for extensions to mineralisation. On 24 August 2016, the Company announced a material upgrade in the Savannah North Resource to 10.27 million tonnes at a nickel grade of 1.70% for 175,100 tonnes of contained nickel (*refer to the Company's ASX announcement of 24 August 2016 for further details*).

Corporate Activities

Horizon Gold Initial Public Offer (IPO)

In June 2016, the directors agreed to divest the Gum Creek Gold Project by vending Panoramic Gold Pty Ltd ("Pan Gold"), the entity which owns the project, into a new publically listed company. In October 2016, the Company entered into an agreement with Horizon Gold Limited ("Horizon Gold") and Pan Gold to sell Pan Gold to Horizon Gold subject to the completion of the initial public offering ("IPO") of Horizon Gold. After successfully raising \$15 million before costs from existing Company shareholders and new investors, Horizon Gold listed on the Australian Stock Exchange (ASX) on 21 December 2016 with a total of 76,530,617 shares on issue. At the IPO issue price of \$0.40 per share, the net assets of Horizon (including Panoramic Gold Pty Ltd) were valued at \$30.612 million.

Except for the five shares issued to the Company on the incorporation of Horizon Gold (10 August 2016), the Company's retained 51% equity interest in Horizon Gold of 39,030,617 shares are escrowed from trading on the ASX until 21 December 2018.

In recognition of the Company's majority 51% shareholding in Horizon Gold at the end of the period, under AASB 10 *Consolidated Financial Statements*, the assets, liabilities, equity, income, expenses and cash flows of Horizon Gold are consolidated in the financial statements of the consolidated entity after attributing the profit or loss and each component of other comprehensive income to the equity owners of the Company and to the non-controlling interests (as described in note 11 of the "Notes to the Consolidated Financial Statements").

For clarity, the Company has shown in Table 1 below, a non-AIFRS pro-forma consolidated balance sheet in which the Company's 51% shareholding in Horizon Gold has been re-classified as an "investment in subsidiary". In this presentation, the Company's equity investment of 39,030,617 shares in Horizon Gold is shown at fair value through profit and loss measured using the quoted share price of Horizon Gold at the end of the period, instead of the assets, liabilities, equity and results of Horizon Gold being separately consolidated as required under AASB10. The table also includes the adjustments to reconcile the pro-forma balance sheet back to the consolidated balance sheet.

Table 1: Pro-forma Consolidated Balance Sheet (51% equity interest in Horizon Gold re-classified as "Investment in Subsidiary")

	31 Dec 2016 (Pro-forma) ¹ \$'000	Adjustments \$'000	31 Dec 2016 (AIFRS) \$'000
Current Assets			
Cash and cash equivalents	13,423	13,624	27,047
Trade and other receivables	1,049	(264)	785
Inventories	3	-	3
Prepayments	122	-	122
Total Current Assets	14,597	13,360	27,957
Non-Current assets			
Available-for-sale financial assets	650	-	650
Investment in subsidiary	14,051	(14,051)	-
Property, plant and equipment	7,551	4,263	11,814
Exploration and evaluation	68,394	21,090	89,484
Development properties	17,095	-	17,095
Mine properties	1,403	-	1,403
Other non-current assets	1,803	-	1,803
Total Non-Current Assets	110,947	11,302	122,249
Total Assets	125,544	24,662	150,206
Current Liabilities			
Trade and other payables	2,063	281	2,344
Borrowings	752	-	752
Provisions	1,113	35	1,148
Total Current Liabilities	3,928	316	4,244
Non-Current Liabilities			
Borrowings	474	-	474
Provisions	20,466	9,467	29,933
Total Non-Current Liabilities	20,940	9,467	30,407
Total Liabilities	24,868	9,783	34,651
Net Liabilities	100,676	14,879	115,555
Equity			
Contributed equity	169,044	-	169,044
Reserves	41,259	627	41,886
Accumulated losses	(109,627)	77	(109,550)
Non-controlling interests	-	14,175	-
Total Equity	100,676	14,879	115,555

¹ The pro-forma balance sheet presentation of the de-consolidated 51% equity interest in Horizon Gold is a non-AIFRS treatment of this investment. The adjustments to the Pro-forma balance sheet are to comply with AIFRS.

² The financial information presented above in Table 1 has not been reviewed by the Company's Auditor, EY.

