Panoramic Resources Limited

ABN: 47 095 792 288

Final Report for the financial year ended 30 June 2020

This Final Report is provided to the Australian Securities 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 2020

Previous Reporting Period: Financial Year Ending 30 June 2019

Panoramic Resources Limited
Appendix 4E - Preliminary Final Report
For the financial-year ended 30 June 2020

Results for announcement to the market

	2020	2019	Change	
	$'000	$'000	$'000	%
Revenue for ordinary activities	**69,097**	**25,112**	**43,985**	**175**
(Loss)/Profit after tax from ordinary activities	**(87,888)**	**9,229**	**(97,117)**	**(1,052)**
(Loss)/Profit after tax attributable to members	**(87,366)**	**10,327**	**(97,693)**	**(946)**

Dividends

No final dividend to shareholders has been declared by the Company for the financial year ended 30 June 2020.

For the full financial year ended 30 June 2020, no dividends were declared and paid to shareholders.

Net Tangible Assets Per Share

	30 June 2020	30 June 2019
Net tangible asset backing ($ per share)	**0.08**	**0.21**
Number of ordinary shares on issue used in the calculation of net tangible assets per share (number)	**2,050,914,004**	**553,582,471**

Net tangible assets exclude right of use assets of $5,958,000 as at 30 June 2020 arising from the adoption of *AASB 16 Leases* at 1 July 2019. The associated lease liabilities are included, reducing net tangible assets.

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

(i) The Company did not gain control of any entity during the period; and
(ii) The Company lost control of Horizon Gold Ltd on 18 February 2020 and Panoramic PGMs (Canada) Limited on 15 May 2020.

Detail of controlled entity

The Company had a 51% (2019: 51%) holding in the securities of listed entity, Horizon Gold Limited (ACN: 614 175 923) until 18 February 2020 at which time the Company started divesting its interest, with the divestment completed on 29 June 2020. The contribution of Horizon Gold Limited to the date of deconsolidation increases the consolidated entity's net loss after tax from ordinary activities during the period by $569,000 (2019: net loss of $1,129,000).

Commentary on the results for the period

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

<u>Revenue for ordinary activities</u>

The Savannah Nickel Project generated $69,097,000 of sales income during the financial year, following the re-commencement of bulk Savannah nickel/copper/cobalt concentrate shipments to China in February 2019 (2019: $39,567,000 of which $25,112,000 was recorded as sales revenue in the income statement, with the balance of pre-production income being off-set against capitalised pre-production and development costs in the balance sheet in accordance with accounting standards). Operations were suspended at the Savannah Nickel Project on 15 April 2020 resulting in the halting of production and revenue from ordinary activities.

<u>(Loss)/Profit after tax from ordinary activities and (Loss)/Profit after tax attributable to members</u>

Factors contributing to the result for the financial year are detailed and discussed in the "Operating and Financial Review" section of the Directors' Report for the financial year ended 30 June 2020, which accompany this Preliminary Final Report.

As a result of the suspension of operations at the Savannah Nickel Mine, an impairment of $32,948,000 was recorded against the nickel cash generating unit. Refer to note 10 for further details.

Emphasis of matter

This Preliminary Final Report is based on accounts which have been audited by the consolidated entity's Independent Auditor and which contain an Independent Auditor's Report that is subject to an emphasis of matter about the consolidated entity's ability to continue as a going concern. Note 1(b) 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 4.3A

All the disclosure requirements pursuant to ASX Listing Rule 4.3A are contained within Panoramic Resources Limited's Consolidated Financial Statements for the year ended 30 June 2020 which accompany this Preliminary Final Report.

Panoramic Resources Limited

ABN 47 095 792 288

Consolidated Financial Statements
For the financial year ended 30 June 2020

Contents

Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Panoramic Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

Nicholas L Cernotta (Independent Non-Executive Chair)
BEng (Mining)
Appointed 2 May 2018, Independent Non-Executive Chair from 25 May 2020

Nicholas (Nick) is a mining engineer with over 30 years' experience in the mining industry, spanning various commodities and operations in Australia and Overseas. Nick has held senior executive roles with extensive operational experience in both the public and private sectors of the mineral resources industry, including as Director of Operations at Fortescue Metals Group Ltd, Chief Operating Officer at MacMahon Contracting and Director of Operations at Barrick Gold.

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

- ServTech Global Holdings Ltd (Non-Executive Chairman from 17 October 2016 to 22 November 2017)
- Pilbara Minerals Limited (Non-Executive Director from 6 February 2017)*
- New Century Resources Limited (Non-Executive Director from 28 March 2019)*
- Northern Star Resources Limited (Non-Executive Director from 1 July 2019)*

** Denotes current directorship*

Victor Rajasooriar (Managing Director)
B.Eng (Mining) AusIMM, MAICD
Appointed 11 November 2019

Victor is a mining engineer with more than 20 years' operational and technical experience in multiple disciplines across both underground and open pit operations. Victor was Managing Director and CEO of Echo Resources Limited prior to its takeover by Northern Star Resources Limited in September 2019. Prior to joining Echo, Victor held the role of Chief Operating Officer for leading underground mining contractor, Barminco Underground Contractors. In that role, Victor had responsibility for the tendering and execution of contracts and for overseeing the achievement of strict safety, cost and production targets. He was also the Managing Director of Breakaway Resources Limited and held senior operational positions for a range of mining companies including Newmont, Grange Resources and Bass Metals.

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

- Echo Resources Limited (Managing Director from October 2018 to September 2019)
- Horizon Gold Limited (Non-Executive Chair from 20 November 2019 to 9 April 2020)

Peter R Sullivan (Non-Executive Director)
BE, MBA
Appointed 1 October 2015; Non-Executive Chair from 20 November 2019 until 25 May 2020

Peter is an engineer with an MBA and has been involved in the management and strategic development of resource companies and projects for more than 30 years. His work experience includes periods in project engineering, corporate finance, investment banking, corporate and operational management and public company directorships.

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

- GME Resources Limited (Managing Director from 24 June 1996 to 1 October 2004 and Non-Executive Director from 1 October 2004)*
- Resolute Mining Limited (Managing Director from 14 February 2001 to 30 June 2015 and Non-Executive Director from 30 June 2015)*
- Zeta Resources Mining Limited (Non-Executive Chair from 7 June 2013)*
- Horizon Gold Limited Limited (Non-Executive Chair from 7 July 2020)*
- Pan Pacific Petroleum NL (Non-Executive Director from 26 September 2014 to 15 April 2018)
- Bligh Resources Limited (Non-Executive Director from 13 July 2017 to 14 August 2019)

** Denotes current directorship*

Directors (continued)

Rebecca J Hayward (Independent Non-Executive Director)
LLB
Appointed 21 June 2018

Rebecca is an experienced infrastructure and resources lawyer, with a strong background in mining, energy and large scale infrastructure transactions. Rebecca currently manages the legal, contracts and procurement function for the Projects division of a large resource company. Rebecca was a Senior Associate at Clayton Utz in the Melbourne Construction and Major Projects team, where she had a lead role in a number of large infrastructure projects for both the private and public sectors.

During the past three years, Rebecca has not served as a director of any other listed company.

Gillian Swaby (Independent Non-Executive Director)
BBus, FAICD, FGIA, AAusIMM
Appointed 8 October 2019

Gillian is an experienced mining executive with over 30 years' experience in the resources sector and a broad skillset across a range of corporate, finance and governance areas having held senior roles including Chief Financial Officer, Company Secretary, Director and corporate advisor. She worked at Paladin Energy Limited between 1993 and 2005, including 10 years as an executive director, at a time when that uranium company was growing rapidly through mine development, operation, acquisition and exploration in multiple African countries.

During the past three years, Gillian has served as a director of the following listed companies:
- Deep Yellow Limited (Executive Director from 29 June 2017)*
- Comet Ridge Limited (Non-Executive Director from 9 January 2004)*
- Birmian Limited (Non-Executive Director from 26 April 2017, until 13 November 2018)

** Denotes current directorship*

Brian M Phillips (Independent Non-Executive Chairman)
AWASM-Mining, FAusIMM
Appointed 27 March 2007; Independent Non-Executive Chairman from 17 November 2011 until retirement on 20 November 2019

Brian 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 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:
- White Rock Minerals Ltd (Non-Executive Chairman from 26 March 2010 to 31 December 2018)

Peter J Harold (Managing Director)
B.AppSc(Chem), AFAICD
Appointed 16 March 2001; ceased employment on 11 November 2019

Peter is a process engineer with over 30 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 base metal 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 in March 2001.

During the past three years (to departure), Peter has also served as a director of the following listed companies:
- Pacifico Minerals Limited (Non-Executive Director from 19 August 2013)*
- Peak Resources Limited (Non-Executive Chairman from 1 December 2015 to 31 December 2017)
- Horizon Gold Limited (Non-Executive Director from 10 August 2016, Non-Executive Chair from 31 August 2016 to 20 November 2019)*
- Ocean Grown Abalone Limited (Non-Executive Chairman from 14 November 2017)*

** Denotes current directorship*

Company Secretary

Susan Hunter
BCom; ACA; F Fin; FGIA; FCIS; GAICD
Appointed 9 April 2020

Ms Hunter has 24 years' experience in the corporate finance industry and extensive experience in Company Secretarial and Non-Executive Director roles with ASX, AIM and TSX listed companies. She is founder and Managing Director of boutique consulting firm Hunter Corporate which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies and has held senior executive roles at EY and PricewaterhouseCoopers in their Corporate Finance divisions and at BankWest in their Strategy and Ventures division.

Darryl Edwards
CSA, MAICD, MGIA
Appointed 23 January 2020; resigned 9 April 2020

Trevor R Eton
B.A (Hons)(Econ), PostGradDip (Man), AFAIM
Appointed 12 March 2003; retired 23 January 2020

Meetings of Directors

The number of meetings of directors (including committee meetings of directors) held during the year ended 30 June 2020, and the number of meetings attended by each director are as follows:

	Board Meetings		Audit and Governance Committee		Remuneration Committee		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
N. Cernotta	40	40	1	1	3	3	2	2
V. Rajasooriar[1]	35	35	-	-	-	-	2	2
P. Sullivan[5]	40	37	5	5	3	3	-	-
R. Hayward	40	37	5	5	-	-	2	2
G. Swaby[2]	37	34	4	4	3	3	-	-
B. Phillips[3]	7	7	-	-	-	-	-	-
P. Harold[4]	5	5	-	-	-	-	-	-

[1] V. Rajasooriar was appointed as Managing Director on 11 November 2019.

[2] G. Swaby was appointed as an Independent Non-Executive Director on 8 October 2019.

[3] B. Philips resigned as Chairman on 20 November 2019.

[4] P. Harold ceased employment as Managing Director on 11 November 2019.

[5] P Sullivan was excluded from three Board meetings in accordance with the Board conflict of interest procedures.

Committee Membership

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

Members acting on the sub-committees of the Board at the date of this Directors' Report are:

Audit and Governance Committee[1]	Remuneration Committee[2]	Risk Committee[3]
G. Swaby (Chair)	P. Sullivan (Chair)	R. Hayward (Chair)
R. Hayward	N. Cernotta	P. Sullivan
P. Sullivan	G. Swaby	V. Rajasooriar

The company secretary acts as the secretary on each of the committees of the Board.

Committee Membership (continued)

[1] Prior to November 2019, the committee members were P. Sullivan (Chair), B. Philips (resigned 20 November 2019), N. Cernotta and R. Hayward. In November 2019, the Board resolved to change the membership to G. Swaby (Chair), R. Hayward and P. Sullivan.

[2] B. Philips resigned on 20 November 2019 and was a member of the committee prior to this day, however, no Remuneration Committee meetings were held prior to this date. In November 2019, the Board resolved to change the membership of the committee to N. Cernotta (Chair), R. Hayward and P. Sullivan. On appointment of N. Cernotta as Chair of the Board effective 25 May 2020, the Board resolved to change the Chair of the Committee to P. Sullivan. N. Cernotta remains as a member of the Remuneration Committee.

[3] In November 2019, the Board resolved to change the members of the committee to R. Hayward (Chair), P. Sullivan and V. Rajasooriar.

Directors' Interests

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

	Ordinary Shares		Performance rights over
Name of Director	Direct	Indirect	ordinary shares
N Cernotta	-	107,500	-
V Rajasooriar	-	1,791,666	-
P Sullivan	-	-	-
R Hayward	107,500	-	-
G Swaby		107,500	-

Principal Activities

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

The consolidated entity has four business divisions in which it operates, being:

Nickel Division - comprising the Savannah Nickel Project;

Gold Division - comprising the Company's 51% equity interest in Horizon Gold Limited (the parent entity of the Gum Creek Gold Project) which was sold during the period (refer to page 12 for details);

Platinum Group Metals (PGM) Division - comprising the Thunder Bay North PGM Project (which was sold during the period, refer to page 11 for details) and the Panton PGM Project; and

Exploration Division - comprising greenfield exploration activities.

Operating and Financial Review

Operating Results for the Year

The Group recorded a loss after tax for the financial year ending 30 June 2020 of $87,888,000 (2019: after tax profit of $9,229,000).

Operating and Financial Review (continued)

Financial Performance

The Group's performance during the financial year ended 30 June 2020 and for the four previous financial years, are set out in the table below. The financial results shown below were all prepared under the Australian Accounting Standards.

Year Ended 30 June	2020	2019	2018	2017	2016
Revenue and other income ($'000)	80,345	27,885	1,714	9,666	93,441
Cost of sales of goods ($'000)	(87,000)	(20,900)	-	(8,473)	(97,933)
Royalties ($'000)	(3,402)	(1,904)	-	(490)	(4,920)
Exploration and evaluation ($'000)	(484)	(671)	(487)	(493)	(4,280)
Care and maintenance expenses ($'000)	(619)	(847)	(5,474)	(7,539)	(1,002)
Fair value change of financial assets ($'000)	(190)	(1,511)	-	-	-
Corporate and marketing costs ($'000)	(7,695)	(4,929)	(4,022)	(5,365)	(6,729)
Other (expenses)/income ($'000)	(15,864)	2,273	114	(4)	(1,791)
EBITDA (before impairment) ($'000)	**(34,909)**	**(604)**	**(8,155)**	**(12,698)**	**(23,214)**
Depreciation and amortisation ($'000)	(18,656)	(7,039)	(430)	(760)	(50,749)
Net (impairment)/reversal of assets ($'000)	(27,063)	18,255	(38,511)	9,178	(79,453)
Finance costs ($'000)	(7,260)	(1,383)	(943)	(490)	(1,405)
(Loss)/profit before tax ($'000)	**(87,888)**	**9,229**	**(48,039)**	**(4,770)**	**(154,821)**
Income tax (expense)/benefit ($'000)	-	-	-	-	10,462
Net (loss)/profit after tax ($'000)	**(87,888)**	**9,229**	**(48,039)**	**(4,770)**	**(144,359)**
(Loss)/earnings per share (cents)	(8.8)	1.4	(9.1)	(1.0)	(42.7)
Dividends per share (cents)	-	-	-	-	-
Dividends pay out ratio (%)	-	-	-	-	-
Market capitalisation ($'000)	166,124	163,307	304,788	94,285	57,857
Closing share price ($ per share)	0.081	0.295	0.620	0.220	0.135
Return on equity (%)	(31.2)	4.6	(26.8)	(2.8)	(88.0)

Note (1): Comparative information has not been restated for the impact of *AASB 9 Financial Instruments, AASB 15 Revenue from contracts with customers (adopted in 2019)* and *AASB 16 Leases (adopted in 2020).*
Note (2): EBITDA (before impairment) is non-IFRS information and has not been audited by the Company's auditor, Ernst & Young (EY). The table above shows how it is reconciled to the Consolidated Income Statement. EBITDA (before impairment) has been included for the purpose of reconciling earnings without impairment.

Revenue and Other Income

The Savannah Nickel Project generated $69,097,000 of sales income following the re-commencement of bulk Savannah nickel/copper/cobalt concentrate shipments to China in February 2019. Other income of $11,248,000 included (1) a gain on the sale of the subsidiary Horizon Gold Limited ($3,812,000); (2) debt forgiveness ($3,719,000); and (3) positive final quotational sale price adjustments ($2,415,000).

Cost of Production

Total aggregate direct costs of the Savannah Nickel Project were $82,547,000 (2019: $19,429,000).

Corporate and Marketing Costs

Corporate and marketing costs of $7,695,000 (2019: $4,929,000) were higher than the previous reporting period as a result of the increase in corporate activity and full year impact of higher employee costs following the employment of new full-time staff in the previous financial year.

Impairment and Reversal of Impairment

As a result of the suspension of operations at the Savannah Nickel Mine, an impairment of $32,948,000 was recorded against the nickel cash generating unit. In the prior year, as a result of the re-commencement of mining operations at the Savannah Nickel Project, a reversal of a previous impairment loss of $19,156,000 was made against the carrying values of the Project’s assets at 31 December 2018.

Review of Financial Condition

Balance Sheet

Impairment and Reversal of Impairment (continued)

An impairment reversal of $5,332,000 was recorded immediately prior to the sale of the Thunder Bay North Project during the period. Refer to note 10 for further details on impairment.

Net Working Capital - current assets less current liabilities
Following the recapitalisation and repayment of debt facilities in June 2020, the Group's balance sheet is in a strong position with a net working capital position of $35,835,000 (2019: $14,719,000). However, with the suspension of operations at Savannah in April 2020 the group is not generating operating cash flows. Pre-production development commenced in early August 2020 to position the operation to be ready to commence, conditions permitting, towards the end of the 2021 financial year.

Net Tax Balances

At balance date, the consolidated entity had an unrecognised deferred tax asset value of $74,445,000 (2019: $48,036,000). Until such time as the Savannah Nickel Project is generating sustainable taxable income, this asset is not being recognised in the consolidated statement of financial position.

Net Assets/Equity

The net asset position of the consolidated entity increased 43% to $166,085,000 (2019: $116,122,000), primarily due to (1) the expenditures on pre-production and development activities at the Savannah Nickel Project and (2) the increase in net cash as a result of the repayment of debt facilities following the recapitalisation in June 2020.

Capital Structure

The debt to equity ratio (borrowings on contributed equity) at 30 June 2020 was 2% (2019: 22%).

Business and Financial Risks

Exposure to movements in nickel, copper, cobalt and diesel (input) prices and the Australian dollar exchange rate to the United States dollar (A$:US$) are significant business and financial risks in the Nickel Division. As a price-taker, the consolidated entity has no ability to control the global spot prices it receives for the sales of nickel concentrate and nickel ore. Any negative commodity price movement directly impacts the business by reducing the sales revenue the consolidated entity receives in United States dollars. Similarly, the conversion of sales revenue received in United States dollars into Australian dollars exposes the consolidated entity to movements in the foreign exchange rate between the Australian dollar and the United States dollar. If the Australian dollar is strong relative to the United States dollar at the time of conversion, the consolidated entity will receive less Australian dollar revenue.

Furthermore, the commodity prices mentioned above, and the A$:US$ exchange rate has a significant bearing on the decision and timing of a restart of operations at the Savannah Nickel Project.

The Group has been affected significantly by the impact of COVID-19 ("COVID"), with the impact of COVID being a significant factor in the decision to suspend operations at the Savannah Nickel Project on 15 April 2020. The Project is located in the Kimberley region which has been subjected to heightened travel restrictions under the Biosecurity Act (2015). In response to COVID the Company developed a specific COVID management plan and implemented a range of measures to minimise the risk of potential transmission of COVID to the Company's employees and the communities in which it operates. The Company is closely monitoring COVID related developments including the potential for stricter travel restrictions in the Kimberley or broader regions in which the Company's workforce and suppliers live and operate in. As a result of the suspension of operations at Savannah, activity has reduced to the necessary care and maintenance activities and pre-production capital works. The company has put in place contractual measures to provide flexibility and minimise the potential cost of the impact of any further restrictions or changes to existing restrictions.