Subsequent Event

Savannah Nickel Project Feasibility Study

On 2 February 2017, the Company announced and released the Savannah Feasibility Study ("Study") which demonstrates a ten year mine life at the Savannah Nickel Project by mining from firstly, the remaining Savannah Ore Reserve whilst developing then mining from the Savannah North Ore Reserve. The Study is based on a combined Savannah Nickel Project Ore Reserve of 8.21 million tonnes at a nickel grade of 1.37% for 112,600 tonnes of contained nickel, a copper grade of 0.64% for 52,400 tonnes of contained copper and a cobalt grade of 0.09% for 7,600 tonnes of contained cobalt. The higher life-of-mine nickel production target of 114,000 tonnes of contained nickel in ore includes an additional 1,400 tonnes of contained nickel classified as Inferred Resource which, under the 2012 or 2004 editions of the JORC code, has a low level of geological confidence. Twelve years of continuous operating experience at Savannah from 2004 to 2016 provided the basis for the production and cost estimates used in the Study (*refer to the Company's ASX announcement of 2 February 2017 for further details*).

Interim Dividend

No dividend was paid during the period and no interim dividend has been declared for the half year ended 31 December 2016 (2015: nil).

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 Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

Auditor Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of directors.



Peter J Harold
Managing Director

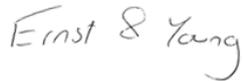
Perth, 27 February 2017

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

As lead auditor for the review of Panoramic Resources Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Philip Teale
Partner
27 February 2017

Independent review report to members of Panoramic Resources Limited

Report on the 31 December 2016 half-year financial report

We have reviewed the accompanying half-year financial report of Panoramic Resources Limited, which comprises the statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Panoramic Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

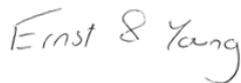
Conclusion

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

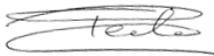
- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1 (c) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



Philip Teale
Engagement Partner
Perth
27 February 2017

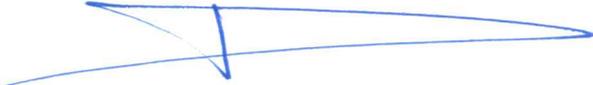
Panoramic Resources Limited
Directors' declaration
31 December 2016

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
- (b) subject to the achievement of matters set out in note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Peter J Harold
Managing Director

Perth, 27 February 2017

Panoramic Resources Limited
Consolidated income statement
For the half-year 31 December 2016

		Consolidated	
		Half-year	
		31 December	31 December
Notes		2016	2015
		\$'000	\$'000
	Revenue	8,367	50,419
	Cost of goods sold	(8,973)	(104,145)
	Gross margin on sale of goods	(606)	(53,726)
	Other income	349	766
4	Fair value loss on derivatives	-	(329)
	Exploration and evaluation expenditure	(295)	(2,206)
	Exploration expenditure written-off	-	(1,923)
	Other expenses	(95)	(871)
	Care and maintenance expenses	(5,830)	(545)
	Corporate and marketing costs	(2,768)	(3,621)
	Share based payments	(341)	(378)
8	Impairment loss	-	(84,622)
8	Reversal of impairment loss	9,178	-
5	Finance costs	(257)	(1,111)
	Loss before income tax	(665)	(148,566)
6	Income tax benefit	-	9,850
	Loss for the half-year	(665)	(138,716)
Loss for the half-year is attributable to:			
	Owners of Panoramic Resources Limited	(325)	(138,716)
	Non-controlling interests	(340)	-
		(665)	(138,716)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
	Basic loss per share	(0.1)	(43.2)
	Diluted loss per share	(0.1)	(43.2)

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

Panoramic Resources Limited
Consolidated statement of comprehensive income
For the half-year 31 December 2016

	Consolidated	
	Half-year	
Notes	31 December	31 December
	2016	2015
	\$'000	\$'000
Loss for the half-year	(665)	(138,716)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of available-for-sale financial assets, net of tax	(22)	(210)
Exchange differences on translation of foreign operations	(324)	(2,478)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Impairment of assets charged against revaluation reserve, net of tax	-	(3,272)
Other comprehensive loss for the half-year, net of tax	(346)	(5,960)
Total comprehensive loss for the half-year	(1,011)	(144,676)
Total comprehensive loss for the half-year is attributable to:		
Owners of Panoramic Resources Limited	(671)	(144,676)
Non-controlling interests	(340)	-
	(1,011)	(144,676)

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

Panoramic Resources Limited
Consolidated statement of financial position
As at 31 December 2016