Review of Financial Condition (continued)

Business and Financial Risks (continued)

The impact of COVID, including any restrictions on travel and the movement of supplies to Savannah has the potential to impact the activities of the Company by reducing productivities, delaying the completion of planned pre-production capital works, and/or increasing the cost of performing the Company's activities. The impact of COVID will also be a significant factor in the decision and timing of a restart of operations at Savannah which also has the potential to impact the carrying value of the Company's assets or certain liabilities such as rehabilitation and restoration costs. Further disclosures around the potential impact of COVID are contained in the Review of Operations and in the notes to the financial statements.

Commodity and US$ Foreign Currency Hedging

To limit the exposure to commodity price risk and foreign exchange currency risk between the Australian dollar and United States dollar, the consolidated entity utilises commodity and United States dollar foreign exchange derivatives.

All commodity and United States dollar foreign exchange derivatives were closed out during the period.

Risk Management

Other business risks can have an impact on the profitability of the consolidated entity. The recognition, management and control of these risks are key elements of the Group enterprise-wide risk management framework, as detailed in the Corporate Governance Statement.

Dividends

No final dividend has been declared for the financial year ended 30 June 2020 (2019: nil).

Review of Operations

Nickel Division

Savannah Nickel Project, East Kimberley region, WA

In July 2018, the Company announced the decision to restart operations at the Savannah Nickel Project ("Savannah"), including the development of and commencement of mining from the Savannah North orebody. Following the completion of the main refurbishment activities on the Savannah process plant, the ramp-up of production of a bulk Savannah nickel/copper/cobalt concentrate commenced in December 2018.

A total of 372,842 tonnes of ore was mined during the financial year ended 30 June 2020. Ore was predominately sourced from the Savannah remnants ore inventory, with challenging mining conditions experienced in this previously mined ore body. Ore supply was impacted by a localised seismic event early in the year which restricted access to a key production area in the 1490 level requiring modifications to the mining sequence. The mined head grades were negatively impacted by the revisions to the stoping sequence and in addition, dilution was higher than expected due to localised hanging wall instability on the 1665 level.

The Savannah North access decline reached the target level for first level access and on 18 November 2019 with the 1381 crosscut intersecting the Savannah North orebody. By the end of the financial year, two ore levels had been developed in the 1381 and 1361 levels. Decline and incline ramp advance continued in parallel with orebody development on the 1381 and 1361 level.

The Savannah North raise boring advanced 415 metres during the year. In late December 2019, ground instability inside the raise further impacted progress and reaming was paused while a remote laser-scanning survey of the raise was conducted and an assessment was undertaken of a range of alternative options for completing the raise safely and reliably. The survey results identified that the zones of instability within the raise were confined to the lower 150 metre section and this information was used to inform a detailed assessment by Panoramic and its independent geotechnical consultants of the most expedient and cost-effective solution for safely completing the raise.

Review of Operations (continued)

Nickel Division (continued)

Savannah Nickel Project, East Kimberley region, WA (continued)

A detailed implementation plan was established incorporating development of a 490 metre long access drift from the Savannah decline to intersect the partially completed ventilation raise approximately 690 metres below the surface collar, and approximately 70 metres above the zone of instability confirmed by the recent down-hole survey.

The operational challenges were compounded by equipment reliability issues and tight employment market conditions further impacting on the mining productivity from the underground. An Operational Review was undertaken mid financial year to evaluate several changes to the mining operations model to lift underground operating rates and efficiencies at Savannah. The existing owner operator mining operations model relied on a combination of second hand owned equipment supplemented with leased equipment, along with the use of multiple contractors.

Table 1** – **Savannah Project Operating Statistics

Area	Details	Units	Period ending 15 April 2020	Quarter ended 31 Mar 2020	Quarter ended 31 Dec 2019	Quarter ended 30 Sep 2019	Financial Year Ended 30 June 2020
Mining	Ore mined	dmt	16,459	107,527	129,522	119,334	372,842
	Ni grade	%	1.14	0.92	0.98	1.24	1.05
	Ni metal contained	dmt	187	989	1,269	1.480	2,446
	Cu grade	%	0.53	0.55	0.57	0.70	0.60
	Co grade	%	0.07	0.05	0.05	0.06	0.05
Milling	Ore milled	dmt	19,403	119,401	129,184	120,771	388,759
	Ni grade	%	1.04	0.87	0.97	1.31	1.05
	Cu grade	%	0.48	0.51	0.57	0.76	0.61
	Co grade	%	0.06	0.04	0.05	0.06	0.05
	Ni Recovery	%	85.7	83.4	83.0	85.1	83.7
	Cu Recovery	%	93.5	94.0	93.9	93.1	93.7
	Co Recovery	%	93.2	88.6	87.2	88.5	88.3
Concentrate Production	Concentrate	dmt	1,999	11,624	15,065	17,195	45,883
	Ni grade	%	8.62	7.41	6.92	7.80	7.45
	Ni metal contained	dmt	172	861	1,042	1,342	3,417
	Cu grade	%	4.33	4.97	4.61	4.97	4.82
	Cu metal contained	dmt	77	578	695	855	2,215
	Co grade	%	0.55	0.40	0.37	0.37	0.39
	Co metal contained	dmt	11	46	55	64	176
Concentrate Shipments[1]	Concentrate	dmt	6,542	15,080	14,866	15,734	50,535
	Ni grade	%	7.77	7.18	6.85	7.25	7.15
	Ni metal contained	dmt	509	1,083	1,018	1,141	3,613
	Cu grade	%	5.05	4.00	4.49	3.85	4.23
	Cu metal contained	dmt	332	604	668	606	2,137
	Co grade	%	0.46	0.38	0.36	0.37	0.38
	Co metal contained	dmt	30	57	53	59	190

[1] Mining and processing activities finished around 15 April 2020. The final concentrate shipment for 1,687 tonnes departed Wyndham Port in June.

Review of Operations (continued)

Nickel Division (continued)

Savannah Nickel Project, East Kimberley region, WA (continued)

The changes evaluated include targeted incorporation of:

- newer mining fleet and equipment delivering enhanced reliability;
- access to superior maintenance and support services (including personnel); and
- recruitment of additional operator skills and expertise.

To safely and efficiently accelerate delivery of forecast development and mining physicals through the adoption of these changes, a scope of works outlining the underground schedule and planning for the next three years was provided to several Tier 1 underground mining contractors. The tender process to engage a Tier 1 underground mining contractor was completed in January 2020 resulting in the award of a three-year underground mining contract to Barminco Limited ("Barminco") in February 2020, with mobilisation taking place on 1 March 2020.

The safety and wellbeing of our employees and contractors is paramount, as is that of the communities in which we live and operate. Informing the decision to suspend operations was the Company's view that the circumstances surrounding COVID could continue for some time. The combination of the significant operational uncertainty, including the restraints beyond the Company's control that it imposed, the associated disruption and cost, the impact on commodity prices, in addition to the managing the ramp up of Savannah North (including managing issues which have previously been outlined by the Company in ASX announcements), resulted in the Panoramic Board taking the decision on 15 April 2020 to immediately suspend operations at the Savannah Nickel Mine. Essential services, safety and environmental monitoring continue through the period of suspension of operation.

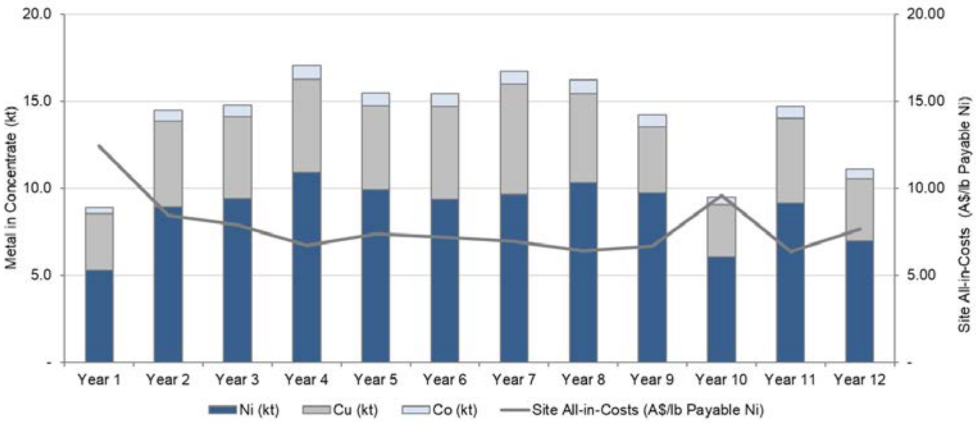
Prior to suspending operations, the Company produced 3,417 tonnes of nickel, 2,215 tonnes of copper and 176 tonnes of cobalt in concentrate. The concentrate was trucked to and shipped from the port of Wyndham to China under the June 2018 Concentrate Sales Agreement with Jinchuan Group Co. Ltd / Sino Nickel Pty Ltd.

As a result of the decision to suspend operations at Savannah, an impairment loss of $32,948,000 was recorded against the nickel cash generating unit. Refer to note 10 for further details.

Savannah Ore Reserve and Mine Plan

On the 31 July 2020, the Company announced an updated Mine Plan based on an updated Ore Reserve estimate completed for the Savannah Project by specialist consultants, Entech (refer to ASX announcement 31 July 2020). The outcomes from the study confirm an attractive, near-term nickel sulphide mine restart opportunity, with Savannah Ore Reserve (including Savannah North) of 8.3Mt @ 1.23% Ni, 0.59% Cu and 0.08% Co for 102kt Ni, 48.5kt Cu and 7kt Co contained metal.

Figure 1: Mine Plan Production and Site All-in Costs



Review of Operations (continued)

Nickel Division

Savannah Nickel Project, East Kimberley region, WA

The updated Mine Plan includes some Inferred Resources located near Ore Reserves, which increases the mining inventory to 10.4Mt @ 1.22% Ni, 0.54% Cu and 0.08% Co for 127kt Ni, 56kt Cu and 8.5Kt Co contained metal. The Mine Plan consists of approximately 13 years, with average annual production from Savannah over years 1 to 12 estimated at 8,810t Ni, 4,579t Cu and 659t Co metal in concentrate. Site All-in Costs[1] over the same period are estimated to average A$7.54/lb payable Ni (or US$5.27/lb payable Ni) across the life of mine (see Figure 1)[2].

The Mine Plan has an attractive Base Case financial outcome, including pre-tax cash flow of A$468M and NPV_8 of A$262M[3], with Consensus Case (using consensus commodity price forecasts) delivering pre-tax cash flow of A$637M and NPV_8 of A$343M[4] (refer to ASX announcement 31 July 2020).

[1] Includes all site mining, processing, general & administrative, freight and concentrate handling costs, capital expenditure and royalties.
[2] Assuming Base Case commodity prices and exchange rate.
[3] Base Case financial outcomes of the Mine Plan based on exchange rate of AUD:USD 0.70 and commodity prices of US$15,750/t Ni, US$6,300/t Cu and US$38,500/t Co as adopted by Entech in its Ore Reserves calculation.
[4] Consensus Case financial outcomes of the Mine Plan based on exchange rate of AUD:USD 0.70 and commodity prices provided by Consensus Economics as outlined in Table 2 of this announcement.

Pre-Production Development Activities - Savannah North

On completion of the updated Mine Plan, mining contractor Barminco safely mobilised to Savannah on 1 August 2020 and commenced completion of a 468 metre horizontal underground development drive. The drive will connect with the vertical ventilation shaft to complete Fresh Air Raise (FAR 3) at Savannah North. Lateral development is expected to continue until around October 2020 when it is scheduled to reach the ventilation raise. At this point, RUC Mining will be engaged to undertake the FAR 3 raiseboring which is expected to be completed around the end of the March 2021 quarter, whilst Barminco will focus on developing additional production levels in Savannah North during the same period.

Completion of FAR 3 will provide sufficient ventilation to support future full-scale mining operations from Savannah North in line with the Mine Plan released in late July (refer to ASX announcement 31 July 2020). Completion of FAR 3 will be funded from existing cash reserves.

Exploration and Development Projects

Nickel Division - Savannah Mine

In June 2019, as part of the restart plan, the Company extended the Savannah North 1570 Drill Drive 150m to the east to facilitate infill resource definition drilling of the Savannah North orebody to a nominal 25m by 25m spacing down to the 1290m RL.

Drilling commenced from the 1570 East Drill Drive in July 2019 with the initial focus to infill the area about the first three planned production levels between 1340m RL to 1380m RL. When site operations were suspended on 15 April 2020, 113 infill resource definition drill holes for a total of 25,547 drill metres had been completed. These infill resource definition drill holes were incorporated in the latest Savannah North Mineral Resource and Ore Reserve estimates reported by Panoramic in May 2020.

In-mine exploration is scheduled to resume at Savannah in the first half of the 2021 financial year, with an initial hole planned to test an area containing a series of strong down hole electromagnetic (DHEM) anomalies that have been modelled and interpreted to reflect the western continuation of the Savannah North Upper Zone resource, scheduled to commence around October 2020.

Review of Operations (continued)

Exploration and Development Projects (continued)

Nickel Division - Savannah Regional

Exploration activities during the financial year were limited as the Company's resources were focussed on the restart of mining operations at Savannah. Several exploration programs that were commenced in the 2019 financial year were completed in the current financial year, including programs on Frog Hollow and Keller Creek. Regional exploration will resume in the first half of the 2020 financial year with initial nickel prospectivity tests involving drilling and geophysical surveying to be completed on the Oxide, Norton and Stoney Creek intrusions.

PGM Division - Panton PGM Project, East Kimberley, WA

The Company continued to work on the Panton Project during the financial year. Previous test work by Panoramic in 2014/15 demonstrated that high-grade PGM concentrates (circa 250g/t PGM) can be produced by standard fine grinding and flotation techniques. In 2015 Panoramic entered into a four-year research agreement with Curtin University MRIWA to investigate alternative extraction methods applicable to Panton ore. The research agreement ended in September 2019.

Platinum Group Metals (PGM) Division - Panton PGM Project, East Kimberley, WA (continued)

Test work completed by Panoramic in financials years 2019 and 2020 showed that in addition to producing a high-grade PGM concentrate, a "metallurgical grade" chromite by product (circa 40% chromium oxide Cr_2O_3) can be recovered from the high-grade PGM concentrate flotation tails using WHIMS techniques. Test work by Curtin University in on the high-grade PGM concentrates, prior to the end of the research project, showed that direct, high quality refinery feed products can be produced from the concentrate by roasting, $HCl/NaCl/H_2O_2$ leaching and direct precipitation techniques.

In May 2019, the Company commenced a detailed review of the Project. The review covered all aspects of the Project, bringing together geology, resources, mining and processing with the aim to produce a financial model based on the latest possible processing route designs and their respective operating and capital costs.

The review concluded that while the addition of the chromite by-product concentrate stream and direct high quality PGM refinery feed products add value to the Project, underground mining is currently marginal due to the narrow and variable nature of the ore and associated high capital development costs. It was also assessed that a smaller open pit only Project lasting three years was slightly more attractive, especially at the current record high Palladium prices.

Thunder Bay North (TBN) PGM Project, North-West Ontario, Canada

On 2 July 2019, the Company announced that it had signed a binding Letter Agreement with TSX listed Benton Resources Inc (Benton) to sell its shareholding in wholly owned subsidiary, Panoramic PGMs (Canada) Limited, the 100% owner of the Thunder Bay North (TBN) PGM Project, to Benton for a total of consideration of C$9.0 million subject to a number of conditions precedent.

The Company and Benton subsequently agreed to terminate the Letter Agreement with Benton assigning its rights under the Letter Agreement, as amended, to Regency Gold Corp. who subsequently changed their name to Clean Air Metals Inc (Clean Air Metals).

On 15 May 2020, with all conditions precedent being met, the Company completed the sale of all the shares in Panoramic PGMs (Canada) Limited (PAN PGMs) to Clean Air Metals (formerly Regency Gold Corp.

Review of Operations (continued)

Thunder Bay North (TBN) PGM Project, North-West Ontario, Canada (continued)

Under the share purchase agreement announced on 6 January 2020, the purchase price comprised total cash consideration of C$9.0 million. A deposit of C$0.25 million was received on execution of the agreement. A further C$4.25 million was received on closing, with C$2.25 million of that to be held in trust by the Company's Canadian lawyers pending receipt of a Clearance Certificate as required under the Income Tax Act (Canada).

Deferred consideration of C$4.5 million is due in three equal instalments on the first, second and third anniversaries of the completion of the sale.

The deferred consideration payments are secured by way of a general security agreement over all of the assets of PAN PGMs, including the Thunder Bay North Project, and a first ranking charge over the shares held by Clean Air Metals in PAN PGMs.

Gold Division

Horizon Gold Limited (owner of the Gum Creek Gold Project, Murchison region, WA)

Following the spin-off, capital raising and initial public offering (IPO) of Horizon (ASX Code: HRN) in December 2016, the Company retained a 51% majority equity interest of 39,030,617 shares in Horizon and as a result, an indirect interest in the Gum Creek Gold Project. The Company's shares in Horizon were escrowed from trading on the ASX until 21 December 2018.

During the financial year the Company divested its' remaining interest in Horizon, resulting in a loss of control on 18 February 2020. The sale was completed in several traches with a significant proportion of the shareholding sold to related party and significant shareholder Zeta Resources Limited (Zeta). The Company realised a gain on sale of $3.812 million. Refer to note 30(b) for further details.

Corporate

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

Significant events of the consolidated entity during the financial period of a corporate nature were as follows:

Significant Changes in the State of Affairs

Suspension of Operations at the Savannah Nickel Mine

On 15 April 2020, as a result of the combination of significant operational uncertainty, disruption and cost escalation caused by COVID restrictions, a slower ramp up than planned, and depressed commodity prices the Company elected to suspend operations at the Savannah Nickel Mine. Refer to the Review of Operations and note 10 for details.

Sale of Thunder Bay North

The Company completed the sale of Panoramic PGMs (Canada) Limited, the 100% owner of the Thunder Bay North (TBN) PGM Project, to Clean Air Metals. Refer to the Review of Operations and note 10 for details.

Sale of Horizon Gold Limited

The Company completed the sale of its' interest in Horizon Gold Limited curing the period. Refer to the Review of Operations and note 30(b) for details.

Debt Funding

On 20 September 2018, the consolidated entity executed the Savannah Facility Agreement (SFA) with Macquarie Bank Limited ("Macquarie") for an up to $40 million project loan, including executing an ISDA Master Agreement to undertake mandatory and discretionary commodity and foreign currency hedging.

The Group undertook several restructures of the facility through 2019 and 2020. On 9 June 2020 all monies owed to Macquarie under the SFA were repaid in full. Refer to note 20 for details.

The Group secured and repaid two unsecured subordinated loan facilities with related party and significant shareholder Zeta during the year. A bridging facility for $10.5 million was used in December 2019 to provide working capital whilst the Company completed an equity raise, with the facility repaid by set off from part of Zeta's participation in the equity raise. In April 2020 a facility for $8.0 million was used to provide working capital. The facility was repaid in full from the proceeds from the June 2020 equity raise. Refer to note 20 for details.

Significant Changes in the State of Affairs (continued)

Capital Raising

The Company completed three equity raises during the period.

In September 2019, the Company completed a fully underwritten pro-rata renounceable entitlement offer of two new shares for every eleven shares to raise approximately $28.2 million (before costs). A total of 100,653,238 ordinary shares were issued at 28 cents per share.

The purpose of this offer was to raise funds

- to repay the $20 million of senior secured monies owed under the Savannah Facility Agreement;
- to supplement the revenue shortfall from lower than expected production from the remnant Savannah orebody;
- to provide contingency for unexpected production delays;
- to provide additional funds to satisfy internal liquidity requirements; and
- to meet general corporate and costs of the offer.

In January, the Company completed an underwritten accelerated non-renounceable pro-rata entitlement offer of one new ordinary share for every six existing ordinary shares. The total amount raised under the Entitlement Offer was $32.7 million (before costs).

The purpose of this offer was to raise funds

- to repay the $10.5 million unsecured bridging loan provided by related party and significant shareholder Zeta Resources Limited;
- to set up underground paste fill infrastructure and decouple the surface paste plant infrastructure;
- to continue development and mining of the Savannah North orebody;
- for general operating costs associated with the Savannah Project;
- for diamond drilling targeting the upper north crown of Savannah North; and
- to pay fees in respect of the offer and the takeover offer including any alternate third party proposal; and
- for general corporate purposes.

On 25 May 2020, the Company announced a fully underwritten placement and pro-rata non-renounceable entitlement offer to raise approximately $90.1 million (before costs) consisting of:

- A fully underwritten institutional placement to raise approximately $28.7 million before costs (410,182,572 ordinary shares at 7 cents per share) to new sophisticated investors including nickel producer Western Areas Limited; and
- a pro-rata non-renounceable, 1.15 for 1 entitlement offer to raise approximately $61.4 million before costs (877,601,065 ordinary shares at 7 cents per share) to eligible existing shareholders.

The purpose of this offer was to raise funds

- to repay the senior secured monies owed under the Savannah Facility Agreement;
- to repay the monies owed under the subordinated related party loan;
- to provide general working capital and pay the costs of the offer;
- to provide funding for the suspension, care and maintenance costs (initial and ongoing);
- to provide funding for Savannah North capital development activities required for a restart of operations including the completion of critical ventilation infrastructure; and
- to provide funding for a targeted exploration program.

Nickel producer Western Areas Limited participated in the placement and acted as a priority sub-underwriter to the retail component of the entitlement offer resulting in it securing a 19.9% interest in the Company post completion of the raise.

Matters Subsequent to the End of the Financial Year

In the interval between the end of the financial year and the date of this report, other than as disclosed previously in the Review of Operations in relation to the contractor appointment for certain pre-production development works, 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.

Business Strategies and Prospects

The Company's primary goal is to explore for, develop and mine its resources profitably and return value to shareholders through capital growth and dividends. The Company's vision is to broaden its exploration and production base, with the aim of becoming a major, diversified mining house in the S&P/ASX 100 Index. The likely developments in each of the consolidated entity's commodity divisions over the next 12 months are highlighted below:

Nickel Division

In relation to the Savannah Nickel Project, the Company intends to progress certain pre-production development activities required to enable a restart of mining at Savannah. The pre-production development activities include completing critical ventilation infrastructure required for mining of the Savannah North orebody. It is anticipated that completion of these capital works will leave Savannah capable of a restart of operations in the second half of financial year 2021, external conditions permitting.

Platinum Group Metals (PGM) Division

On the Panton PGM Project in the East Kimberley region of Western Australia, the consolidated entity will continue with evaluation studies on the development of the Project.

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.

Shares Options

At the date of signing, there were 28,520,525 unissued ordinary shares of the Company under Option (2019: nil). Refer to note 35(c).

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young (EY), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify Ernst & Young (EY) during or since the financial year.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify the 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 accrued and/or paid premiums in respect of contracts insuring all the directors and officers against legal costs incurred in defending proceedings. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending legal proceedings, both civil and criminal and whatever the outcome; and
- 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.

2020 Remuneration Report (Audited)

This 2020 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 this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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 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 and the individuals listed under Named Executives below.

(a) Directors and other Key Management Personnel Disclosed in this Report

(i) Directors

Nicholas Cernotta	Chair (Non-Executive) (Chair from 25 May 2020)
Victor Rajasooriar	Managing Director (appointed 11 November 2019)
Peter Sullivan	Director (Non-Executive)
Rebecca Hayward	Director (Non-Executive)
Gillian Swaby	Director (Non-Executive) (appointed 8 October 2019)
Brian Phillips	Chair (Non-Executive) (until 20 November 2019)
Peter Harold	Managing Director (until 11 November 2019)

(ii) Named Executives

Michael Ball	Chief Financial Officer (appointed 12 December 2019, CFO from 1 January 2020)
Trevor Eton	Chief Financial Officer (until 31 December 2019) and Company Secretary (until 23 January 2020)
Boyd Timler	Chief Operating Officer (until 11 December 2019)
Benjamin (Ben) Robinson	General Manager – Savannah Project (until 14 August 2019)
John Hicks	General Manager - Exploration
Timothy (Tim) Mason	General Manager – Projects and Innovation (until 13 December 2019)
Rochelle Lampard	General Manager – Human Resources (until 27 December 2019)

(b) 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 and retain high calibre executives;
- link executive rewards to shareholder value and company profits;
- structure a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance hurdles; and
- establish appropriate and demanding performance hurdles in relation to 'at risk' executive remuneration.

(c) 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 senior executive team.

The Remuneration Committee assesses 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 senior executive team.

(d) Remuneration Structure

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

<u>2020 Remuneration Report (Audited) (continued)</u>

(e) 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. As defined under the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration),* the Remuneration Committee received remuneration advice from BDO Remuneration and Reward Services Pty Ltd ("BDO") in the first two months of the 2020/21 financial year, on aspects of the design of Long Term Incentive (LTI) scheme for the Group's KMP. For this remuneration advice, BDO was paid a fee of $5,650 (ex GST). Following the receipt of the remuneration advice from BDO and the ensuing discussions between BDO and the Remuneration Committee, as recommended by BDO and adopted for good corporate governance, the final design and approval of the LTI scheme was made solely by the Company's Non-Executive Directors, thereby ensuring there was no undue input or influence by any member of the KMP.

(f) Non-Executive Director Remuneration

(i) 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 Company's 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 is a member.

Since the date of last review of non-executive director fees on 1 September 2019, subject to the comments below, the Non-Executive Chair's annual remuneration was $140,000 per annum and other non-executive director's annual remuneration was $90,000 per annum. In addition, each Chair of a Board Sub-Committee is paid an annual fee of $10,000.

Effective 1 May 2020 as a result of the suspension of operations at the Savannah Nickel Mine non-executive director fees were reduced by 25%. On 1 August 2020, with the commencement of capital development activities at the Savannah Nickel Mine, non-executive director fees were returned to pre-suspension levels.

The fees paid to non-executive directors for the period ending 30 June 2020 are detailed in Table 1 on pages 20 and 21 of this report. Fees for the non-executive directors were determined within an aggregate directors' fee pool limit of $600,000, which was last approved by shareholders on 20 November 2007.

(ii) Variable Remuneration

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

(g) 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 and individual performance against pre-determined targets;
- 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.

2020 Remuneration Report (Audited) (continued)

(g) Executive Remuneration (continued)

Structure

In determining the level and composition of executive remuneration, the Remuneration Committee takes into consideration the operational and economic circumstances the Company is facing and likely to face in the medium term together with 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 KMP. Details of these KMP contracts are provided on pages 19 to 20.

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits); and
- Variable Remuneration - Short Term Incentive ("STI") and Long Term Incentive ("LTI").

The proportion of fixed remuneration and variable remuneration ('at risk' short term and long term incentives), is established for each senior executive by the Remuneration Committee. Table 1 on page 20 and 21 details the variable component (%) of the Group's KMP.

(i) 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 by the Remuneration Committee on a regular basis and the process consists of a review of Company-wide, business unit and individual performance, the Company's operational and economic circumstances, 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 benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Effective 1 May 2020 as a result of the suspension of operations at the Savanna Nickel Mine KMP and other senior management salaries were reduced by 20%. On 1 August 2020, with the commencement of capital development activities at the Savannah Nickel Mine, KMP and senior management salaries were returned to pre-suspension levels.

The fixed remuneration component of the Group's KMP is detailed in Table 1 on page 20 and 21.

(ii) Variable Remuneration - Short-term Incentive (STI)

The objective of the STI scheme is to encourage and provide an incentive to executives and senior managers to achieve, on a consistent basis, a number of annually set, pre-determined weighted Company and Individual Key Performance Indicators (KPIs). In the STI scheme, each participant is entitled to receive a cash bonus calculated on a certain percentage, depending on the participant's level of seniority, of their Total Fixed Remuneration (TFR) provided one or more of the KPIs is achieved.

The STI outcome is generally determined after completion of the end of the performance period (a financial year). No STI was paid or awarded in the 2019/20 financial year or the 2018/19 financial year.

The Board retains discretion to, by written notice to a participant, to resolve to waive or amend any vesting or performance criteria applying to the scheme, or to make discretionary payments outside of the scheme in limited circumstances where it is considered warranted. A discretionary payment, not linked to the performance of the Company, was approved for the Managing Director and Chief Financial Officer as a result of their tireless and extraordinary personal and professional contributions during the period in the recapitalisation of the Company. This will be paid in the 2020/21 financial year.

<u>2020 Remuneration Report (Audited) (continued)</u>

(g) Executive Remuneration (continued)

(iii) Variable Remuneration - Long Term Incentive (LTI)

The objective of a LTI program is to reward and incentivise executives in a manner which aligns this element of remuneration with the creation of long term sustainable shareholder value and to provide greater incentive to the participant focus on the Company's longer term goals.

The Company's LTI Plan was revised by the Remuneration Committee with the assistance of remuneration consultants BDO and named the "Incentive Options & Performance Rights Plan" ("2018 ES Plan"). The 2018 ES Plan was subsequently approved for a three-year period by the Company's shareholders at the 2018 Annual General Meeting on 21 November 2018.

Under the 2018 ES Plan, eligible participants are able to be granted Options and/or Performance Rights (collectively defined as "Awards"). Notwithstanding that the new 2018 ES Plan includes the offer and granting of Options, in its discretion, the Remuneration Committee has determined that the grant of performance rights is the preferred LTI reward vehicle.

A performance right is a right to be issued or transferred an ordinary share at a future point, subject to the satisfaction of pre-determined vesting Conditions. No exercise price is payable and eligibility to a grant of performance rights under the 2018 ES Plan is at the Board's discretion. If approved by the Board, a participant under the 2018 ES Plan may be paid, as an alternative, a cash amount equal to the market value of a share as at the date the performance right is exercised instead of being issued or transferred a Share.

The LTI dollar value that each KMP and senior managers will be entitled to receive in performance rights (or options if applicable) is set at a fixed percentage of their annual TFR (base salary plus statutory superannuation and benefits) and varies according to the participant's level of seniority and ability to influence performance. The number of performance rights to shares to be granted is determined by dividing the LTI dollar value by the volume weighted average price of the Company's shares over the last 20 trading days of the month of June preceding the start of the vesting period.

Grants of performance rights made under the 2018 ES Plan are subject to the satisfaction of a time-based service criteria and pre-determined vesting criteria over a three-year vesting period. These vesting conditions are established in advance of grant by the Remuneration Committee. Performance and service criteria may be varied from year to year by the Remuneration Committee as appropriate to ensure that the criteria align with the Company's strategies.

The Board retains the discretion (except to the extent otherwise provided by an offer to apply for awards), by written notice to a Participant, to resolve to waive or amend any vesting criteria applying to an award in whole or in part.

In accordance with the Listing Rules and the Corporations Act, grants of awards (performance rights or options if applicable) under the 2018 ES Plan to the Company's Managing Director will be subject to approval by the Company's shareholders. Approval by shareholders would also be necessary for any grant of Awards under the 2018 ES Plan to the non-executive directors. There are no such grants proposed.

There were no Awards granted to the named executives and senior managers under the 2018 ES Plan during the 2019/20 financial year or the 2018/19 financial year. There have been no Awards to the named executives and senior managers under the 2018 ES Plan since the end of the financial period and the date of signing the 2020 Directors' report

No Hedging Contracts on LTI Grants

The Company does not permit executives or senior managers to enter into contracts to hedge their exposure to options or performance rights to 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.

2020 Remuneration Report (Audited) (continued)

(h) Employment contracts

(i) Non-Executive Directors

All non-executive directors are contracted under the following terms:

- A non-executive director may resign from their position and thus terminate their contract on written notice.
- The director's appointment is subject to the provisions of the Company's Constitution regarding retirement by rotation and re-election and will cease at the end of any meeting at which the director is not re-elected as a director by the shareholders of the Company.

Non-Executive Director	Annual Directors Fees
Nicholas Cernotta	$140,000
Peter Sullivan	$100,000[1]
Rebecca Hayward	$100,000[1]
Gillian Swaby	$100,000[1]

[1] *Includes $10,000 annual fee for Chairing of Board Sub-Committee.*

(ii) Managing Director

The key terms of the Managing Director's contract are as follows:

- Total fixed remuneration (TFR) of $575,000 per annum inclusive of benefits and statutory superannuation.
- Short Term Incentives in accordance with the STI Plan Rules that apply from time to time up to 60% of TFR.
- Long Term Incentives ("LTI") in accordance with the rules of the 2018 ES Plan of up to 100% of TFR.
- The Company may terminate a directorship by providing 6 months' written notice or provide payment in lieu of the notice period (based on the TFR component of remuneration) if termination is initiated by the Company, except where termination is from serious misconduct.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with such cause occurs, the Managing Director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- If at any time during the employment there is a material diminution in the position, the Managing Director will be entitled to an immediate payment of 6 months' severance pay.

(iii) Other Named Executives

The other named executives and the commencement date of their contracts are as follows:

Named Executive	Date of Current Employment Contract[1]	Position
Michael Ball	12 December 2019	Chief Financial Officer
John Hicks	1 July 2016	General Manager – Exploration
Trevor Eton	1 July 2016	Chief Financial Officer and Company Secretary (retired effective 28 January 2020)
Peter Harold	1 January 2010	Managing Director (ceased employment on 11 November 2019)
Boyd Timler	3 April 2019	Chief Operating Officer (resigned effective 11 December 2019)
Ben Robinson	13 September 2018	General Manager – Savannah Project (resigned effective 11 December 2019)
Tim Mason	1 July 2016	General Manager – Projects and Innovation (resigned effective 13 December 2019)
Rochelle Lampard	1 October 2018	General Manager – Human Resources (resigned effective 27 December 2019)

[1] *Note that the date of the current employment contract is not necessarily the commencement*

2020 Remuneration Report (Audited) (continued)

(iii) Other Named Executives (continued)

Employment Contracts
Mr Ball may resign from his position by providing 3 months' written notice. The Company may terminate the executive employment contract by providing 3 months' notice, except in the case of serious misconduct in which case the contract may be terminated immediately. If at any time during the employment there is a material diminution in the position, he will be entitled to an immediate payment of 6 months' severance pay.

Mr Hicks may resign from his position by providing 3 months' written notice. The Company may terminate the executive employment contract by providing 4 months' notice, except in the case of serious misconduct in which case the contract may be terminated immediately. If at any time during the employment there is a material diminution in the position, he will be entitled to an immediate payment of 6 months' severance pay.

(i) Details of Remuneration

Table 1: Remuneration of Directors and Executive Officers

The remuneration in Table 1 of each named person is the total of fixed remuneration (base salary, superannuation and non-monetary benefits) and variable remuneration (short term and long term incentives).

Excluding the cash component of remuneration, the total remuneration shown is the amount expensed by the Company and does not, in every case, represent what each named individual ultimately received in cash.

2020	Short-term benefits			Post employment benefits	Long-term benefits	Share based payments			
	Cash salary[(a)] and fees	Bonus	Other	Super-annuation[(c)]	Annual and Long Service Leave[(b)]	Rights to shares	Termination / Resignation payments	Total	Performance related[(q)]
	($)	($)	($)	($)	($)	($)	($)	($)	(%)
Non-executive directors									
N Cernotta	89,802	-	-	8,531	-	-	-	98,333	-
P Sullivan	115,587	-	-	-	-	-	-	115,587	-
R Hayward	84,573	-	-	8,035	-	-	-	92,608	-
G Swaby *(d)*	62,479	-	-	5,935	-	-	-	68,414	-
B Phillips *(e)*	55,555	-	-	-	-	-	-	55,555	-
Executive directors									
V Rajasooriar (f)	315,542	100,000	4,281	39,476	25,407	-	-	484,707	21%
P Harold *(g)*	201,414	-	2,483	19,134	7,442	-	465,326	695,799	-
Executives									
M Ball *(h)*	153,822	50,000	2,835	19,363	10,401	-	-	236,421	21%
J Hicks	222,864	-	6,782	21,172	458	-	-	251,276	-
T Eton *(i)*	172,926	-	3,929	16,428	17,384	-	-	210,667	-
B Timler *(j)*	178,494	-	3,039	16,957	13,741	-	109,500	321,731	-
B Robinson (*k*)	36,291	-	-	3,448	2,781	-	107,125	149,645	-
T Mason *(l)*	111,409	-	3,076	10,726	-	-	-	125,261	-
R Lampard *(m)*	100,000	-	3,336	9,500	622	-	-	113,458	-
S Hunter *(n)*	11,950	-	-	-	-	-	-	11,950	-
D Edwards *(o)*	34,235	-	-	3,252	-	-	-	37,487	-
	1,946,993	**150,000**	**29,761**	**181,957**	**78,236**	**-**	**681,951**	**3,068,899**	**5%**

2020 Remuneration Report (Audited) (continued)

(i) Details of Remuneration (continued)

(a) Short term benefits as per Corporations Regulation 2M.3.03(1) Item 6.
(b) Other long-term benefits as per Corporations Regulations 2M.3.03(1) Item 8.
(c) Post-employment benefits are provided through superannuation contributions.
(d) G Swaby was appointed to the Board on 8 October 2019.
(e) B Phillips retired from the Board on 20 November 2019.
(f) V Rajasooriar joined the Company on 11 November 2019.
(g) P Harold ceased employment on 11 November 2019.
(h) M Ball joined the Company on 12 December 2019.
(i) T Eton retired on 28 January 2020.
(j) B Timler resigned on 11 December 2019.
(k) B Robinson resigned on 14 August 2019.
(l) T Mason resigned on 13 December 2019.
(m) R Lampard resigned on 27 December 2019.
(n) S Hunter was appointed Company Secretary on 9 April 2020. S Hunter is remunerated through Hunter Corporate Pty Ltd.
(o) D Edwards was appointed Company Secretary on 23 January 2020 and resigned on 9 April 2020.
(p) Certain Board members participated as sub underwriters in the entitlement offer completed in January 2020 in accordance with the Corporations Act. The directors participated on the same terms as other sub underwriters' of the same class. The sub-underwriting arrangement was not linked to the performance of the Company or the Board member.
(q) Calculated as bonus (short term benefits) divided by total remuneration.

2019	Short-term benefits			Post employment benefits	Long-term benefits	Share based payments			
	Cash salary and fees	Bonus	Other	Super-annuation	Long Service Leave	Rights to shares	Termination / Resignation payments	Total	Performance related
	($)	($)	($)	($)	($)	($)	($)	($)	(%)
Non-executive directors									
B Phillips	131,667	-	4,355	-	-	-	-	136,022	-
J Rowe *(a)*	94,167	-	4,355	-	-	-	-	98,522	-
P Sullivan	94,167	-	4,355	-	-	-	-	98,522	-
N Cernotta	94,167	-	4,355	-	-	-	-	98,522	-
R Hayward	85,833		4,355					90,188	
Executive directors									
P Harold	544,275	-	13,444	51,706	13,838		-	623,263	-
Executives									
T Eton	295,590	-	12,068	28,081	7,515	-	-	343,254	-
B Timler *(b)*	97,436		2,698	9,256	-	-	-	109,390	-
B Robinson (c)	242,308		3,460	23,019	-	-	-	268,767	-
J Hicks	226,167	-	12,068	21,486	5,750	-	-	265,471	-
T Mason	241,333	-	12,068	22,927	6,250	-	-	282,578	-
R Lampard *(d)*	150,000		8,993	14,250	-	-	-	173,243	-
	2,297,110	**-**	**86,574**	**170,725**	**33,353**	**-**	**-**	**2,587,762**	**-**

(a) Mr. J Rowe retired as a director on 30 June 2019
(b) Mr. B Timler joined the Company on 3 April 2019
(c) Mr. B Robinson joined the Company on 13 September 2018
(d) Ms. R Lampard joined the Company on 1 October 2018

2020 Remuneration Report (Audited) (continued)

(j) Overview of company performance

The table below sets out information about the Company's earnings and movements in shareholders wealth for the past five years up to and including the current financial year. Comparative information has not been restated for the impact of AASB 9 Financial Instruments, AASB 15 Revenue from contracts with customers adopted in FY19 and AASB 16 Leases adopted in FY20

Year Ended 30 June	2020	2019	2018	2017	2016
(Loss)/earnings per share (cents)	(8.8)	1.4	(9.1)	(1.0)	(42.7)
Dividends per share (cents)	-	-	-	-	-
Dividends pay out ratio (%)	-	-	-	-	-
Closing share price ($ per share)	0.081	0.295	0.620	0.220	0.135
Return on equity (%)	(31.2)	4.6	(26.8)	(2.8)	(88.0)

(k) Details of share-based compensation and bonuses

(a) Securities granted as part of remuneration

Performance Rights to Shares

No performance rights or options to shares were granted as compensation to KMP in the financial year ended 30 June 2020 (30 June 2019: nil).