		Consolidated entity	
		31 December	30 June
		2016	2016
Notes		\$'000	\$'000
ASSETS			
Current assets			
	7	27,047	19,437
Cash and cash equivalents		785	797
Trade and other receivables		3	8,480
Inventories		122	302
Prepayments		<u>27,957</u>	<u>29,016</u>
Total current assets			
Non-current assets			
		650	677
Available-for-sale financial assets		11,814	9,523
Property, plant and equipment		89,484	80,201
Exploration and evaluation		17,095	18,019
Development properties		1,403	1,403
Mine properties		1,803	1,803
Other non-current assets		<u>122,249</u>	<u>111,626</u>
Total non-current assets			
Total assets		<u>150,206</u>	<u>140,642</u>
LIABILITIES			
Current liabilities			
		2,344	4,638
Trade and other payables		752	728
Borrowings		1,148	2,242
Provisions		<u>4,244</u>	<u>7,608</u>
Total current liabilities			
Non-current liabilities			
		474	876
Borrowings		29,933	30,002
Provisions		<u>30,407</u>	<u>30,878</u>
Total non-current liabilities			
Total liabilities		<u>34,651</u>	<u>38,486</u>
Net assets		<u>115,555</u>	<u>102,156</u>
EQUITY			
	9	169,044	169,044
Contributed equity		41,886	42,337
Reserves		(109,550)	(109,225)
Accumulated losses		14,175	-
Non-controlling interests		<u>115,555</u>	<u>102,156</u>
Total equity			

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

Panoramic Resources Limited
Consolidated statement of changes in equity
For the half-year 31 December 2016

Consolidated entity

	Contributed equity \$'000	Share- based payment reserve \$'000	Available-for-sale financial assets reserve \$'000	Retained earnings \$'000	Mineral properties revaluation reserve \$'000	Foreign currency translation reserve \$'000	Equity Reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance 1 July 2015	158,941	20,459	414	35,374	23,117	1,574	-	-	239,879
Loss for the year	-	-	-	(138,716)	-	-	-	-	(138,716)
Other comprehensive income	-	-	(210)	-	(3,272)	(2,478)	-	-	(5,960)
Total comprehensive income for the half-year	-	-	(210)	(138,716)	(3,272)	(2,478)	-	-	(144,676)
Transactions with owners in their capacity as owners:									
Employee share options - value of employee services	-	378	-	-	-	-	-	-	378
Balance at 31 December 2015	158,941	20,837	204	(103,342)	19,845	(904)	-	-	95,581

Consolidated entity

	Contributed equity \$'000	Share- based payment reserve \$'000	Available-for-sale financial assets reserve \$'000	Retained earnings \$'000	Mineral properties revaluation reserve \$'000	Foreign currency translation reserve \$'000	Equity Reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2016	169,044	21,083	324	(109,225)	19,845	1,085	-	-	102,156
Loss for the year	-	-	-	(325)	-	-	-	(340)	(665)
Other comprehensive income	-	-	(22)	-	-	(324)	-	-	(346)
Total comprehensive income for the half-year	-	-	(22)	(325)	-	(324)	-	(340)	(1,011)
Transactions with owners in their capacity as owners:									
Non-controlling interests on listing of subsidiary (Note11)	-	-	-	-	-	-	(446)	14,515	14,069
Employee share options - value of employee services	-	341	-	-	-	-	-	-	341
	-	341	-	-	-	-	(446)	14,515	14,410
Balance at 31 December 2016	169,044	21,424	302	(109,550)	19,845	761	(446)	14,175	115,555

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

Panoramic Resources Limited
Consolidated statement of cash flows
For the half-year 31 December 2016

	Consolidated	
	Half-year	
Notes	31 December	31 December
	2016	2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	8,103	59,063
Payments to suppliers and employees (inclusive of goods and services tax)	(11,818)	(88,939)
Interest paid	(35)	(106)
Payments for exploration and evaluation expense	(295)	(2,206)
Net cash outflow from operating activities	(4,045)	(32,188)
Cash flows from investing activities		
Payments for property, plant and equipment	(190)	(1,823)
Payment of development costs	(108)	(5,765)
Proceeds from sale of property, plant and equipment	693	100
Proceeds from sale of available-for-sale financial assets	-	15,711
Interest received	235	278
Exploration and evaluation expenditure	(2,666)	(3,267)
Net cash (outflow) / inflow from investing activities	(2,036)	5,234
Cash flows from financing activities		
Proceeds from issues of shares (net of cost)	14,069	-
Repayment of borrowings	(378)	(2,162)
Net cash inflow / (outflow) from financing activities	13,691	(2,162)
Net increase / (decrease) in cash and cash equivalents	7,610	(29,116)
Cash and cash equivalents at the beginning of the financial year	19,437	54,055
Cash and cash equivalents at end of half-year	27,047	24,939

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

1 Basis of Preparation of half-year report

The financial report of Panoramic Resources Limited (the Company) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2017.