There were no ordinary shares issued to key management personnel on the exercise of securities during the financial year (2019: 2,635,679 ordinary shares issued to KMP on the exercise of securities (FY2019 Performance Rights)).

(b) Equity instrument disclosures relating to KMP

Securities provided as remuneration

Details of securities provided as remuneration are shown in Table 3.

Security holdings

The were no securities (performance rights) over ordinary shares in the Company held during the financial year by the Managing Director of Panoramic Resources Limited and other KMP of the Group, including their personally related parties. The holdings for the previous financial year are set out in the table below.

Table 3: Securities holdings of Managing Director and specified executives

2019 Performance Rights	Balance at start of the year	Granted as compen-sation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
	(number)	(number)	(number)	(number)	(number)	(number)	(number)
Managing Director of Panoramic Resources Limited							
P Harold	1,450,000	-	(1,450,000)	-	-	-	-
Other KMP of the Group							
T Eton	593,432	-	(593,432)	-	-	-	-
B Timler	-	-	-	-	-	-	-
B Robinson	-	-	-	-	-	-	-
J Hicks	302,704	-	(302,704)	-	-	-	-
T Mason	289,543	-	(289,543)	-	-	-	-
R Lampard	-	-	-	-	-	-	-
	2,635,679	**-**	**(2,635,679)**	-	**-**	**-**	**-**

2020 Remuneration Report (Audited) (continued)

(k) Details of share-based compensation and bonuses (continued)

(b) Equity instrument disclosures relating to KMP (continued)

Share holdings

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

2020 **Ordinary Shares**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Purchases of shares[1]**	**Other changes during the year[2]**	**Balance at end of the year**
	(number)	(number)	(number)	(number)	(number)
Directors of Panoramic Resources Limited					
N Cernotta	-	-	107,500	-	107,500
V Rajasooriar	-	-	1,791,666	-	1,791,666
P Sullivan	-	-	-	-	-
R Hayward	-	-	107,500	-	107,500
G Swaby	-	-	107,500	-	107,500
P Harold[2]	6,696,160	-	-	(6,696,160)	-
B Phillips[2]	353,733	-	64,316	(418,049)	-
Other KMP of the Group					
M Ball	-	-	-	-	-
T Eton[2]	690,828	-	-	(690,828)	-
B Timler[2]	-	-	-	-	-
B Robinson[2]	62,587	-	15,858	(78,445)	-
J Hicks	861,917	-	160,053	(1,021,970)	-
T Mason[2]	449,836	-	-	(449,836)	-
R Lampard[2]	-	-	-	-	-
	9,115,061	**-**	**2,354,393**	**(9,355,288)**	**2,114,166**

[1] Trades on market or via participation in entitlement issues during the financial year.

[2] Represents the balance held by the director or KMP on cessation of employment with the Company.

2019 **Ordinary Shares**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Received on vesting of rights to deferred shares**	**Other changes during the year**	**Balance at end of the year**
	(number)	(number)	(number)	(number)	(number)
Directors of Panoramic Resources Limited					
P Harold	5,246,160	-	1,450,000	-	6,696,160
B Phillips	328,466	-	-	25,267	353,733
J Rowe	99,894	-	-	(99,894)	-
P Sullivan	-	-	-	-	-
N Cernotta	-	-	-	-	-
R Hayward	-	-	-	-	-
Other KMP of the Group					
T Eton	96,343	-	593,432	1,053	690,828
B Timler	-	-			-
B Robinson	-	-	-	62,587	62,587
J Hicks	497,646	-	302,704	61,567	861,917
T Mason	160,293	-	289,543	-	449,836
R Lampard	-	-	-	-	-
	6,428,802	**-**	**2,635,679**	**50,580**	**9,115,061**

All equity transactions with KMP other than those arising from the exercise of performance rights to 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.

2020 Remuneration Report (Audited) (continued)

(k) Details of share-based compensation and bonuses (continued)

(b) Equity instrument disclosures relating to KMP (continued)

Securities granted and exercised as part of remuneration

There were no securities granted or exercised as part of remuneration during the financial year ended 30 June 2020.

2019 Performance Rights	Value of securities granted during the year ($)	Value of securities exercised during the year [(a)] ($)	Value of securities lapsed during the year ($)
P Harold	-	899,000	-
T Eton	-	367,928	-
B Timler	-	-	-
B Robinson	-	-	-
J Hicks	-	187,676	-
T Mason	-	179,517	-
G Lampard	-	-	-

(a) The Company's 29 June 2018 closing share price of $0.62 per share was used to value the securities exercised

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

KMP Transactions

There were no loans to KMP and their related parties at any time during the year ended 30 June 2020. There were no transactions involving key management personnel and their related parties other than compensation and transaction concerning shares and performance rights to shares as discussed in the remuneration report.

This marks the end of the 2020 Remuneration Report.

Corporate Governance Statement

The Board of Panoramic Resources Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices and the 2020 Corporate Governance Statement is set out on the Company's website at https://panoramicresources.com/corporate-governance/.

Environmental Regulation

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

Rounding of Amounts

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 Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young (EY), 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 2020. 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 (EY). 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.

(EY received or are due to receive the following amounts for the provision of non-audit services:

- Tax compliance and other consulting services of $171,077.

Refer to note 26 for further details regarding non-audit services.

Signed in accordance with a resolution of the directors.

V. R.

Victor Rajasooriar
Managing Director

Perth, 31 August 2020

Competent Person Statements

The information in this report that relates to exploration activities has been complied or reviewed by John Hicks. Mr Hicks is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a full-time employee and shareholder of Panoramic Resources Limited. The aforementioned has sufficient experience that is relevant to the style of mineralisation and type of target/deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 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.

No New Information or Data

This report contains references to exploration results, Mineral Resource and Ore Reserve estimates, and feasibility study results including production targets, all of which have been cross referenced to previous market announcements made by the Company. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resource and Ore Reserve estimates, and feasibility study results including production targets, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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

1. In the directors' opinion:

(a) the financial statements and notes set out on pages 35 to 101 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 2020 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) subject to the achievement of the matters set out in Note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 2020.

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 31 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

Victor Rajasooriar
Managing Director

Perth, 31 August 2020

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

As lead auditor for the audit of the financial report of Panoramic Resources Limited for the financial year ended 30 June 2020, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Philip Teale
Partner
31 August 2020

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Independent Auditor's Report to the Members of Panoramic Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Panoramic Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of non-current assets

Why significant	How our audit addressed the key audit matter
The carrying value of the Group's property, plant and equipment and mine property assets at 30 June 2020 amounts to $150,408,000. The Group assessed whether there was any indication of impairment and it was determined that indicators of impairment were present in respect of the Savannah Nickel Mine. Accordingly, the Group performed an impairment test as at 30 June 2020 and based on this assessment, management concluded an impairment adjustment of $32,948,000 was required at 30 June 2020 (refer to Note 10). We considered this to be a key audit matter because of the: ► Significance of the carrying value of property, plant and equipment and mine property assets in comparison to total assets at 30 June 2020 ► Significant judgment required in determining whether there was any indication of impairment ► Significant judgment and estimates involved in the determination of the recoverable amount of the Savannah Nickel Mine including assumptions relating to future nickel prices, foreign currency exchange rates, operating and capital costs, future production volumes and an appropriate discount rate to reflect the risk associated with the forecast cash flows having regard to the current status of the project.	We assessed the reasonableness of the Group's impairment assessment process and the resultant recoverable value determination for the Savannah Nickel Mine. Our audit procedures included the following: ► Evaluated the Group's assessment as to the presence of indicators of impairment ► Evaluated the assumptions and methodologies used by the Group, in particular, those relating to forecast cash flows and inputs used to formulate them. This included assessing, with involvement from our valuation specialists, where appropriate, the foreign currency exchange rates, commodity prices with reference to broker consensus forward estimates ► Evaluated the work of the Group's internal and external experts with respect to the capital and operating expenditure assumptions including whether these expenditure assumptions were consistent with historical performance, information in Board reports and releases to the market

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Why significant	How our audit addressed the key audit matter
	► Assessed the work of the Group's experts with respect to the reserve assumptions used in the cash flow forecasts. This included understanding the reserve estimation process. We also examined the competence, qualifications and objectivity of the Group's experts, and assessed whether key reserve economic assumptions were consistent with those used elsewhere in the financial report ► With involvement from our valuation specialists, we tested the mathematical accuracy of the Group's discounted cash flow impairment model ► Assessed the impact of a range of sensitivities to the economic assumptions and discount rates underpinning the Group's impairment assessment ► Evaluated the adequacy of the Group's disclosures relating to impairment.

2. Rehabilitation provision

Why significant	How our audit addressed the key audit matter
As a consequence of its operations, the Group incurs obligations to rehabilitate and restore its mine sites. Rehabilitation activities are governed legislative requirements. As at 30 June 2020 the Group's consolidated balance sheet includes provisions of $24,498,000 in respect of these obligations (refer to note 22). We considered this to be a key audit matter because of the significant judgment and estimates associated with estimating the rehabilitation provision including timing of when the rehabilitation activities will take place, the extent of the rehabilitation and restoration activities and economic assumptions such as inflation rates and discount rates.	We evaluated the assumptions and methodologies used by the Group in arriving at their rehabilitation cost estimates. Our audit procedures included the following: ► We assessed the objectivity, qualifications and competence of the Group's external experts whose work formed the basis of the Group's cost estimates ► Assessed the reasonableness of the timing of the rehabilitation cashflows and the inflation and discount rate assumptions used in the Group's cost estimates, having regard to available economic data on future inflation and risk-free rates ► Evaluated the adequacy of the Group's disclosures relating to rehabilitation obligations and considered the treatment applied to changes in the rehabilitation and restoration provision.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Panoramic Resources Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

P Teale
Partner
Perth
31 August 2020

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	Notes	2020 $'000	2019 $'000
Revenue	3	**69,097**	25,112
Cost of sales of goods	5	**(108,678)**	(29,803)
Gross loss		**(39,581)**	(4,691)
Other income	4	**11,248**	2,773
Care and maintenance expenses		**(619)**	(847)
Corporate and marketing costs		**(7,695)**	(4,929)
Exploration and evaluation expenditure		**(484)**	(671)
Exploration expenditure written-off		**-**	(901)
Reversal of stock obsolescence provision		**-**	5,341
Fair value losses on derivatives	5	**(10,148)**	(2,071)
Change in fair value of financial assets at fair value through profit or loss		**(190)**	(1,511)
Impairment (loss)/reversal	10	**(27,063)**	19,156
Other expenses	5	**(6,095)**	(1,037)
Finance costs	5	**(7,261)**	(1,383)
(Loss)/profit before income tax		**(87,888)**	9,229
Income tax expense	6	**-**	-
(Loss)/profit for the year		**(87,888)**	9,229
(Loss)/profit for the year is attributable to:			
Owners of Panoramic Resources Limited		**(87,366)**	10,327
Non-controlling interests		**(522)**	(1,098)
		(87,888)	9,229

		Cents	Cents
(Loss)/earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	34	**(8.8)**	1.4
Diluted (loss)/earnings per share	34	**(8.8)**	1.4

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

	Notes	2020 $'000	2019 $'000
(Loss)/profit for the year		**(87,888)**	9,229
Other comprehensive income			
Items that may reclassified to profit or loss			
Changes in fair value of cash flow hedges, net of tax		**(9,872)**	(276)
Transfer of fair value of cash flow hedges to profit and loss, net of tax		**10,148**	-
Transfer of foreign currency translation reserve relating to disposal group		**(1,200)**	-
Other comprehensive (loss)/income for the year, net of tax		**(924)**	(276)
Total comprehensive (loss)/income for the year		**(88,812)**	8,953
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Panoramic Resources Limited		**(88,290)**	10,051
Non-controlling interests		**(522)**	(1,098)
		(88,812)	8,953

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

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**31,164**	12,733
Trade and other receivables	8	**11,426**	19,278
Inventories	9	**-**	8,415
Prepayments		**872**	1,354
Derivative financial instruments	11	**-**	3,742
Disposal group classified as held for sale	10	**-**	4,299
Total current assets		**43,462**	49,821
Non-current assets			
Receivables	12	**2,787**	-
Financial assets at fair value through profit or loss	16	**767**	957
Property, plant and equipment	13	**51,178**	59,004
Exploration and evaluation	15	**12,535**	27,763
Development properties	15	**86,673**	84,745
Mineral properties	15	**22**	29
Right-of-use assets	1(d)	**5,958**	-
Derivative financial instruments	11	**-**	4,409
Other financial assets	16	**251**	181
Total non-current assets		**160,171**	177,088
Total assets		**203,633**	226,909
LIABILITIES			
Current liabilities			
Trade and other payables	17	**3,396**	22,094
Borrowings	18	**1,827**	8,082
Derivative financial instruments	11	**-**	2,721
Provisions	19	**2,404**	2,205
Total current liabilities		**7,627**	35,102
Non-current liabilities			
Borrowings	20	**5,423**	38,553
Derivative financial instruments	11	**-**	5,584
Provisions	22	**24,498**	31,548
Total non-current liabilities		**29,921**	75,685
Total liabilities		**37,548**	110,787
Net assets		**166,085**	116,122
EQUITY			
Contributed equity	23	**353,550**	210,109
Amounts recognised in equity relating to disposal group	24(a)	**-**	1,200
Reserves	24(a)	**22,172**	20,994
Accumulated losses		**(209,637)**	(121,823)
Non-controlling interests		**-**	5,642
Total equity		**166,085**	116,122

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Contributed equity $'000	Equity relating to disposal group $'000	Mineral properties revaluation reserve $'000	Available-for-sale financial assets reserve $'000	Cash flow hedge reserve $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Equity Reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Restated total equity at 1 July 2018	**188,860**	**-**	**19,845**	**-**	**-**	**21,716**	**1,200**	**(446)**	**(151,995)**	**6,740**	**85,920**
Loss for the year	-	-	-	-	-	-	-	-	10,327	(1,098)	9,229
Other comprehensive income	-	-	-	-	(276)	-	-	-	-	-	(276)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(276)**	**-**	**-**	**-**	**10,327**	**(1,098)**	**8,953**
Transactions with owners in their capacity as owners:											
Contributions of equity, net of transaction costs and tax	21,249	-	-	-	-	-	-	-	-	-	21,249
Transfer of reserve relating to disposal group	-	1,200	-	-	-	-	(1,200)	-	-	-	-
Transfer of revaluation reserves to retained earnings on disposal of asset	-	-	(19,845)	-	-	-	-	-	19,845	-	-
	21,249	1,200	(19,845)	-	-	-	(1,200)	-	19,845	-	21,249
Balance at 30 June 2019	**210,109**	**1,200**	**-**	**-**	**(276)**	**21,716**	**-**	**(446)**	**(121,823)**	**5,642**	**116,122**

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

	Notes	Contributed equity $'000	Equity relating to disposal group $'000	Cash flow hedge reserve $'000	Option and share based payment reserve $'000	Equity Reserve $'000	Retained earnings $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2019		**210,109**	**1,200**	**(276)**	**21,716**	**(446)**	**(121,823)**	**5,642**	**116,122**
Other comprehensive income	24	-	-	276	-	-	-	-	276
Loss for the year		-	-	-	-	-	(87,366)	(522)	(87,888)
Total comprehensive loss for the year		**-**	**-**	**276**	**-**	**-**	**(87,366)**	**(522)**	**(87,612)**
Contributions of equity, net of transaction costs and tax	23	143,441	-	-	-	-	-	-	143,441
NCI eliminated on disposal of subsidiary	23	-	-	-	-	-	-	(5,120)	(5,120)
Options issued	24	-	-	-	456	-	-	-	456
Transfer of reserve relating to disposal group		-	(1,200)	-	-	-	-	-	(1,200)
Transfer of reserve to retained earnings	24	-	-	-	-	446	(446)	-	-
		143,441	-	-	456	446	(446)	(5,120)	138,775
Balance at 30 June 2020		**353,550**	-	**-**	**22,172**	**-**	**(209,637)**	**-**	**166,085**

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

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**68,201**	24,289
Payments to suppliers and employees (inclusive of goods and services tax)		**(100,040)**	(31,248)
Other revenue		**4,412**	-
Interest paid		**(6,225)**	(732)
Payments for exploration and evaluation expenditure		**-**	(671)
Net cash used in operating activities	33	**(33,652)**	(8,362)
Cash flows from investing activities			
Payments for property, plant and equipment		**(19,041)**	(25,732)
Payments for purchase of financial assets at fair value through profit or loss		**-**	(53)
Payment of development costs		**(23,831)**	(47,529)
Exploration and evaluation expenditure		**(1,913)**	(5,961)
Disposal of cash from sale of subsidiaries		**(160)**	-
Proceeds from sale of subsidiary (net of cost)	10	**2,466**	14,285
Proceeds from sale of subsidiary (net of cost)	10	**5,786**	-
Return of proceeds from cash backed performance bonds		**(70)**	1,122
Proceeds from sale of property, plant and equipment		**822**	-
Proceeds from sale of financial assets at fair value through profit or loss		**-**	286
Interest received		**168**	451
Net cash used in investing activities		**(35,773)**	(63,131)
Cash flows from financing activities			
Proceeds from issues of shares (net of cost)		**143,441**	21,249
Proceeds from borrowings	20	**18,500**	40,000
Repayment of borrowings		**(69,138)**	(1,453)
Payments for leased assets		**(4,947)**	-
Capitalised borrowing costs		**-**	(1,000)
Net cash inflow from financing activities		**87,856**	58,796
Net (decrease)/increase in cash and cash equivalents		**18,431**	(12,697)
Cash and cash equivalents at the beginning of the financial year		**12,733**	25,430
Cash and cash equivalents at end of year	7	**31,164**	12,733

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

1 Summary of significant accounting policies

The consolidated financial report of Panoramic Resources Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 31 August 2020.

Panoramic Resources Limited (the Parent or the Company) is a for profit Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The Group's registered office is Level 9, 553 Hay Street, Perth WA 6000.

The principal activities of the Group during the course of the financial year consisted of the 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 financial assets, which have been measured at fair value. The financial report complies with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board.

(b) Going concern basis

The Group had cash outflows from operating and investing activities of $69.425 million for the year ended 30 June 2020 (2019: $71.493 million). At 30 June 2020, the Group had cash on hand of $31.164 million (2019: $12.733 million).

On 15 April 2020, operations at the Savannah Nickel Project were suspended resulting in the halting of production from the operation and the generation of operating cash inflows. The suspension of operations is intended to be temporary, however at the time of this report there is no firm date for the restart of operations. If the suspension continues for an extended period, there is a risk that the Company will be required to raise additional capital to fund the care and maintenance activities. It is also likely that the Company will require additional capital to fund the restart of operations at the Savannah Nickel Project.

The Directors are satisfied there is a reasonable basis that the Group will be able to raise additional funds as required and thus it is appropriate to prepare the financial statements on a going concern basis. In the event that the Company is unable to obtain sufficient funding for ongoing operating and capital requirements, there is material uncertainty whether it will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Company not be able to continue as a going concern.

(c) Changes in accounting policies and disclosures

Since 1 July 2019, the Group has adopted all Accounting Standards and Interpretations effective from 1 July 2019. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

1 Summary of significant accounting policies (continued)

(d) New accounting standards and interpretations

The Group applied all new and amended Accounting Standards and Interpretations that were effective as at 1 July 2019. The Group applied AASB 16 *Leases* and AASB Interpretation 23 *Uncertainty Over Income Tax Treatment* for the first time from 1 July 2019. The nature and effect of these changes as a result of the adoption of these new Accounting Standards are described below.

Several other new and amended Accounting Standards and Interpretations applied for the first time from 1 July 2019 but did not have an impact on the consolidated financial statements of the Consolidated Entity and, hence, have not been disclosed.

The Group had to change its accounting policies as a result of adopting AASB 16 *Leases*.

AASB 16 *Leases*
This note explains the impact of the adoption of AASB 16 on the Group's annual financial report and discloses the new accounting policies that have been applied from 1 July 2019.

AASB 16 supersedes AASB 117 *Leases* (AASB 117), Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. The comparative information has not been restated and continues to be reported under AASB 117. The Group elected to record the right-of-use asset at an amount equal to the lease liability. Prior to the date of application of AASB 16, the Group applied AASB 117 and recognised its finance leases in the consolidated balance sheet. Operating leases were not recognised in the consolidated balance sheet and the lease payments were recognised as rent expense in the consolidated income statement on a straight-line basis over the lease term.

The Group also applied the following practical expedients on date of transition:
• applied the short term exemption to leases with a lease term that ends within 12 months of 1 July 2019;
• the use of hindsight in determining the lease term; and
• excluded the initial direct costs from the measurement of the right-of-use asset.

The Group has elected to present the right-of-use assets separately and lease liabilities as part of borrowings in the consolidated balance sheet.

The impact on the consolidated balance sheet as at 1 July 2019 on adoption of AASB 16 is set out in the table below:

	At 1 July 2019 $000
Assets	
Finance leases reclassified from Property, plant and equipment	(7,102)
Right-of-use assets recognised on adoption of AASB 16	17,352
Increase in total assets	**10,250**
Liabilities	
Additional lease liability recognised on adoption of AASB 16	
Current	2,868
Non-current	7,382
Total additional liabilities	**10,250**

1 Summary of significant accounting policies (continued)

(d) New accounting standards and interpretations (continued)

The impact on operating cash flows is an equal decrease in cash flows from operating activities and an increase in cash flows from financing activities, relating to a decrease in operating lease payments and increases in payments of lease liabilities.

Right-of-use assets	**Land and buildings**	**Plant and equipment**	**Total**
	$000	**$000**	**$000**
Contracts assessed to contain leases at 1 July 2019 previously classified as operating leases	1,570	8,680	10,250
Reclassification of leases previously classified as finance leases at 1 July 2019	-	7,102	7,102
As at 1 July 2019 on adoption of AASB 16	**1,570**	**15,782**	**17,352**
Additions	-	26,482	26,482
Depreciation expense	(395)	(5,343)	(5,738)
Impairment (note 10)	(113)	(1,127)	(1,240)
Derecognised	-	(30,898)	(30,898)
As at 30 June 2020	**1,062**	**4,896**	**5,958**

Lease liabilities	**Total $000**
As at 30 June 2019	6,738
On adoption of AASB 16 - 1 July 2019	10,250
As at 1 July 2019 (restated)	16,988
Additions	26,441
Interest expense	1,154
Payments	(6,103)
Derecognised	(31,229)
As at 30 June 2020	**7,251**

The Group recognised rent expense from short term leases of $1,135,000 for the financial year ended 30 June 2020.

Derecognised leases relate to termination of lease contracts. Refer note 20 for details.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as follows:

	Total
	$000
Operating lease commitments as at 30 June 2019	**12,135**
Weighted average incremental borrowing rate as at 1 July 2019	6.00%
Discounted operating lease commitments at 1 July 2019	**10,250**
Right-of-use assets recognised as at 1 July 2019	**10,250**

1 Summary of significant accounting policies (continued)

(d) New accounting standards and interpretations (continued)

Accounting policy applied from 1 July 2019 - Group as Lessee
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (where the entity does not have a purchase option at the end of the lease term). Right-of-use assets are subject to impairment.

(ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short term leases and leases of low value assets
The Group applies the short term lease recognition exemption to its short term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption. Lease payments on short term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

(iv) Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations.

1 Summary of significant accounting policies (continued)

(d) New accounting standards and interpretations (continued)

(v) Significant judgment in determining the incremental borrowing rate

In measuring the present value of the lease liability, the standard requires that the lessee's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. Panoramic uses a consistent approach reflecting the Group's borrowing rate and the duration of the lease term, which requires the use of judgment.

<u>Accounting policy applied pre 1 July 2019 - Group as Lessee</u>
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.

<u>AASB Interpretation 23 *Uncertainty over Income Tax Treatment*</u>
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The interpretation did not have an impact on the consolidated financial statements of the Group.

(e) New and amended accounting standards and interpretations issued but not yet effective

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective. There is no material impact of any new and amended accounting standards issued but not yet effective.

(f) Significant accounting judgments, estimates and assumptions

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

1 Summary of significant accounting policies (continued)

(f) Significant accounting judgments, estimates and assumptions (continued)

Key judgments

(i) Revenue

For the Group's Cost, Insurance and Freight ("CIF") customers, the Group is responsible for providing freight/shipping services. Whilst the Group does not actually provide nor operate the vessels, the Group has determined that it is the principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. The terms of the Group's contract with the service provider give the Group the ability to direct the service provider to provide the specified services on the Group's behalf.

The Group has also concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the freight/shipping services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The Group determined that the output method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the Group's effort and the transfer of services to the customer. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

(ii) Determining the beginning of production

Judgment is required to determine when capitalisation of development costs cease, with amortisation of the associated mine assets commencing upon the start of commercial production. This is based on the specific circumstances of the project and takes into consideration when the specific asset is substantially complete and becomes 'available for use' as intended by management. This includes consideration of the following factors:

• completion of reasonable testing of the mine plant and equipment;
• mineral recoveries, availability and throughput levels at or near expected levels;
• the ability to produce nickel concentrate in saleable quantity and form; and
• the achievement of continuous production.

With respect to the Savannah plant, mining and concentrate production were progressively ramped up and the plant moved into the production phase at the beginning of April 2019. On 15 April 2020 operations at the Savannah Nickel Mine were suspended resulting in the halting of production. The Savannah North access decline reached the target level for first level access on 18 November 2019, and the 1381 crosscut intersected the Savannah North orebody. As a result, this mine infrastructure moved into the production phase at that time. On 15 April 2020 operations at the Savannah Nickel Mine were suspended resulting in the halting of production.

(iii) Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations.

1 Summary of significant accounting policies (continued)

(f) Significant accounting judgments, estimates and assumptions (continued)

(iv) Significant judgment in determining the incremental borrowing rate

In measuring the present value of the lease liability, the standard requires that the lessee's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. Panoramic uses a consistent approach reflecting the Group's borrowing rate and the duration of the lease term, which requires the use of judgment.

(v) 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 (the 'JORC Code') as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of a Competent Person(s) as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the 2012 edition of 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 judgment 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 conditions and likely future developments.

Changes in the forecast prices of commodities, foreign currency 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.

(vi) Impairment of capitalised exploration and evaluation expenditure

The Group assesses impairment of all exploration and evaluation 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 is likely to be able to successfully recover 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 expenditure 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.

(vii) Impairment of property, plant and equipment, capitalised mine development expenditure and mine properties 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 indications of impairment exist, 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 ("CGU") and 'fair value less costs to dispose ("FVLCD").

1 Summary of significant accounting policies (continued)

(f) Significant accounting judgments, estimates and assumptions (continued)

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 sufficient degree of confidence of economic extraction;
• estimates of future production levels based on current operating capacity;
• spot commodity prices at balance date;
• estimates of future cash costs of production and capital expenditure; and
• estimated of the impact of COVID-19 on the expected timing of restart of operations and on costs.

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 is tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. Refer to note 13 for further information.

(viii) Provision for decommissioning and rehabilitation

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 and cost inflation applied, the timing that activities are expected to be undertaken and experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in mineral inventory or to production rates. To the extent cost of decommissioning and restoration increase or decrease by 10%, there would be a +/- $2.5 million impact on the provision.

The carrying amount of the provision for decommissioning and rehabilitation as at 30 June 2020 was $24.498 million (2019: $31.534 million). The Group estimates that the costs will be incurred towards the end of the respective mine lives and calculates the provision using the discounted cash flow method based on expected costs to be incurred to rehabilitate the disturbed area. These costs have been discounted at the Government bond rate for a comparable period which is 1.06% (2019: 1.18%).

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.

(g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

• power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
• exposure, or rights, to variable returns from its involvement with the investee; and
• the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• the contractual arrangement with the other vote holders of the investee;
• rights arising from other contractual arrangements; and
• the Group’s voting rights and potential voting rights.

1 Summary of significant accounting policies (continued)

(g) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:
- de-recognises the assets (including goodwill) and liabilities of the subsidiary;
- de-recognises the carrying amount of any non-controlling interests;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(h) Revenue

(i) Revenue from contracts with customers

The Group is engaged in the business of producing nickel concentrate. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

For metal in concentrate sales under CIF international commercial terms, the performance obligations are the delivery of the concentrate and the provision of shipping services. Based on the current contractual terms, revenue from the sale of nickel concentrate is recognised when control passes to the customer, which occurs at a point in time when the nickel concentrate is physically transferred onto a vessel.

The Group's sales of nickel concentrate allow for price adjustments based on the market price at the end of the relevant Quotational Period ("QP") stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for nickel concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be up to two months.

Revenue from the sale of nickel concentrate is measured at the amount to which the Group expects to be entitled being the forward price at the date the revenue is recognised, net of treatment and refining charges, and a corresponding trade receivable is recognised.

1 Summary of significant accounting policies (continued)

(h) Revenue (continued)

For the provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivable. Given the exposure to the commodity price, these provisionally priced trade receivables fail the cash flow characteristics test and are classified and measured at fair value through profit or loss from initial recognition and until the date of settlement. Subsequent changes in fair value of the receivable are recognised in the profit or loss each period and presented separately from revenue from contracts with customers as part of 'fair value gains/losses on provisionally priced trade receivables. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for nickel as well as taking into account relevant other fair value considerations, including interest rate and credit risk adjustments.

Revenue is initially recognised based on the most recently determined estimate of nickel concentrate using the expected value approach based on initial internal assay and weight results. The Group has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results. Subsequent changes in the fair value based on the customer's final assay and weight results are recognised in revenue at the end of the QP.

For CIF arrangements, the transaction price (as determined above) is allocated to the nickel concentrate and shipping services using the relative stand alone selling price method. The consideration is received from the customer at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the shipping services yet to be provided is deferred. This is generally not material at the balance sheet date. Shipping revenue is recognised over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with these freight/shipping services are also recognised over the same period of time as incurred.

(ii) Interest income and dividends

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.

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

(i) 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, and finance charges in respect of finance leases.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale, which is generally taken to be more than twelve months. 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. The weighted average capitalisation rate applied during the year was 9.34% (2019: 6.81%).

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)

(j) 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 at banks and on 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.

(k) Inventories

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

Inventories are valued at the lower of cost (determined based on the weighted average 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.

(ii) Spares for production

Inventories of consumable supplies and spare parts expected to be used in production are valued at the 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 price 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.

1 Summary of significant accounting policies (continued)

(l) Derivative financial instruments and hedging (continued)

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

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 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 again at each reporting date, both prospectively and retrospectively, using the dollar offset method. This is done by comparing the changes in present value of the cash flows arising from the hedged forecast sales at the forward rates, compared to changes in the fair values of those forward contracts. Measurement of the cash flow changes is based on the respective forward curves over the hedge horizon.

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

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 the Company and its Australian subsidiaries is Australian dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(n) 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 for using the full liability method on 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.

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.

(i) Tax consolidation legislation

The Company 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, the Company 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.

1 Summary of significant accounting policies (continued)

(n) Income tax (continued)

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.

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.

(o) Other taxes

Revenue, expenses and assets are recognised net of the amount of goods and services taxation ("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.

(p) 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.

(i) Depreciation and amortisation
Depreciation and amortisation is calculated on a straight line basis or units of production over the estimated useful lives of the asset. 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 lease	Lesser of the lease term and useful life (which range between 3 - 8 years)
Process plant and buildings	Lesser of life of mine and life of asset

(ii) 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.

1 Summary of significant accounting policies (continued)

(p) Property, plant and equipment (continued)

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 dispose 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.

(iii) 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.

(q) 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.

Acquisition costs are carried forward at cost where rights to tenure of the area of interest is current and it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or; exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration and Evaluation expenditure subsequent to acquisition on an area of Interest which has not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves is capitalised as incurred

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

Impairment

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

(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 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 circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

1 Summary of significant accounting policies (continued)

(q) Exploration, evaluation, development, mine properties and rehabilitation expenditure (continued)

(iii) Mineral properties expenditure

Mineral properties expenditure represents the costs 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 expenditure is assessed for impairment whenever circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

(iv) Provision 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.

The expected costs of any approved decommissioning or rehabilitation programs, discounted to their net present values, are provided for in the period in which the associated obligations arise. The costs are capitalised when they relate to the development of an asset, 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 changes in net present values based on risk adjusted pre-tax discount rates appropriate to the risks inherent in the liabilities. The unwinding of the discounts are included in financing costs. Expected decommissioning and rehabilitation costs are based on the discounted values of the estimated future costs of detailed plans prepared for each site. Where there are changes in the expected decommissioning and rehabilitation costs, the values of the provisions and any related assets are adjusted and the effect is recognised in the income statement on a prospective basis over the remaining life of the operations.

(r) 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 is determined on an individual asset basis, 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 a 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 an 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.

1 Summary of significant accounting policies (continued)

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost 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.

(t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value 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 through the amortisation process.

(u) 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 and 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.

(v) Employee benefits

(i) Short term benefits

Liabilities for short term benefits expected to be wholly 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.

(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 corporate bond rates 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 executive 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").

1 Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

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 or binomial 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 subsequently 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.

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

When applicable, the Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the performance and service criteria, where relevant, and the likelihood that the criteria will be met. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(w) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. 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.

(x) 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.

(y) 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.

1 Summary of significant accounting policies (continued)

(y) Business combinations (continued)

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 9 *Financial Instruments* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(z) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(aa) Financial assets

Initial recognition and measurement:

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under the Group's accounting policy for revenue from contracts with customers (see note 1(h)).

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment referred to as the SPPI test is performed at an instrument level.

Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:
• financial assets at amortised cost (debt instruments);
• financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
• financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
• financial assets at fair value through profit or loss.

1 Summary of significant accounting policies (continued)

(aa) Financial assets (continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:
• the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and cash equivalents, short term deposits and other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows which do not pass the SPPI test are classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in profit or loss.

This category also includes trade receivables subject to provisional pricing (QP adjustment), and listed equity investments.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables other than those subject to provisional pricing, and due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix for these receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL when there has not been a significant increase in credit risk since origination. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

1 Summary of significant accounting policies (continued)

(aa) Financial assets (continued)

When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 Segment information

(a) Reporting 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 Group has identified four operating segments being: (1) Nickel, the Savannah Nickel Project; (2) Gold, the Gum Creek Gold Project; (3) Platinum Group Metals, the Thunder Bay North PGM Project and Panton PGM Project; and (4) Exploration.

The discrete financial information for the Australian and Overseas exploration is no longer regularly reviewed by the Chief Operating Decision Maker on a standalone basis and is now reported as one segment, Exploration. The comparative information have also been restated to reflect this.

Nickel

The Savannah Nickel Project mines nickel ore and produces nickel concentrate. Operations at the Savannah Nickel Project were suspended on 15 April 2020.

Gold

The Gum Creek Gold Project (formerly Gidgee Gold) is located 640 kilometres northeast of Perth in Western Australia and was purchased by the Company in January 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.

In October 2016, the Gum Creek Gold Project was sold to the Company's wholly owned subsidiary, Horizon Gold Limited. In December 2016, Horizon Gold Limited was listed on the Australian Stock Exchange (ASX) and raised $15 million in new capital. The Company retained a 51% controlling equity in Horizon Gold Limited until February 2020 when it commenced a divestment of its interest and at which time it ceased to control Horizon. The divestment was completed on 29 June 2020.

Platinum Group Metals (PGM)

In July 2012, the Company completed the acquisition of 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. Since acquisition, the Company undertook evaluation studies to re-optimise the mining method and mineral processing route contained in the 2011 Scoping Study/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. RTEC is able to earn a 70% interest in the TBN by spending C$20 million over a five year period to January 2020.

2 Segment information (continued)

(a) Reporting segments (continued)

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.

On 27 June 2019, the Company's directors resolved to sell all of the Company's shares in 100% owned Canadian entity, Panoramic PGMs (Canada) Limited, the owner of the Thunder Bay North PGM Project, to Benton Resources Inc. (Benton) for a total cash consideration of C$9 million.

A binding Letter Agreement was executed by the Company and Benton on 2 July 2019 to commence a process to complete the sale over the 2019/20 financial year. The Company and Benton subsequently agreed to terminate the Letter Agreement with Benton assigning its rights under the Letter Agreement, as amended, to Regency Gold Corp. who subsequently changed their name to Clean Air Metals Inc.

At 30 June 2019, the Thunder Bay North PGM Project was reclassified to disposal group held for sale and was subsequently excluded from this segment note. The sale of the Thunder Bay North PGM Project to Clean Air Metals Inc. was completed on 15 May 2020.

Exploration

The Group's primary greenfield exploration and evaluation activities currently cover the regional areas of Western Australia.

The Group's General Manager Exploration 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 or be added to an existing segment, as appropriate.

(b) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1.

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.

(c) Operating segments

2020	**Nickel $'000**	**Gold $'000**	**Platinum Group Metals $'000**	**Exploration $'000**	**Total $'000**
Revenue from contracts with customers	69,097	-	-	-	69,097
Total segment revenue	**69,097**	**-**	**-**	**-**	**69,097**
Total segment results (net loss)/profit	**(91,019)**	**(1,090)**	**5,570**	**(242)**	**(86,781)**
Total segment assets	**148,036**	**-**	**6,949**	**5,589**	**160,574**
Total segment liabilities	**35,788**	**-**	**-**	**-**	**35,788**

2 Segment information (continued)

(c) Operating business segments (continued)

2020	**Nickel $'000**	**Gold $'000**	**Platinum Group Metals $'000**	**Exploration $'000**	**Total $'000**
Impairment loss	(32,948)	-	-	-	(32,948)
Reversal of impairment loss	-	-	5,886	-	5,886
Depreciation and amortisation	(18,275)	-	-	-	(18,275)
Fair value loss on derivatives	(10,148)	-	-	-	(10,148)
Finance charges	(6,337)	(107)	-	-	(6,444)
Interest income	70	9	23	-	102

2019	**Nickel $'000**	**Gold $'000**	**Platinum Group Metals $'000**	**Exploration $'000**	**Total $'000**
Revenue from contracts with customers	25,112	-	-	-	25,112
Total segment revenue	25,112	-	-	-	25,112
Total segment results (net loss)/profit	16,493	(2,227)	(74)	(260)	13,932
Total segment assets	177,475	22,136	6,912	5,260	211,783
Total segment liabilities	98,444	10,503	148	7	109,102
Depreciation and amortisation	(6,999)	-	-	-	(6,999)
Reversal of impairment loss	19,156	-	-	-	19,156
Fair value loss on derivatives	(2,130)	-	-	-	(2,130)
Exploration and evaluation written off	-	(901)	-	-	(901)
Finance charges	(396)	(129)	-	-	(525)
Interest income	146	95	1	-	242

(d) Other segment information

(i) Segment revenue

In 2020, 100% of the revenue from contracts with customers was derived from the sale of goods to one external customer located in China under the terms of the concentrate refining and offtake contract (2019: 100%).