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

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

The half-year financial report should be read in conjunction with the annual financial report of Panoramic Resources Limited as at 30 June 2016.

It is also recommended that the half-year financial report be considered together with any public announcements made by Panoramic Resources Limited and its controlled entities during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under ASX listing rules.

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

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

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2016, except for the adoption of new standards and interpretations as of 1 July 2016.

The adoption of any new and revised standards and interpretation effective 1 July 2016 has not resulted in any changes to the Group's accounting policies and has no material effect on the amounts reported to the current or prior period.

1 Basis of Preparation of half-year report (continued)

(c) Going concern basis

These financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

Both the Savannah and Lanfranchi nickel mine were placed onto care and maintenance during the financial year ended 30 June 2016 and continued to be on care and maintenance during the six months to 31 December 2016 due to weak nickel prices. The Group experienced net cash outflows from operating activities of \$4.5 million for the half year ended 31 December 2016. In addition, the Group incurred a net loss of \$0.665 million for the half year ended 31 December 2016, including an impairment reversal of \$9.2 million. At 31 December 2016, the Group had cash and cash equivalents of \$27.0 million, which includes \$13.6 million held by Horizon Gold Limited.

On the basis that global nickel prices remain weak for a sustained period, the directors are cognisant that there will need to be additional staffing changes and cuts to operational and corporate costs, notwithstanding there may be a need to raise additional funds via equity raisings from existing or new shareholders or to put in place borrowing facilities in order to fund exploration and evaluation expenditure programs on its growth assets and for general working capital requirements during the period the Group's income producing assets remain on care and maintenance. The Board is satisfied that the Company will be able to raise additional capital (via equity, debt or a combination) as and when required and as a result, it is appropriate to prepare the financial statements on a going concern basis.

Should the Group not achieve the funding outcomes set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

2 Financial Instruments

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)
- (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).

At 31 December 2016, the Group does not have any level 3 financial instruments.

The following table presents the fair value measurement hierarchy of the Group's financial assets and liabilities carried at fair value at 31 December 2016 and 30 June 2016.

Consolidated entity - at 31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale financial assets:				
- Equity securities	650	-	-	650
Total assets	650	-	-	650
Liabilities				
Financial liabilities for which fair values are disclosed:				
- Lease liabilities	-	-	1,226	1,226
Total liabilities	-	-	1,226	1,226

2 Financial Instruments (continued)

Consolidated entity - at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale financial assets:				
- Equity securities	677	-	-	677
Total assets	677	-	-	677
Liabilities				
Financial liabilities for which fair values are disclosed:				
- Lease liabilities	-	-	1,604	1,604
Total liabilities	-	-	1,604	1,604

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.

3 Segment information

(a) Description of segments

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 five operating segments being : (1) Nickel - the aggregation of the Savannah Nickel Project, Lanfranchi Nickel Project and Copernicus Nickel Project; (2) Gold - the Gum Creek Gold Project; (3) Platinum Group Metals - the Thunder Bay North PGM Project and Panton PGM Project; (4) Australian Exploration; and (5) Overseas Exploration.

Nickel

The Savannah Nickel Project, the Copernicus Nickel Project and the Lanfranchi Nickel Project mine nickel ore. At the Savannah Nickel Project and the Copernicus 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. As detailed in Note 1(c), the Lanfranchi Nickel Project was placed on care and maintenance in November 2015 and the Savannah Nickel Project was placed onto care and maintenance in May 2016.

Gold

The Gum Creek Gold Project (formerly Gidgee Gold) 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 within trucking distance of the existing Gum Creek processing facility which is under care and maintenance. The Wilsons Gold Project acquisition forms part of the Gum Creek Gold Project.

3 Segment information (continued)

(a) Description of segments (continued)

Business segments (continued)

Platinum Group Metals (PGM)

In July 2012, the Company finalised the acquisition of Magma Metals Limited ("Magma") by way of an off market takeover bid. Magma's principal project, the Thunder Bay North PGM Project ("TBN"), is located in northwest Ontario, Canada. Since acquisition, the Company has commenced evaluation studies to re-optimize the mining method and mineral processing route contained in the previous 2011 Preliminary Economic Assessment (PEA). In January 2015, Rio Exploration Canada Inc. (RTEC), having completed its review of all existing data on TBN, exercised a right under the "Earn In with Option to Joint Venture Agreement (July 2014)" by electing to proceed into the Earn-In option phase.

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 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 a 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(a).

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.

(b) Operating business segments

Six Months Ended 31 December 2016	Nickel \$'000	Gold \$'000	Platinum Group Metals \$'000	Australian Exploration \$'000	Overseas Exploration \$'000	Total \$'000
Segment Revenue						
Sales to external customers	8,132	-	-	-	-	8,132
Other revenue	86	9	1	-	-	96
Total segment revenue	8,218	9	1	-	-	8,228
Segment result	(5,406)	7,757	54	(74)	(132)	2,199
Total segment assets	31,406	39,058	42,675	25,948	2	139,089
Total segment liabilities	23,104	9,783	80	7	-	32,974
Depreciation and amortisation	272	-	-	-	-	272
(Reversal of) / impairment of assets	-	(9,178)	-	-	-	(9,178)
Interest expense	186	70	-	-	-	256
Interest income	(86)	(9)	(1)	-	-	(96)

3 Segment information (continued)

(b) Operating business segments (continued)

Six Months Ended 31 December 2015	Nickel \$'000	Platinum Group Metals \$'000	Australian Exploration \$'000	Overseas Exploration \$'000	Total \$'000
Segment revenue					
Sales to external customers	50,141	-	-	-	50,141
Other revenue	165	12	-	-	177
Total segment revenue	<u>50,306</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>50,318</u>
Segment result	<u>(98,828)</u>	<u>(135)</u>	<u>(1,848)</u>	<u>267</u>	<u>(100,544)</u>
Total segment assets	<u>63,530</u>	<u>40,974</u>	<u>22,443</u>	<u>10</u>	<u>126,957</u>
Total segment liabilities	<u>47,036</u>	<u>100</u>	<u>-</u>	<u>(11)</u>	<u>47,125</u>
(Reversal of) / impairment of assets	42,785	-	-	-	42,785
Fair value gain on derivatives	208	-	-	-	208
Depreciation and amortisation	36,520	-	-	-	36,520
Exploration expenditure written-off	-	-	1,796	-	1,796
Interest expense	106	-	-	-	106
Interest income	(165)	(12)	-	-	(177)

At 31 December 2015, the Gum Creek Gold Project was classified as held for sale and accordingly did not form part of the segment results in 2015.

3 Segment information (continued)

(c) Other segment information

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated Half-year	
	31 December 2016 \$'000	31 December 2015 \$'000
Total segment revenue	8,228	50,318
Unallocated revenue	139	101
Consolidated revenue	8,367	50,419

(ii) Segment results

A reconciliation of segment results to loss for the half-year is provided as follows:

	Consolidated Half-year	
	31 December 2016 \$'000	31 December 2015 \$'000
Segment results	2,199	(100,544)
Impairment of asset held for sale	-	(41,835)
Unallocated expenses	-	(1,751)
Corporate charges	(2,864)	(4,436)
Income tax benefit	-	9,850
Loss for the half-year	(665)	(138,716)

(iii) Segment assets

Reportable segments assets are reconciled to total assets as follows:

	Consolidated entity	
	31 December 2016 \$'000	30 June 2016 \$'000
Segment assets	139,089	126,456
Intersegment eliminations	118	113
Unallocated assets	10,999	14,073
Total assets as per the consolidated statement of financial position	150,206	140,642

3 Segment information (continued)

(c) Other segment information (continued)

(iv) Segment liabilities

Reportable segments liabilities are reconciled to total liabilities as follows:

	Consolidated entity	
	31 December 2016 \$'000	30 June 2016 \$'000
Segment liabilities	32,973	37,051
Intersegment eliminations	118	117
Unallocated liabilities	1,560	1,318
Total liabilities as per the consolidated statement of financial position	34,651	38,486

4 Other income

	Consolidated Half-year	
	31 December 2016 \$'000	31 December 2015 \$'000
Gain on disposal of exploration and evaluation asset	-	651
Sundry income	349	115
	349	766

5 Loss for the half-year

	31 December 2016 \$'000	31 December 2015 \$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	425	12,609
Plant and equipment under finance leases	15	18
	440	12,627
<i>Amortisation</i>		
Deferred development costs	-	20,321
Mine properties	-	3,746
	-	24,067
<i>Finance costs</i>		
Interest and finance charges paid/payable	35	115
Unwinding of discount - rehabilitation	222	996
	257	1,111
<i>Others</i>		
Net (gain) / loss on disposal of property, plant and equipment	(150)	60
Loss on sale of available-for-sale financial assets	-	546
Net foreign exchange loss / (gain)	71	(220)
(Reversal of write down) / write down on inventory	(254)	4,685
	(333)	5,071