Total revenue derived from interest income in Australia is $0.171 million (2019: $0.451 million).

(ii) Segment results

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

2 Segment information (continued)

(d) Other segment information (continued)

	2020 $'000	2019 $'000
Segment results	**(86,781)**	13,932
Gain on sale of subsidiary	**3,812**	-
Corporate charges and other unallocated expenses	**(4,919)**	(4,703)
(Loss)/profit for the year	**(87,888)**	9,229

(iii) Segment assets

Reportable segments' assets are reconciled to total assets as follows:

	2020 $'000	2019 $'000
Segment assets	**160,574**	211,783
Intersegment eliminations	**-**	117
Cash and cash equivalents	**30,372**	9,629
Assets held-for-sale	**-**	4,299
Other unallocated assets	**12,686**	1,081
Total assets	**203,632**	226,909

At 30 June 2020, unallocated assets include receivables to the value of $11.322 million (2019: $0.007 million) and investments to the value of $0.767 million (2019: $0.956 million).

At 30 June 2019, the Thunder Bay North PGM Project was classified as an asset held for sale. The Project sale was completed during the financial year. For further details, see Note 10.

All non-current assets are located in Australia.

Non-current assets for this purpose consist of property, plant and equipment, exploration and evaluation, development and mine properties.

(iv) Segment liabilities

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2020 $'000	2019 $'000
Segment liabilities	**35,788**	109,102
Intersegment eliminations	**-**	117
Unallocated liabilities	**1,781**	1,568
Total liabilities	**37,569**	110,787

3 Revenue

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Sale of nickel concentrate	**69,097**	25,112

4 Other income

	2020 $'000	2019 $'000
Net gain on sale of subsidiary	**3,812**	782
Debt forgiveness	**3,719**	-
Quotational period (QP) price adjustments relating to current period	**1,678**	508
Quotational period (QP) price adjustments relating to prior period	**737**	-
Interest income calculated using the effective interest rate method	**171**	451
Rents and sub-lease rentals	**-**	406
Foreign exchange gains (net)	**(97)**	42
Sundry income	**1,228**	584
	11,248	2,773

During the financial year, the sale of the Thunder Bay North PGM Project was completed. Refer to note 10 for details. The Company also divested its investment in Horizon Gold Limited. Refer to note 30 for details.

As part of the recapitalisation undertaken during the year, forbearance agreements were entered into with material creditors who, as part of the arrangements, agreed to reduce the amounts owed to them. These amounts are reflected as debt forgiveness in other income. Certain other creditors agreed to provide credit notes against purchases of goods. These amounts have been reflected as a reduction in the cost of sales or consumables inventory balance as appropriate.

In December 2018, the Lanfranchi Nickel Project (Project) was sold to a wholly owned subsidiary of Texas-based Black Mountain Metals LLC. A gain on the sale of the Project of $0.782 million has been recognised in the consolidated income statement for the year ended 30 June 2019.

5 Expenses

	2020 $'000	2019 $'000
Loss/(profit) before income tax includes the following specific expenses:		
Cost of sales of goods		
Cost of goods sold	**82,545**	19,429
Shipping costs	**4,455**	1,471
Royalties	**3,402**	1,904
Depreciation - property, plant and equipment	**9,240**	3,380
Amortisation - deferred development costs	**9,034**	3,618
Amortisation - mineral properties	**2**	1
	108,678	29,803
Finance costs		
Finance charges not capitalised	**5,276**	890
Interest paid on leases	**1,154**	134
Accretion interest on rehabilitation provision	**375**	359
Other financing costs	**456**	-
	7,261	1,383

5 Expenses (continued)

	2020 $'000	2019 $'000
Derivative financial instruments		
Fair value losses on derivatives instruments which are not in an effective hedge relationship or recycled through profit and loss (note 11)	**10,148**	2,071
Other		
Net realisable value write down of spares	**6,618**	648
Depreciation - property, plant and equipment not used in production	**382**	40
Net foreign exchange loss	**203**	(41)
Write off of asset	**-**	382
Net (gain)/loss on disposal of property, plant and equipment	**(1,108)**	8
	6,095	1,037
Breakdown of total employee benefits		
Salaries and wages	**27,643**	20,982
Payroll tax	**1,867**	1,266
Superannuation	**2,464**	1,962
Termination benefits on restructure	**1,248**	-
	33,222	24,210

6 Income tax

(a) Numerical reconciliation of income tax benefit to prima facie tax

	2020 $'000	2019 $'000
(Loss)/profit from continuing operations before income tax benefit	**(87,888)**	9,229
Tax (benefit)/expense at the Australian tax rate of 30% (2019: 30%)	**(26,366)**	2,769
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment expense	**3**	2
Share based payment	**137**	-
Disposal of subsidiary	**(5,549)**	-
Adjustments in relation to research and development	**-**	(50)
Other	**(108)**	(872)
Deductible temporary differences not recognised/(Benefits arising from previously unrecognised deferred tax assets)	**31,883**	(1,849)
Income tax expense/(benefit)	**-**	-

(b) Tax losses

	2020 $'000	2019 $'000
Unused tax losses for which no deferred tax asset has been recognised		
Capital losses	**6,708**	-
Income tax losses transferred to Panoramic Resources Limited upon purchase of subsidiary on tax consolidation	**23,639**	23,639
Income tax losses of Panoramic Resources Limited	**207,861**	149,024
Potential tax benefit @ 30%	**71,462**	51,799

7 Current assets - Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and in hand	**10,179**	7,284
Short term deposits	**20,985**	5,449
	31,164	12,733

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

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

	2020 $'000	2019 $'000
Cash at bank and in hand and deposits at call	**31,164**	12,733

(b) Cash at bank and on hand

Cash at bank earns interest at floating rates based on daily bank deposit rates. The weighted average interest rate achieved for the year was 0.64% (2019: 1.60%).

(c) Short term deposits

Short term deposits are made for varying periods typically between one day and three months depending on the immediate cash requirements of the Group and earn interest at short term rates. If short term deposits have original maturity greater than three months, principal amounts must be able to be redeemed in full prior to scheduled maturity with no significant interest penalty otherwise the amounts will be classified as other financial non-current assets. The weighted average interest rate achieved for the year was 1.01% (2019: 1.69%).

Deposits are held with various financial institutions with short term credit ratings of A-1+ (S&P). As these instruments have maturities of less than twelve months, the Group has assessed the credit risk on these financial assets using lifetime expected credit losses. In this regard, the Group has concluded that the probability of default on the deposits is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the term deposits.

(d) Fair value

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

8 Current assets - Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables - at fair value	**2,417**	1,521
Other receivables - at amortised cost	**9,009**	2,141
Restricted deposit - at amortised cost	**-**	15,616
	11,426	19,278

8 Current assets - Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. Under the current offtake agreement, on presentation of ship loading documents and the provisional invoice, the customer settles 100% of the provisional sales invoice value within approximately 7 days and the final sales invoice value is settled in approximately 5 days upon presentation of the final invoice. Sales are invoiced and received in US dollars (US$).

As at 30 June 2020, 1,687 tonnes of nickel concentrate (2019: 6,797 tonnes) subject to QP pricing was recognised with reference to an average nickel price of US$5.75 per pound (2019: US$5.38 per pound). The trade receivable at the reporting date has been remeasured with reference to an average forward nickel price of US$6.40 per pound (2019: US$6.11 per pound). There is no material copper and cobalt exposure at 30 June 2020 (2019: nil). The amount of fair value changes recognised in the income statement during the year ended 30 June 2020 was $0.308 million (2019: $0.507 million).

All receivables are current and not past due.

(b) Restricted deposit

At 30 June 2020, with the senior secured facility with Macquarie Bank Limited repaid in full during the financial year, the Group had nil undrawn funds on restricted deposit (2019: $15.616 million). Under the terms of the financing agreement with Macquarie Bank Limited, those funds could only be used for expenditure associated with the Savannah Nickel Project and the drawing of the funds was subject to approval of Macquarie Bank Limited.

The deposits were held with Macquarie Bank Limited with a short term credit rating of A-1+ (S&P). As the deposits were expected to be utilised within 12 months, the Group has assessed the credit risk on these financial assets using lifetime expected credit losses. In this regard, the Group has concluded that the probability of default on the deposit is relatively low. Accordingly, no impairment allowance has been recognised for expected credit losses on the deposit.

(c) Other receivables

Other receivables are non-interest bearing and have repayment terms between 30 and 90 days. There is an insignificant probability of default as sundry debtors are short term, have no history of default and customers have passed the Group's internal credit assessment.

(d) Foreign currency exchange rate and interest rate risk

The balance of trade receivables is exposed to movements in AUD:USD exchange rates and commodity prices during the quotational period.

Information on foreign currency exchange and interest rate risk is provided in note 37.

(e) Fair value and credit risk

Information on fair value and credit risk is provided in note 37.

9 Current assets - Inventories

	2020 $'000	2019 $'000
Spares for production - at net realisable value	**-**	6,894
Nickel ore stocks on hand (2019: at net realisable value)	**-**	344
Concentrate stocks on hand (2019: at net realisable value)	**-**	1,177
	-	8,415

9 Current assets - Inventories (continued)

At 30 June 2020 there were no nickel ore stocks or concentrate stocks on hand with all production prior to the suspension of operations at the Savannah Nickel Mine sold during the financial year. In the prior year these stocks were carried at net realisable value.

A provision of $6.619 million was recorded during the financial year to write spares for production down to their estimated net realisable value as a result of the suspension of operations at the Savannah Nickel Mine. The Company is in the process of reviewing consumables on hand to that are likely to be surplus to anticipated requirements for a restart of operations, or that are or may become obsolete or deteriorate during the period of suspension of operations. Such items will be sold or scrapped as appropriate.

10 Impairment loss/(reversal)

A net impairment loss of $27.063 million was recorded in the current period (2019: impairment reversal of $19.156 million). This amount comprises an impairment of the nickel cash generating unit of $32.948 million (refer to section (a) below for details; 2019: impairment reversal of $19.156 million) and an impairment reversal relating to the disposal of the Thunder Bay North PGM Project (refer to section (b) below for details).

(a) Nickel cash generating unit

On 15 April 2020, as a result of the combination of significant operational uncertainty, disruption and cost escalation caused by COVID-19 restrictions, a slower ramp up then planned and depressed commodity prices the Company elected to suspend operations at the Savannah Nickel Mine.

The suspension of operations was deemed to be an indicator of impairment, and as such, a formal estimate of the recoverable amount of the Nickel cash generating unit (CGU) was performed.

In assessing whether an impairment is required, the carrying amount of the CGU is compared with its estimated recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Given the nature of the Group's activities. Consequently, the FVLCD for the CGU was estimated based on discounted future cash flows (expressed in real terms) expected to generated from the continued use of the CGU using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, and the latest life of mine plans. The cash flows were discounted using a real post tax discount rate that reflected market assessments of the time value of money and the risks specific to the CGU.

The determination of FVLCD for the CGU is considered to be a Level 3 fair value measurement as it is derived from valuation techniques that involve inputs that are not based on observable market date. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

The FVLCD valuation was below the carrying amount of the Nickel CGU's assets of $166.710 million and as such an impairment loss of $32.948 million was recorded in the current year. The impairment has been allocated against property, plant and equipment, development properties and mineral properties (refer to notes 13 and 15 for further information.)

(i) Key assumptions

The determination of FVLCD is most sensitive to the following key assumptions:

• production volumes;
• commodity prices and exchange rates;
• capital and operating costs; and
• discount rates.

10 Impairment loss/(reversal) (continued)

(a) Nickel cash generating unit (continued)

Production Volumes
In calculating FVLCD, production volumes and grades were derived from the latest mineral resource estimate and ore reserve estimates and represent the estimated recoverable mining inventory incorporated into a detailed mine design and life of mine plan as part of the long term planning process. The production volume incorporated into the cash flow model was 10.4 million tonnes ore at an average grade of 1.28 grams per tonne (g/t) nickel, 0.39g/t copper and 0.08g/t cobalt for an approximate 13 year mine life.

Production volumes are dependent on a number of variables, such as the underlying resource and reserve estimation, estimates of mining dilution and recoveries, geotechnical assumptions, assessments of ventilation requirements, the production profile, mining productivity, estimates of the costs of extraction and processing, metallurgical recoveries, the contractual duration of mining rights, refining and offtake terms, and the selling price of the commodities extracted.

These assumptions are then assessed to ensure they are consistent with what a market participant would estimate.

Commodity Prices and Exchange Rate
Forecast commodity prices and exchange rates (US Dollar to Australian Dollar) are based on management's estimates and are derived from forward price curves and long terms views of global supply and demand, interest and inflation rates, building on past experience of the industry and consistent with external sources. Estimated long term nickel and copper prices and USD:AUD exchange rates used in the estimation of future revenues were as follows:

Economic Assumptions	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 On**
Nickel (USD per tonne)	12,921	13,705	14,089	14,482	14,598	15,731
Copper (USD per tonne)	5,882	6,047	6,058	6,115	6,207	6,788
USD to AUD exchange rate	0.69	0.72	0.74	0.74	0.71	0.71

Capital and Operating Costs
Capital and operating Costs have been derived from a recent mining study prepared by specialist consultants with input where required by Management and referencing historical data where relevant. Costs have been benchmarked against industry experience and current contracts for the supply of goods and services where applicable.

Estimates have been incorporated into the discounted cash flow analysis of corporate costs and corporate taxation that a purchaser would incur.

Discount Rates
In determining FVLCD, a real pre-tax discount rate of 10.9% was applied to the post tax cash flows expressed in real terms. The discount rate is derived from an estimate of the Groups' post tax weighted average cost of capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account an estimation of the mix of debt and equity funding and associated costs of each funding source. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on an estimate of the funding debt cost that the Group would be able to secure, with reference to past costs. Risk is incorporated by applying beta factors.

10 Impairment loss/(reversal) (continued)

(a) Nickel cash generating unit (continued)

Timing of Restart Decision
The discounted cash flow analysis assumes that operations at the Savannah Nickel Project are restarted in the second half of the 2020 financial year. The decision and timing of a restart of operations at Savannah are dependent on a range of factors including commodity prices and exchange rates, travel and other restrictions in place related to Covid, the completion of pre-production development works and the ability to secure the necessary funding required on terms that the Company considers reasonable. A delay of twelve months to timing of the restart of operations has the impact of reducing the FVLCD by approximately $10.3 million.

A delay to the timing of the restart has the potential to impact the valuation under either FVLCD or VIU.

(ii) Sensitivities

The FVLCD is most sensitive to the following assumptions, with sensitivity based on management’s assessments of reasonably possible changes to inputs over the period of the discounted cash flow analysis.

	High[1]	**Low[1]**	**Impact High[1]**	**Impact Low[1]**
			$000's	**$000's**
Commodity Price	+10%	-10%	99,400	(111,300)
Exchange Rate	+10%	-10%	101,000	(85,400)
Operating Costs	-10%	+10%	59,100	(59,900)
Discount Rate	-2%	+2%	29,300	(24,600)

[1] High indicates a higher valuation and lower (or nil) impairment and low indicates a lower valuation with a greater impairment. Impact indicates the change to the FVLDC.

(iii) Prior year impairment reversal of nickel CGU

On 16 July 2018, the Company's Board made the formal decision to restart operations at the Savannah Nickel Project. As a result of this decision, the Group commenced Phase Two of the pre-production activities at the Project with first shipment of Savannah bulk concentrate to China in February 2019.

The formal decision to restart operations at the Savannah Nickel Project was considered to be an indicator of reversal of impairment loss recognised in prior periods and accordingly, management determined the recoverable amount of the Savannah Nickel Project cash generating unit (“CGU”) at 31 December 2018.

The recoverable amount of the Savannah Nickel Project CGU was determined based on a combination of a discounted cash flow (DCF) calculation at 31 December 2018 using cash flow projections based on financial budgets covering the life of the project incorporating current market assumptions approved by the Company's Directors and independent valuations from external valuers. The recoverable amount of the Savannah Nickel Project CGU was in excess of the carrying value and accordingly, the entire impairment loss recognised in prior periods, adjusted for depreciation and amortisation, was reversed. This impairment loss reversal of $19,156,000 was recognised in the consolidated income statement.

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.

The carrying value of the Savannah Nickel Project was reviewed for indicators of impairment at 30 June 2019 and no indicators of impairment were identified.

10 Impairment loss/(reversal) (continued)

(b) Thunder Bay North PGM Project

On 27 June 2019, the Company's directors resolved to sell all of the Company's shares in 100% owned Canadian entity, Panoramic PGMs (Canada) Limited, the owner of the Thunder Bay North PGM Project, to Benton Resources Inc. (Benton) for a total cash consideration of C$9 million.

A binding Letter Agreement was executed by the Company and Benton on 2 July 2019 to commence the process to complete the sale over the 2019/20 financial year. As the carrying value of the Thunder Bay North PGM Project will be recovered principally through a sale transaction, the Thunder Bay North PGM Project has been classified as an asset held for sale at 30 June 2019.

The major classes of assets and liabilities of the Thunder Bay North PGM Project classified as disposal group held for sale consists of exploration and evaluation properties totalling $4.299 million as at 30 June 2019. The fair value of the project was determined based on an internal review of comparable market transactions for Platinum Group Metals projects completed between 2010 and 2019.

The Company and Benton subsequently agreed to terminate the Letter Agreement with Benton assigning its rights under the Letter Agreement, as amended, to Regency Gold Corp. who subsequently changed their name to Clean Air Metals Inc. The sale of the Thunder Bay North PGM Project to Clean Air Metals Inc was completed on 15 May 2020.

The carrying value of the exploration and evaluation assets was reassessed based on the fair value of the consideration receivable and an impairment reversal of $5.886 million was recorded. After the impairment reversal, there was no gain or loss on sale recorded. The carrying value of assets disposed was $9.389 million which comprised of predominately capitalised exploration and evaluation expenditures.

Consideration received in the period totalled $2.466 million, with the remainder reflected as receivables. Refer to notes 8 and 12 for details.

11 Derivative financial instruments

	2020 $'000	2019 $'000
Current assets		
Commodity put options - at fair value through profit or loss	**-**	122
Forward commodity contracts - designated as cash flow hedges	**-**	3,620
Total current derivative financial instrument assets	**-**	3,742
Non-current assets		
Forward commodity contracts - designated as cash flow hedges	**-**	4,409
Total non-current derivative financial instruments	**-**	4,409
Current liabilities		
Forward foreign exchange contracts - designated as cash flow hedges	**-**	2,721
Total current derivative financial instrument liabilities	**-**	2,721
Non-current liabilities		
Forward foreign exchange contracts - designated as cash flow hedges	**-**	5,584
Total non-current derivative financial instrument liabilities	**-**	5,584
Net position	**-**	(154)

11 Derivative financial instruments (continued)

(a) Instruments used by the group

In September 2018, the Company executed the A$40 million Savannah Facility Agreement (SFA) and Master International Swaps Derivatives Association Agreement (ISDA) with Macquarie Bank Limited. The Company entered into a mandatory hedge program under the ISDA to hedge exposure to fluctuations in commodity prices and foreign currency exchange rates.