6 Income tax benefit

(a) Income tax benefit

	Consolidated Half-year	
	31 December 2016 \$'000	31 December 2015 \$'000
Adjustment of deferred tax for prior periods	(81)	(85)
Adjustment of current tax for current year	38	(101)
Relating to origination and reversal of temporary differences in current year	(93)	(44,542)
Deferred tax asset not recognised	136	34,878
	-	(9,850)

6 Income tax benefit (continued)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	Consolidated Half-year	
	31 December 2016 \$'000	31 December 2015 \$'000
Loss from continuing operations before income tax benefit	(665)	(148,566)
Tax benefit at the Australian tax rate of 30.0% (2015 - 30.0%)	(200)	(44,570)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment expense	1	3
Share based payments	102	114
Business related costs (s40-880)	(17)	(17)
Other income non assessable	(24)	(8)
Tax expense not booked relating to foreign subsidiary	44	(63)
Adjustments for current tax of prior periods	38	(101)
Adjustments recognised in the current year in relation to deferred tax of prior years	(81)	(86)
Deferred tax asset not recognised	136	34,878
Other	1	-
Income tax benefit	-	(9,850)

The benefit of deferred tax assets have not been brought to account and will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(c) Amounts recognised directly in equity

	Consolidated Half-year	
	31 December 2016 \$'000	31 December 2015 \$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Relating to asset revaluation reserve	-	(1,492)

7 Current assets - Cash and cash equivalents

	Consolidated entity	
	31 December	30 June
	2016	2016
	\$'000	\$'000
Cash at bank and in hand	2,031	7,254
Deposits at call	25,016	12,183
	27,047	19,437

Cash equivalents

Cash and cash equivalents as at 31 December 2016 include \$13.624 million held by Horizon Gold Limited.

Short-term deposits are made for varying periods of between 30 days and 90 days and earn interest at the respective short-term deposit rates. These also include certain short-term deposits made for periods exceeding 90 days that can be immediately converted into cash at market cash rates, depending on the Group's immediate cash requirements, without incurring any penalties from the financial institutions.

8 (Reversal of impairment) / impairment of assets

(a) Nickel Division

The decline in commodity prices and the deficiency in market capitalisation compared to net assets during the period ended 31 December 2015 led to the Group to make an assessment of the recoverability of the carrying value of its assets at 31 December 2015 under AASB 136 [Impairment of Assets]. An external party was engaged to determine the fair value less costs to dispose (FVLCD) of the Nickel Division assets. The FVLCD were then compared against the carrying value and as a result of the impairment test, an impairment loss of \$47.459 million was recognised to reduce the carrying amount of the exploration and evaluation properties, plant and equipment, mine development and the mine properties to their recoverable amount. Of this amount, \$42.785 million has been recognised in the income statement and \$4.674 million has been recognised in the mineral properties revaluation reserve (\$3.272 million net of tax). The mineral property revaluation reserve account was created when the Group increased its holding in Lanfranchi from 75% to 100% in 2009 which required a revaluation of the original asset in accordance with the purchase method of accounting to business combination applied at the time.

In accordance with AASB 136: Impairment of Assets ("AASB 136"), at 31 December 2016, the carrying value of the Lanfranchi Nickel Project and the Savannah Nickel Project were assessed to ensure that they were being carried at the lower of its carrying value (adjusted for depreciation and amortisation) and FVLCD. It was determined that the fair value less cost of disposal (FVLCD) value of the Projects approximated its carrying value.

The FVLCD of the Savannah Nickel Project and Lanfranchi Nickel Project was based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources/reserve and the valuation multiples. Any change in these estimates could impact the FVLCD of the underlying "cash generating unit" (CGU).

(b) Gum Creek Gold Project

On 3 August 2015, Panoramic announced the decision by its directors to divest the Gum Creek Gold Project. Accordingly, the Project was classified as an asset held for sale under AASB 5: Non-Current Assets Held for Sale and Discontinued Operations ("AASB 5").

8 (Reversal of impairment) / impairment of assets (continued)

(b) Gum Creek Gold Project (continued)

In accordance with AASB 5, immediately before the classification of Gum Creek as assets held for sale, the carrying value of Gum Creek was assessed to ensure that it was being carried at the lower of its carrying value and "fair value less cost to dispose" (FVLCD). Accordingly, at 31 December 2015, an impairment loss of \$41.837 million was recognised to reduce the carrying values of Gum Creek to its FVLCD.

In June 2016, the directors resolved to divest the Gum Creek Gold Project by way of an initial public offering (IPO) of the project on the ASX. As a result, at 30 June 2016, the Project (which was previously classified as asset held for sale) was re-classified into its respective asset categories.

Prior to reclassification out of the held for sale category, the carrying value of Gum Creek was assessed to ensure that it was being carried at the lower of its carrying value (adjusted for depreciation and amortisation) and FVLCD. It was determined that the FVLCD value of the Project approximated its carrying value at 30 June 2016.

During the IPO process and accordance with AASB 136: Impairment of Assets ("AASB 136"), the carrying value of the Gum Creek Project was reviewed for indicators of impairment reversal to determine whether impairment loss recognised during the year ended 30 June 2016 may no longer exist or may have decreased. As indicators of impairment reversal were identified, management determined the recoverable amount of the Project. The FVLCD of Gum Creek was determined to be \$25.042 million (30 June 2016: \$15.864 million) and accordingly an impairment loss of \$9.178 million was reversed during the period.

The FVLCD of the Gum Creek Gold Project has been determined based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources/reserves and the valuation multiple. Any change in these estimates could impact the FVLCD of the underlying "cash generating unit" (CGU).

9 Contributed equity

(a) Share capital

	Notes	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$'000	30 June 2016 \$'000
Ordinary shares					
Ordinary shares - fully paid	9(b)	428,567,271	428,567,271	169,044	169,044
Total contributed equity		428,567,271	428,567,271	169,044	169,044

9 Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2015	Opening balance	321,424,015	-	158,941
3 May 2016	Share Issue	107,143,256	\$0.10	10,714
	Transaction costs, net of tax	-	-	(611)
	Closing balance	<u>428,567,271</u>		<u>169,044</u>
1 July 2016	Opening balance	<u>428,567,271</u>		<u>169,044</u>
31 December 2016	Closing balance	<u>428,567,271</u>		<u>169,044</u>

10 Dividends

No dividend was declared for the half year ended 31 December 2016 and 2015.

11 Non-controlling interests

During the six months period ended 31 December 2016, the Company divested off its Gum Creek Gold Project by way of an initial public offering (IPO) and listing of subsidiary, Horizon Gold Limited ("Horizon Gold"), on the Australian Securities Exchange (ASX). In October 2016, the Company entered into Acquisition Agreement with Horizon Gold and Panoramic Gold Pty Ltd ("Pan Gold") which owns the Gum Creek Gold Project, under which the Company sold Pan Gold to Horizon Gold and subject to the listing of Horizon Gold, the Company to be issued 39,030,612 shares in Horizon Gold as consideration.

In the IPO, Horizon Gold raised \$15,000,000 before costs in new equity and issued 37,500,000 shares at \$0.40 per share. Following completion of the capital raising by Horizon Gold, the Company's interest in Horizon Gold has been diluted from 100% to 51%.

The financial information of Horizon Gold in which material non-control interests now exist is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	<u>2016</u>	<u>2015</u>
Horizon Gold Limited	Australia	51%	N/A
		<u>2016</u>	<u>2015</u>
		<u>\$000</u>	<u>\$000</u>
Accumulated balances of non-controlling interest		14,175	N/A
Loss allocated to non-controlling interest		340	N/A

11 Non-controlling interests (continued)

The summarised financial information of Horizon Gold is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for the period:	31 December 2016	31 December 2015
	\$000	\$000
Interest revenue	9	-
Care and maintenance expenses	(943)	-
IPO expenses	(487)	-
Corporate and administration	(72)	-
Reversal of impairment loss	9,178	-
Finance costs	(70)	-
Profit before tax	7,615	-
Income tax benefit	-	-
Profit for the period from continuing operations	7,615	-
Total comprehensive income	7,615	-
Attributable to non-controlling interest	(340)	-
Summarised statement of financial position for the period:	31 December 2016	30 June 2016
	\$000	\$000
Cash and bank balances (current)	13,624	-
Trade and other receivables (current)	81	-
Intercompany payables (current)	(345)	-
Property, plant and equipment (non-current)	4,263	-
Exploration and evaluation (non-current)	21,090	-
Trade and other payables (current)	(281)	-
Provisions (current)	(35)	-
Provisions (non-current)	(9,467)	-
Total equity	28,930	-
Attributable to:		
Equity holders of parent	14,755	-
Non-controlling interest	14,175	-

11 Non-controlling interests (continued)

Summarised cashflow information for the period:	31 December	31 December
	2016	2015
	\$000	\$000
Operating	(1,155)	-
Investing	(884)	-
Financing	15,663	-
Net increase in cash and cash equivalents	13,624	-

Comparative financial information of Horizon Gold has not been disclosed as Horizon Gold (which now owns Pan Gold) was incorporated on 10 August 2016.