The Group used a number of methodologies to determine the fair value of derivatives. These techniques included comparing contracted rates to market rates with the same length of maturity to determine the value of forward contracts and used 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 currency exchange rates were determined by reference to published/observable prices. The Group presents its derivative financial assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group were subject to enforceable master netting arrangements, such as the ISDA Master Netting Agreement. In certain circumstances, for example, when a credit event such as default occurs, all outstanding transactions under an ISDA agreement could be terminated, and the termination value assessed and only a single net amount is payable in settlement of all transactions.

The amounts set out in this note represent the derivative financial assets and liabilities of the Group that are subject to the above arrangements and are presented on a gross basis.

On 31 March 2020, the Company closed out the nickel, copper and AUD:USD foreign exchange contracts resulting in the crystallisation of a loss of approximately $10.148 million. As operations at the Savannah Nickel Mine were suspended the loss was recycled from reserves to the profit and loss. As at 30 June 2020 the Company did not have any derivative financial instruments in place.

(b) Commodity Hedges

The Group had previously entered into nickel forward, nickel puts and copper forward contracts as part of mandatory and discretionary hedging lines under the ISDA.

These contracts were designated as cash flow hedges and are timed to mature when sales are scheduled to occur.

	Tonnes Hedged 30 June 2020	Average Price per Pound 30 June 2020	Tonnes Hedged 30 June 2019	Average Price per Pound 30 June 2019
Nickel Fixed Forwards				
Not later than one year	-	-	2,058	US$6.32
Later than one year	-	-	5,932	US$6.18
Copper Fixed Forwards				
Not later than one year	-	-	1,292	US$2.76
Later than one year	-	-	1,344	US$2.77
Nickel Put Options				
Not later than one year	-	-	1,319	A$7.48

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.

11 Derivative financial instruments (continued)

(c) Foreign Currency Hedges

The Group had previously entered into foreign currency forward contracts as part of mandatory and discretionary hedging lines under the ISDA.

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

	USD Hedged 30 June 2020 $ '000	Average FX Rate 30 June 2020 US$	USD Hedged 30 June 2019 $ '000	Average FX Rate 30 June 2019 US$
Foreign Currency (USD) Forwards				
Not later than one year	-	-	31,206	0.7418
Later than one year	-	-	72,848	0.7437

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.

12 Non-current assets - Receivables

	2020 $'000	2019 $'000
Other receivables	**2,787**	-

Other receivables consist of the unpaid portion of the sales proceeds in relation to the sale of the Thunder Bay North (TBN) PGM Project not due within the next twelve months. Refer to note 8 for the current portions of these receivables.

13 Non-current assets - Property, plant and equipment

	Plant and equipment $'000	Leased plant and equipment $'000	Construction in progress $'000	Total $'000
Year ended 30 June 2020				
Net book amount at 30 June 2019	42,318	7,102	9,584	59,004
Reclassification to right-of-use asset on adoption of AASB 16 at 1 July 2019	-	(7,102)	-	(7,102)
Net book value at 1 July 2019	**42,318**	**-**	**9,584**	**51,902**
Additions	310	-	19,081	19,391
Depreciation charge	(3,884)	-	-	(3,884)
Impairment loss	(6,923)	-	(4,842)	(11,765)
Transfer from/(to) other asset class	2,770	-	(2,770)	-
Disposals	(4,466)	-	-	(4,466)
Closing net book amount	**30,125**	**-**	**21,053**	**51,178**
At 30 June 2020				
Gross carrying amount - at cost	166,858	-	21,053	187,911
Accumulated depreciation and impairment	(136,733)	-	-	(136,733)
Net book amount	**30,125**	**-**	**21,053**	**51,178**

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

	Plant and equipment $'000	Leased plant and equipment $'000	Construction in progress $'000	Total $'000
Year ended 30 June 2019				
Opening net book amount	10,367	-	263	10,630
Additions	21	7,785	25,587	33,393
Depreciation charge	(2,736)	(683)	-	(3,419)
Reversal of impairment loss	18,862	42	(22)	18,882
Write off to profit and loss	(280)	21	-	(259)
Transfer from/(to) other asset class	16,092	(63)	(16,244)	(215)
Disposals	(8)	-	-	(8)
Closing net book amount	**42,318**	**7,102**	**9,584**	**59,004**
At 30 June 2019				
Cost or fair value	179,235	8,149	9,584	196,968
Accumulated depreciation	(136,917)	(1,047)	-	(137,964)
Net book amount	**42,318**	**7,102**	**9,584**	**59,004**

Refer to note 10 for discussion of impairment.

(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. At 30 June 2020, the carrying amounts of assets pledged as security for current and non-current lease liabilities were $7.198 million (2019: $7.102 million).

14 Non-current assets - Deferred tax assets

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**71,462**	51,799
Employee benefits	**153**	700
Provisions	**10,285**	10,143
Depreciation and amortisation	**(1,747)**	1,499
Sundry temporary differences	**974**	1,368
Research and development tax offset	**4,091**	4,091
Business related costs	**2,223**	734
Foreign exchange	**48**	-
Derivatives	**-**	46
Financial assets	**36**	-
Lease liability	**705**	-
Deferred tax asset not recognised	**(74,445)**	(48,036)
	13,785	22,344
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	**(13,785)**	(22,344)
Net deferred tax assets	**-**	-

15 Non-current assets - Exploration and evaluation, development and mine properties

	Mine development expenditure $'000	Exploration and evaluation $'000	Mineral properties $'000	Total $'000
Year ended 30 June 2020				
Opening net book amount	84,745	27,763	29	112,537
Additions	28,998	1,732	-	30,730
Assets included in a disposal group classified as held for sale and other disposals	(779)	(16,960)	-	(17,739)
Depreciation charge	(9,034)	-	(2)	(9,036)
Impairment loss	(19,938)	-	(5)	(19,943)
Remeasurement of rehabilitation provision	2,681	-	-	2,681
Closing net book amount	**86,673**	**12,535**	**22**	**99,230**
At 30 June 2020				
Gross carrying amount - at cost	258,215	12,535	1,795	272,545
Accumulated amortisation and impairment	(171,542)	-	(1,773)	(173,315)
Net book amount	**86,673**	**12,535**	**22**	**99,230**
Year ended 30 June 2019				
Opening net book amount	17,222	45,763	27	63,012
Additions	47,528	5,960	-	53,488
Assets included in a disposal group classified as held for sale and other disposals	-	(4,298)	-	(4,298)
Depreciation charge	(3,618)	-	-	(3,618)
Transfer from/(to) other asset class	18,976	(18,761)	-	215
Written off to profit and loss	-	(901)	-	(901)
Reversal of impairment loss (net)	271	-	2	273
Remeasurement of rehabilitation provision	4,366	-	-	4,366
Closing net book amount	84,745	27,763	29	112,537
At 30 June 2019				
Cost or fair value	295,988	98,983	1,795	396,766
Accumulated depreciation	(211,243)	(71,220)	(1,766)	(284,229)
Net book amount	84,745	27,763	29	112,537

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.

Refer to note 10 for further details on impairment.

Refer to note 20 for details of assets pledged as security in relation to the Groups' non-current assets.

16 Non-current assets - Financial assets

(a) Financial assets at fair value through profit or loss

	2020 $'000	2019 $'000
Listed securities	**767**	957

At beginning of year	**957**	2,703
Additions	**-**	53
Disposal	**(41)**	(288)
Fair value loss recognised in profit or loss	**(149)**	(1,511)
At end of year	**767**	957

(b) Financial assets at amortised cost

As set out in note 10, the Company completed the sale of 100% owned Canadian entity, Panoramic PGMs (Canada) Limited, the owner of the Thunder Bay North PGM Project, to Clean Air Metals Inc on 15 May 2020.

Under the terms of the sale agreement, the purchase price comprised total cash consideration of $9.0 million Canadian dollars, of which $4.5 million Canadian dollars comprised deferred consideration. The deferred consideration is receivable in three equal instalments on the first, second and third anniversaries of the completion of the sale.

The consideration receivable is measured using the effective interest rate method.
Clean Air Metals and PAN PGM's have granted first ranking charges over the shares in PAN PGM's and the Project to secure the deferred consideration payments.

	2020 $'000	2019 $'000
Receivables	**5,185**	-
Other financial assets	**251**	**181**

At 30 June 2020, the Company had bank guarantees with a financial institution with a face value of $0.251 million (2019: $0.181 million) which were supported by cash backed deposits.

17 Current liabilities - Trade and other payables

	2020 $'000	2019 $'000
Trade payables	**1,725**	15,020
Accrued expenses	**1,671**	7,074
	3,396	22,094

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.

18 Current liabilities - Borrowings

	2020 $'000	2019 $'000
Secured		
Bank loans (note 20)	**-**	5,759
Lease liabilities (note 20)	**1,827**	1,685
Other loans	**-**	638
Total secured current borrowings	**1,827**	8,082

(a) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 37.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 37.

19 Current liabilities - Provisions

	2020 $'000	2019 $'000
Employee benefits - annual leave	**1,037**	1,628
Employee benefits - long service leave	**231**	577
Restructuring costs	**1,136**	-
	2,404	2,205

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

The provision for restructuring costs represents the estimated termination benefits in relation to the restructure of the Group as a result of the suspension of operations at the Savannah Nickel Project.

	2020 $'000	2019 $'000
Secured		
Bank loans	**-**	33,500
Lease liabilities	**5,423**	5,053
Total secured non-current borrowings	**5,423**	38,553

Bank loans
On 20 September 2018, the consolidated entity executed the Savannah Facility Agreement ("SFA") with Macquarie Bank Limited ("Macquarie") for an up to $40 million project loan, including executing an ISDA Master Agreement to undertake mandatory and discretionary commodity and foreign currency hedging.

On 5 March 2019, the SFA was amended in response to the slower than expected ramp-up in production from the Savannah orebody and lower metal prices. The first loan repayment, originally scheduled for 31 March 2020, was moved to 30 June 2020 without changing the repayment end date of 31 December 2021. In addition, the $40 million, fully drawn and outstanding under the SFA, was split over two tranches of $30 million in Senior Debt and $10 million in Mezzanine Debt.

20 Non-current liabilities - Borrowings (continued)

Bank loans (continued)
On 3 September 2019, the SFA was further amended to provide greater financial flexibility as the Savannah North Project ("Project") transitions to the Savannah North orebody. The amendments implemented include the following:

• $20 million reduction (50%) of the previous outstanding $40 million debt was funded from new equity raised by the Company as announced on 5 September 2019;
• the loan repayment schedule was adjusted with the first repayment date being deferred by one quarter to 30 September 2020 with final repayment deferred by one quarter to 31 March 2022;
• the Project's minimum liquidity amount was reduced from $7.5 million to nil;
• existing hedging contracts were rolled forward to match the new loan repayment schedule from the September 2020 quarter to the March 2022 quarter; and
• the Debt Service Cover ratio (DSCR) was removed and the pricing assumptions for the remaining financial covenants were improved.

A further restructure of the SFA in September 2019 saw a repayment of $10 million in the Senior Debt tranche plus full repayment of the $10 million Mezzanine tranche.

A new tranche 2 facility for $10 million was entered into on 31 March 2020 with the proceeds from drawdown used to fund the close out of the commodity and AUD:USD currency hedges in place.

On 9 June 2020 all monies owed to Macquarie under the SFA were repaid in full.

The loan facility was secured over the assets and undertakings of Group subsidiary Savannah Nickel Mines Pty Ltd, the owner of the Savannah Nickel Project. At 30 June 2020, as a result of the repayment of all monies owed under the SFA, all securities held by Macquarie were released in full and no assets were pledged as security for bank loans (2019: carrying value of assets pledged as security for borrowings of $181.308 million).

Related party loan facilities
On 25 November 2019, the Company executed a $10.5 million unsecured loan agreement with major shareholder and related party Zeta Resources Limited ("Zeta"). The interest rate of the loan facility was 5% per annum (increasing to 10% if the loan was not repaid before 31 December 2019). The loan facility is unsecured and there were no financial covenants. Amounts drawn (plus interest accrued) were repayable on the earlier of:

• a change of control in the Company;
• the last date shares are issued under any entitlement offer undertaken by the Company;
• the occurrence of an event of default; and
• 30 June 2020, the maturity date.

As part of the agreement, Zeta undertook to subscribe for its pro-rata share of any entitlement offer by the Company, provided such offer opened before 31 January 2020 and was for no greater than $35 million. Zeta could elect to set off the application monies under that entitlement offer against the amounts owed to Zeta under the loan facility.

An establishment fee of 1.0% of the loan amount was payable on the maturity date (increasing to 1.5% if the loan has not been repaid before 31 December 2019).

The loan facility, including interest and fees, was repaid on 16 January 2020 via a set off from Zeta's $11.5 million participation in the entitlement offer that completed in January 2020.

On 3 April 2020, The Company executed a $8.0 million unsecured subordinated loan agreement with major shareholder and related party Zeta. The interest rate of the loan facility was 6% per annum and the maturity date was 30 June 2022.

20 Non-current liabilities - Borrowings (continued)

Related party loan facilities (continued)
Approximately $3.4 million of the loan principal was to be off-set by the transfer of approximately 17.2 million Horizon Gold shares agreed to be sold by the Company to Zeta (Horizon Share Sale), if the Horizon Share Sale is approved by Panoramic shareholders. Refer to note 31 for details of the Horizon Share Sale.

As part of the consideration for the low interest rate loan, the Company has agreed to issue options (Options) to Zeta or its nominee, subject to the Company's shareholder approval and Zeta or its nominee (as applicable) obtaining FIRB approval, as follows:
• if the Horizon Share Sale is approved by the Company's shareholders: 28,520,525 Options
• if the Horizon Share Sale is not approved by the Company's shareholders (such that the Horizon shares are retained by Panoramic): 50,000,000 Options.

The loan agreement included provisions to provide for "make whole" cash payments in the event that shareholder approval was not obtained for the Horizon Share Sale and/or issue of Options as set out in the table below.

	If the Horizon Share Sale is approved	If the Horizon Share Sale is not approved
If the facility is repaid in full on or before 30 June 2020	456,328	800,000
If the facility is repaid in full between 1 July 2020 and 30 June 2021	912,656	1,600,000
If the facility is repaid in full between 1 July 2021 and 30 June 2022	1,368,984	2,400,000

Amounts outstanding (together with any interest accrued and "make-whole" payments) under the loan facility are repayable on the occurrence of certain events, including on the earlier of:
• a change of control in the Company (being someone obtaining voting power of more than 50% and if there is a bid it becomes unconditional, or a scheme becomes effective); or
• the occurrence of an event of default under the Macquarie SFA (which are limited to breaches of obligations, representations and warranties, and insolvency events).

On 9 June 2020 the Company fully repaid the principal and accrued interest on the Zeta loan facility with agreement reached for Zeta to transfer the sale proceeds upon shareholder approval for the Horizon Share sale (as opposed to the set-off against the repayment of the loan envisaged in the loan agreement).

On 29 June 2020, the Company's shareholders approved both the Horizon Share Sale and the issue of 28,520,525 options to Zeta. The Options have an expiry of 3 years from date of issue and a strike price of $0.16 per Panoramic share. An expense of $0.456 million was recorded in relation to the options issued. The options have an expiry of 3 years from date of issue and a strike price of $0.16 per Panoramic share. The options were valued using the Black and Scholes options valuation methodology using an implied volatility of 66.6% and a risk free rate of 0.24%.

Lease liabilities
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 operation at the Savannah Nickel Mine transitioned from owner operator to contract miner during the year resulting in the recognition of right of use lease assets and liabilities in relation to the mining equipment provided as part of that contract. Several existing leases were transferred to the contract miner under the terms of the mining contract resulting in disposals of lease assets and associated liabilities. Upon the suspension of operations, a forbearance agreement was entered into resulting in the legal settlement of the lease obligations and derecognition of the associated leased assets and liabilities.

At 30 June 2020, the carrying amounts of assets pledged as security for current and non-current lease liabilities were $7.198 million (2019: $7.102 million). In 2020, lease liabilities had an average term of 6 years (2019: 4 years).

20 Non-current liabilities - Borrowings (continued)

(a) Interest rate risk exposures

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

2020 — **Fixed interest rate**

	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Greater than 4 years	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	-	-	-	-	-		3,242	3,242
Lease liabilities	-	1,827	1,481	1,091	798	2,054	-	7,251
	-	**1,827**	**1,481**	**1,091**	**798**	**2,054**	**3,242**	**10,493**
Weighted average interest rate	-	5.85%	5.82%	6.25%	6.19%	6.00%	-	

2019 — **Fixed interest rate**

	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	-	-	-	-	-	3,764	3,764
Other loans	-	638	-	-	-	-	638
Bank loans	39,259	-	-	-	-	-	39,259
Lease liabilities	-	1,685	1,785	1,736	1,531	-	6,738
	39,259	**2,323**	**1,785**	**1,736**	**1,531**	**3,764**	**50,398**
Weighted average interest rate	-	4.88%	5.89%	5.97%	6.17%	-	

Non-interest bearing liabilities include trade and other payables and are generally settled on 30 day terms.

(b) Changes in liabilities arising from financing activities

	Bank loans	Related party loans	Lease liabilities	Total
	$'000	$'000	$'000	$'000
30 June 2019	**40,259**	**-**	**6,738**	**46,997**
On adoption of AASB16 - 1 July 2019	-	-	10,250	10,250
Proceeds - drawdowns	10,000	18,500	-	28,500
New Leases	-	-	26,441	26,441
Repayments - principal and Interest	(54,313)	(18,823)	(6,103)	(79,239)
Share based payment	-	(456)	-	(456)
Disposals	-	-	(31,229)	(31,229)
Other non-cash movements	4,053	779	1,154	5,986
30 June 2020	**-**	**-**	**7,251**	**7,251**

20 Non-current liabilities - Borrowings (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Bank loans	Lease liabilities	Total
	$'000	$'000	$'000
1 July 2018	-	-	-
Proceeds	40,000	-	40,000
Repayments (Principal and Interest)	(1,152)	(714)	(1,866)
Other non-cash movements	1,411	7,452	8,863
30 June 2019	**40,259**	**6,738**	**46,997**

The other non-cash movements include the effect of accrued interest and various other adjustments.

(c) Fair value

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

	2020		2019	
	Carrying amount $'000	**Fair value* $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**-**	**-**	39,295	39,295
Other loans	**-**	**-**	638	638
	-	**-**	39,933	39,933

* The fair value of borrowings approximates their carrying values.

(i) On-balance sheet

The fair value of borrowings is determined by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles (level 3 in the fair value hierarchy).

21 Non-current liabilities - Deferred tax liabilities

	2020	2019
	$'000	$'000
The balance comprises temporary differences attributable to:		
Inventories	**2,955**	3,151
Rehabilitation asset	**2,038**	1,304
Exploration and evaluation, development expenditure and mine properties	**8,790**	17,843
Accrued income	**2**	-
Financial assets	**-**	46
	13,785	22,344
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	**(13,785)**	(22,344)
Net deferred tax liabilities	**-**	-

22 Non-current liabilities - Provisions

	2020 $'000	2019 $'000
Employee benefits - long service leave	**-**	14
Rehabilitation	**24,498**	31,534
	24,498	31,548

The provision for rehabilitation represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment and to rehabilitate exploration and mining leases. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, estimates of the future cost of performing the work required, the expected timing of cash flows and the discount rate applied. Changes to one or more of these assumptions is likely to result in a change to the carrying value of the provision and the related asset or a change to profit and loss in accordance with the Group's accounting policy stated in note 1.