12 Contingencies

(a) Contingent liabilities

Power Purchase Agreement

The Company and a supplier are in discussions over the termination date in relation to the supply of electricity to the Lanfranchi Nickel Project. Additional demand charges of \$594,000 (excluding GST) may be payable by the Company if a termination date of 1 July 2016 applies. It is the Company's opinion that the contract to supply electricity to the project terminated on 15 December 2015.

In addition, the same supplier has claimed that due to its administrative error, the Company has been undercharged a total of \$422,000 (excluding GST) in energy charges for 2014/15 and 2015/16. It is the Company's opinion that the back-charges cannot be claimed on a retrospective basis in accordance with the Power Purchase Agreement.

13 Commitments

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

14 Events occurring after the reporting period

(a) Savannah Nickel Project Feasibility Study

On 2 February 2017, the Company announced and released the Savannah Feasibility Study ("Study") which demonstrates a ten year mine life at the Savannah Nickel Project by mining firstly, the remaining Savannah Ore Reserve whilst developing then mining the Savannah North Ore Reserve. The Study is based on a combined Savannah Nickel Project Ore Reserve of 8.21 million tonnes at a nickel grade of 1.37% for 112,600 tonnes of contained nickel, a copper grade of 0.64% for 52,400 tonnes of contained copper and a cobalt grade of 0.09% for 7,600 tonnes of contained cobalt. The higher life-of-mine nickel production target of 114,000 tonnes of contained nickel in ore includes an additional 1,400 tonnes of contained nickel classified as Inferred Resource which, under the 2012 or 2004 editions of the JORC code, has a low level of geological confidence. Twelve years of continuous operating experience at Savannah from 2004 to 2016 provided the basis for the production and cost estimates used in the Study.

15 Share-based payments

(a) Employee share scheme

On 30 July 2014, the Company's shareholders approved a three year exemption to ASX Listing Rule 7.1 [Issues exceeding 15% of Capital] on the annual grant of performance rights and the issue of shares on the exercise of those performance rights under the 2010 Panoramic Resources Limited Employee Share Plan ("2010 ES Plan"). Under a new structure from 1 July 2014 and subject to the annual approval of directors, executives and senior employees will be invited each year to receive a new grant of performance rights under the 2010 ES Plan. The long term incentive (LTI) dollar value that executives and senior employees will be entitled to receive each year is set at a fixed percentage of their annual Fixed Remuneration (base salary plus statutory superannuation) and will range from 35% to 100% of Fixed Remuneration depending on level and seniority. The number of performance rights to be granted each year is determined by dividing the LTI dollar by the fair value (FV) of one performance right on 1 July (as determined by an independent valuer).

Each annual grant of performance rights will vest subject to meeting service and performance conditions as defined below:

- 75% of the performance rights will be performance tested against the relative total shareholder return (TSR) of a customised peer group over a 3 year period; and
- 25% of the performance rights will be performance tested against the reserve/resource growth over a 3 year period, net of depletion.

During the six months to 31 December 2016, no performance rights were granted to key management personnel and executives.

During the six months to 31 December 2015, a total of 4,624,513 (2015: 3,306,777) performance rights were calculated to be granted to key management personnel and executives. To determine the number of FY2016 performance grants at 1 July 2015, a weighted average FV of \$0.21 (2015: \$0.67) was externally determined using a Monte-Carlo simulation pricing model for the first TSR performance condition and a binomial pricing model was used for the second reserve/resource growth test. The FV of the FY2016 performance rights was externally determined using the same pricing methodology described above on the grant date to calculate the fair value to be expensed over a 3 year performance period from 1 July 2015:

<u>Grant date</u>	<u>No of performance rights</u>	<u>FV on Grant Date</u>	<u>Payment to be expensed over vesting period</u>
30 July 2014	904,601	\$0.82	\$741,773
12 Sept 2014	2,402,176	\$0.67	\$1,609,458
20 Nov 2015	4,624,513	\$0.21	\$971,147