(a) Movements in provisions

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

	2020 $'000	2019 $'000
Rehabilitation		
Carrying amount at start of year	31,534	26,810
- accretion interest on unwinding of discount	449	359
- additional provision charged	2,681	4,365
- reversal on sale of subsidiary	(10,166)	-
Carrying amount at end of year	**24,498**	**31,534**

23 Contributed equity

(a) Share capital

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares				
Ordinary shares - fully paid	**2,050,914,004**	553,582,471	**353,550**	210,109

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2018	Opening balance	491,592,889		188,860
13 August 2018	Entitlement Share Issue	2,935,093		-
18 March 2019	Entitlement Share Issue	13,157,895	$0.38	5,000
17 April 2019	Entitlement share issue	39,054,489	$0.38	14,841
19 June 2019	Placement share issue	6,842,105	$0.38	2,600
	Transaction costs, net of tax	-		(1,192)
30 June 2019	**Balance**	**553,582,471**		**210,109**

23 Contributed equity (continued)

(b) Movements in ordinary share capital (continued)

Date	Details	Number of shares	Issue price	$'000
	Opening balance	553,582,471		210,109
30 September 2019	Entitlement Share Issue	100,653,238	$0.28	28,183
16 December 2019	Entitlement Share Issue	12,981,951	$0.30	3,895
17 January 2020	Entitlement Share Issue	95,912,707	$0.30	28,774
2 June 2020	Placement Share Issue	410,182,572	$0.07	28,713
2 June 2020	Entitlement Share Issue	331,811,671	$0.07	23,227
10 June 2020	Entitlement Share Issue	545,789,394	$0.07	38,205
	Transaction costs, net of tax	-		(7,554)
30 June 2020	**Balance**	**2,050,914,004**		**353,550**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) 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 or provide capital to pursue other investments. The Group is not subject to any externally imposed capital requirements.

(e) Financing transactions with related party

The cost of equity-settled transactions is recognised, together with the corresponding increase in reserve, over the period in which the Company receives the goods or services. Where the goods or services received or acquired do not qualify for recognition as assets, they shall be recognised as expenses. Refer to note 20 for details.

24 Reserves

(a) Reserves

	2020 $'000	2019 $'000
Cash flow hedge reserve	**-**	(276)
Share based payments	**22,172**	21,716
Other reserves	**-**	(446)
	22,172	20,994

(b) Nature and purpose of reserves

(i) 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 consideration for services provided or for assets acquired.

24 Reserves (continued)

(b) Nature and purpose of reserves (continued)

(ii) Foreign currency translation

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

(iii) Cash flow hedge reserve

Refer to note 1(f) for an explanation of the nature of this reserve.

25 Dividends

(a) Ordinary shares

No final dividend was paid for the year ended 30 June 2020 (30 June 2019: Nil).

(b) Dividends not recognised at the end of the reporting period

No dividend has been declared since the end of the reporting period.

(c) Franking credits

	2020 $'000	2019 $'000
Franking credits available for subsequent reporting periods	**10,503**	10,503

The tax rate at which paid dividends have been franked is 30% (2019: 30%).

26 Remuneration of auditors

	2020 $	2019 $
Fees paid or payable to Ernst & Young (Australia) for:		
Auditing the statutory financial report for the Group and Review of the half year statutory financial report	**230,000**	251,500
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm:	**34,000**	**-**
Fees for other services:		
Tax compliance and consulting services	**104,173**	102,313
Subtotal other services	**138,173**	102,313
Total fees to Ernst & Young (Australia)	**368,173**	353,813
Fees paid or payable to other overseas member firms of Ernst & Young (Australia) for:		
Fees for other services:		
Tax consulting	**32,904**	-
Total fees to Ernst & Young (Australia) and overseas member firms of Ernst & Young (Australia)	**401,077**	353,813

26 Remuneration of auditors (continued)

Other services provided by the auditor or overseas member firms during the current financial year predominately comprised the following:
• the preparation and lodgement the Group tax return;
• the preparation and lodgement of the research and development grant;
• a review of certain indirect taxes as part of the Company's internal audit program;
• assistance with the eligibility determination and other initial arrangements required to access the Government Jobkeeper program;
• taxation advice in relation to the disposal of a foreign subsidiary;
• performing the Investigating Accountant Role for the capital raising prospectus issued during the year; and
• other advisory and consulting services.

The Audit and Governance Committee closely monitors non-audit services provided by the auditor or affiliate firms to ensure the selection of the service provider and the scope of the services provided are appropriate and do not have the potential to compromise auditor independence.

27 Guarantees and contingencies

(a) Guarantees

At 30 June 2020, the Company had bank guarantees with a financial institution with a face value of $0.251 million (2019: $0.181 million).

Certain entities in the Group have entered into a Deed of Cross Guarantee in relation to certain liabilities and indebtedness.

(b) Contingent assets

The Group had no contingent assets at 30 June 2020.

(c) Contingent liabilities

The Group had no contingent liabilities at 30 June 2020.

28 Commitments

(a) Exploration and mining lease expenditure commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Group will be required to outlay the amounts disclosed in the table below. These amounts are discretionary, however if the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

	2020 **$'000**	2019 $'000
Mineral tenements expenditure commitments		
Not later than one year	**764**	2,130
Later than one year but not later than five years	**3,235**	4,975
Later than five years	**2,302**	13,434
	6,301	20,539

29 Related party transactions

(a) Compensation of key management personnel of the Group

Key management personnel of the Group include the following:

N L Cernotta	Chair (Non-Executive) (Chair from 25 May 2020)
V Rajasooriar	Managing Director (appointed 11 November 2019)
P R Sullivan	Director (Non-Executive) (Chair from 20 November 2019 to 25 May 2020)
R J Hayward	Director (Non-Executive)
G Swaby	Director (Non-Executive) (appointed 8 October 2019)
B M Phillips	Chairman (Non-Executive) (retired 20 November 2019)
P J Harold	Managing Director (ceased employment on 11 November 2019)
M Ball	Chief Financial Officer (appointed 1 January 2020)
S Hunter	Company Secretary (appointed 9 April 2020)
T R Eton	Chief Financial Officer (retired 31 December 2019) and Company Secretary (retired 23 January 2020)
D Edwards	Company Secretary (appointed 23 January 2020, resigned 9 April 2020)
B W Timler	Chief Operating Officer (until 11 December 2019)
B P Robinson	General Manager - Operations (until 14 August 2019)
J D Hicks	General Manager - Exploration
T S Mason	General Manager - Projects and Innovation (until 13 December 2019)
R G Lampard	General Manager - Human Resources (until 27 December 2019)

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2020 $'000	2019 $'000
Short term employee benefits	**2,127**	2,384
Post employment benefits	**182**	171
Long term benefits	**78**	33
Termination benefits	**682**	-
	3,069	2,588

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

(b) Transactions with other related parties

The Company has entered into loan facilities during the financial year with significant shareholder and related party Zeta Resources Limited (Zeta). Refer to note 20 for details.

The Company sold the majority of its investment in Horizon Gold Limited (Horizon) to significant shareholder and related party Zeta. Refer to note 30(b) for details. The Company charged $18,274 for management and administration fees to Horizon from the period of deconsolidation to 30 April 2020 at which time the management and administration agreement was terminated. At balance date a debtor balance of $316,257 existed in relation to management and administration fees.

Certain Board members participated as sub underwriters in the entitlement offer completed in January 2020 in accordance with the Corporations Act. The directors participated on the same terms as other sub underwriters' of the same class. The sub-underwriting arrangement was not linked to the performance of the Company or the Board member.

30 Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(g):

Name of entity	Country of incorporation	Class of shares	Equity holding 2020 %	2019 %
Savannah Nickel Mines Pty Ltd	Australia	Ordinary	**100**	100
PAN Transport Pty Ltd	Australia	Ordinary	**100**	100
Pindan Exploration Company Pty Ltd	Australia	Ordinary	**100**	100
Panton Sill Pty Ltd	Australia	Ordinary	**100**	100
Mt Henry Gold Pty Ltd	Australia	Ordinary	**100**	100
Mt Henry Mine Pty Ltd	Australia	Ordinary	**100**	100
Magma Metals Pty Limited	Australia	Ordinary	**100**	100
Horizon Gold Limited	Australia	Ordinary	**-**	51
Panoramic Gold Pty Ltd	Australia	Ordinary	**-**	51
Panoramic PGM's (Canada) Ltd (formerly Magma Metals (Canada) Ltd)	Canada	Ordinary	**-**	100

Refer to note 10 for details in relation to the sale of Panoramic PGM's (Canada) Ltd which completed during the period.

Refer to note 31 for details on deed of cross guarantee signed between Savannah Nickel Mines Pty Ltd and Panoramic Resources Limited.

(b) Non-controlling interests (NCI)

In December 2016, the Company divested an interest in Horizon Gold Limited by way of an initial public offering (IPO) and listing of the subsidiary, on the Australian Securities Exchange (ASX).

In the IPO, Horizon 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, the Company's interest in Horizon was diluted from 100% to 51%. The shares in Horizon held by the Company were held in escrow until 18 December 2018.

On 18 February 2020, the Company sold 20,237,037 shares in Horizon to significant shareholder and related party Zeta Resources Limited for gross proceeds of approximately $5.5 million. The sale reduced the Company’s interest from 51% to approximately 24.6% resulting in a loss of control and deconsolidation of the balance of Horizon from the Group.

On 30 March 2020, the Company agreed to sell its remaining interest in Horizon to sophisticated and professional investors, including Zeta. The sale generated gross proceeds of approximately $3.8 million of which approximately $0.3 million was received at the time. Zeta acquired 17,183,580 of the 18,793,580 shares sold to fully dispose of the Company’s interests in Horizon. The balance receivable from Zeta of $3.437 million is reflected in current assets and was received in early July 2020.

The sale to Zeta was subject to shareholder approval which was obtained on 29 June 2020.

The sale and subsequent fair value accounting of Horizon shares resulted in a gain of $3.812 million being recorded in the profit and loss for the financial year.

30 Subsidiaries and transactions with non-controlling interests (continued)

(b) Non-controlling interests (NCI)

The financial information of Horizon for the period in which it was consolidated in which a material non-controlling interest existed is provided below:

Summarised balance sheet for the period:	**30 June 2020 $000**	30 June 2019 $000
Cash and bank balances	**-**	1,879
Trade and other receivables	**-**	19
Intercompany payables	**-**	(90)
Prepayments	**-**	28
Trade and other payables	**-**	(286)
Provisions	**-**	(47)
Current net assets	**-**	1,503
Property, plant and equipment	**-**	4,299
Exploration and evaluation	**-**	15,912
Provisions	**-**	(10,173)
Non-current net assets	**-**	10,038
Net assets	**-**	11,541
Accumulated balances of non-controlling interest (NCI)	**-**	5,642

(b) Non-controlling interests (NCI) (continued)

Summarised statement of profit and loss for the period:	**2020 $000**	2019 $000
Other income	**18**	105
Care and maintenance expenses	**(619)**	(760)
Corporate and administration	**(382)**	(542)
Exploration expenditure written-off	**-**	(901)
Finance costs	**(107)**	(129)
Profit before tax	**(1,090)**	(2,227)
Total comprehensive income	**(1,090)**	(2,227)
Loss allocated to NCI	**(521)**	(1,098)

Summarised cash flow information for the period:	**2020 $000**	2019 $000
Cash flows from operating activities	**(958)**	(1,558)
Cash flows from investing activities	**2**	(3,782)
Cash flows from financing activities	**-**	59
Net decreases in cash and cash equivalents	**(956)**	(5,281)

31 Deed of cross guarantee

Pursuant to ASIC Corporations (wholly owned companies) Instrument 2016/785, 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 ASIC Corporations (wholly owned companies) Instrument 2016/785, 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 it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

As at reporting date, the "Closed Group" comprised of Panoramic Resources Limited and Savannah Nickel Mines Pty Ltd.

(a) Consolidated income statement and summary of movements in consolidated retained earnings

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2020 of the Closed Group (consisting of Panoramic Resources Limited and Savannah Nickel Mines Pty Ltd).

	2020	2019
	$'000	$'000
(Loss)/profit before income tax includes the following specific items:		
Revenue	**69,097**	25,112
Fair value losses on derivatives	**(10,148)**	(2,071)
Change in fair value of financial assets at fair value through profit or loss	**(190)**	(1,716)
Finance cost	**(6,974)**	(1,383)
Impairment (loss)/reversal	**(32,498)**	19,156

	2020	2019
	$'000	$'000
Consolidated income statement		
(Loss)/profit before income tax	**(155,864)**	36,478

	2020	2019
	$'000	$'000
Consolidated statement of comprehensive income		
Other comprehensive income		
(Loss)/profit for the year	**(155,864)**	36,478
Items that may be reclassified to profit or loss		
Changes in fair value of available-for-sale financial assets, net of tax	**276**	(276)
Other comprehensive (loss)/income for the period, net of tax	**276**	(276)
Total comprehensive (loss)/income for the year	**(155,588)**	36,202

	2020	2019
	$'000	$'000
Accumulated losses at the beginning of the financial year	**(65,750)**	(102,228)
(Loss)/profit for the year	**(155,864)**	36,478
Transfer of reserve to retained earnings	**(446)**	-
Accumulated losses at the end of the financial year	**(222,060)**	(65,750)

31 Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2020 of the Closed Group (consisting of Panoramic Resources Limited and Savannah Nickel Mines Pty Ltd).

	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	**31,160**	10,814
Derivatives financial instruments	**-**	3,742
Trade and other receivables	**8,346**	20,554
Inventories	**-**	8,415
Disposal group held for sale	**-**	4,299
Total current assets	**39,506**	47,824
Non-current assets		
Receivables	**2,622**	69,454
Property, plant and equipment	**50,517**	53,722
Deferred exploration and evaluation expenditure	**5,589**	5,259
Development and mine properties	**86,287**	84,082
Right of use assets	**5,356**	-
Derivative financial instruments	**-**	4,409
Financial assets at fair value through profit or loss	**767**	957
Other financial assets	**251**	181
Total non-current assets	**151,389**	218,064
Total assets	**190,895**	265,888
Current liabilities		
Trade and other payables	**3,401**	21,693
Interest-bearing loans and borrowings	**1,540**	8,082
Derivative financial instruments	**-**	2,721
Provisions	**2,287**	2,080
Total current liabilities	**7,228**	34,576
Non-current liabilities		
Interest-bearing loans and borrowings	**5,061**	38,553
Provisions	**24,498**	21,375
Derivative financial instruments	**-**	5,584
Total non-current liabilities	**29,559**	65,512
Total liabilities	**36,787**	100,088
Net assets	**154,108**	165,800
Equity		
Contributed equity	**353,550**	210,110
Reserves	**22,618**	21,440
Retained earnings	**(222,060)**	(65,750)
Total equity	**154,108**	165,800

32 Events occurring after the reporting period

After balance date, the Company entered into an agreement with mining contractor Barminco for certain pre-production development activities to assist with the completion of the Savannah North ventilation infrastructure. The contract has a minimum expenditure commitment of approximately $3.8 million, subject to certain provisions that provide for greater flexibility should performance be impacted by COVID. Following the minimum commitment, the contract is able to be terminated upon the provision of 30 days' notice.

In the interval between the end of the financial year and the date of this report, other than as disclosed 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.

33 Reconciliation of loss for the year to net cash inflow (outflow) from operating activities

	2020 $'000	2019 $'000
(Loss)/profit before tax for the year	**(87,888)**	9,229
Depreciation and amortisation of property, plant and equipment	**9,622**	3,419
Amortisation of development costs	**8,814**	3,619
(Gain)/loss on disposal of plant and machinery	**(1,108)**	8
Impairment loss	**32,948**	-
Reversal of impairment of assets	**(5,886)**	(19,155)
Net loss on sale of financial assets at fair value	**-**	3
Interest income	**(168)**	(451)
Unrealised loss on foreign currency exchange	**203**	-
Exploration and evaluation written off	**-**	901
Write-off of plant and machinery	**-**	382
Fair value adjustment to derivatives	**-**	(122)
Fair value loss on financial assets at fair value through profit or loss	**190**	1,511
Gain on sale of subsidiary	**(3,812)**	(785)
Net realisable value write down of stock	**-**	648
Stock obsolescence provision/(reversal of provision)	**6,619**	(5,596)
Finance cost	**1,325**	372
Change in operating assets and liabilities:		
Decrease/(increase) in trade debtors and others	**15,512**	(19,357)
Decrease/(increase) in prepayments	**481**	422
(Increase)/decrease in trade creditors	**(18,596)**	19,801
Decrease/(increase) in inventories	**8,415**	(3,283)
(Decrease)/increase in provisions	**(323)**	72
Net cash (outflow) from operating activities	**(33,652)**	(8,362)

34 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

	2020 Cents	2019 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(8.8)**	1.4
Total basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(8.8)**	1.4

34 (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share

	2020 Cents	2019 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(8.8)**	1.4
Total diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(8.8)**	1.4

(c) Reconciliation of (loss)/profit used in calculating (loss)/earnings per share

	2020 $'000	2019 $'000
Basic (loss)/earnings per share		
(Loss)/profit from continuing operations	**(87,366)**	10,327
(Loss)/earnings attributable to the ordinary equity holders of the Company used in calculating basic (loss)/earnings per share	**(87,366)**	10,327
Diluted earnings (loss) per share		
(Loss)/profit from continuing operations	**(87,366)**	10,327
(Loss)/earnings attributable to the ordinary equity holders of the Company used in calculating diluted (loss)/earnings per share	**(87,366)**	10,327

(d) Weighted average number of shares used as denominator

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**998,645,156**	715,849,773

The weighted average number of ordinary shares used in the denominator in calculating diluted (loss)/earnings per share is not materially different to that used to calculated basic (loss)/earnings per share. The weighted average number of shares incorporates the adjustment as a result of the issue of shares at a discount to the pre-offer closing share price during the period. The prior year weighted average number of shares has been restated to reflect the impact of this adjustment.

There are no performance rights on issue at 30 June 2020 (2019: nil). At the date of this report, no performance rights were granted. There were 28,520,525 options on issue at 30 June 2020 (2019: nil) which were anti-dilutive and therefore not taken into account when calculating the weighted average number of shares.

35 Share based payments

(a) Employee Share Plan (ESP)

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"). From 1 July 2014 until the expiry of the three-year exemption on 30 July 2017, executives and senior employees were invited to receive a new grant of performance rights under the 2010 ES Plan. The number of performance rights granted each year was determined by dividing the LTI dollar by the fair value (FV) of one performance right on 1 July (as determined by an independent valuer).

35 Share based payments (continued)

(a) Employee Share Plan (ESP) (continued)

Each 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.

For the financial year ended 30 June 2020, no performance rights were granted to key management personnel (KMP) and executives (2019: nil).

Grant date	Vesting date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
2019									
27/11/15	30/06/18	01/07/18	2,935,093	-	(2,935,093)	-	-	-	-
Weighted average exercise price		-	-	$0.62	-	-	-	-	-

The weighted average remaining contractual life of performance rights outstanding at the end of the period was nil (2019: nil).

(b) Expenses arising from share based payment transactions with employees

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 performance right ('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 performance rights 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 performance rights that do not ultimately vest, except for performance rights where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding performance rights is not 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 nil with all performance rights granted having vested (or otherwise) in prior periods (2019: nil).

35 Share based payments (continued)

(c) Expenses arising from options issued to related party

The cost of equity-settled transactions is recognised, together with the corresponding increase in reserve, over the period in which the Company receives the goods or services. Where the goods or services received or acquired do not qualify for recognition as assets, they shall be recognised as expenses.

On 29 June 2020, following approval by shareholders, the Company issued 28,520,525 options to significant shareholder and related party Zeta Resources Limited as part of the consideration for the unsecured loan facility entered into on 3 April 2020. Refer to note 22 for further details. A finance cost of $0.456 million was recorded in relation to the options issued. The options have an expiry of 3 years from date of issue and a strike price of $0.16 per Panoramic share. The options were valued using the Black and Scholes options valuation methodology using an implied volatility of 66.6% and a risk free rate of 0.24%.

36 Parent entity financial information

(a) Summary financial information

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

	2020 **$'000**	2019 $'000
Balance sheet		
Current assets	**34,785**	9,697
Non-current assets	**125,174**	28,485
Total assets	**159,959**	38,182
Current liabilities	**1,556**	1,567
Non-current liabilities	**218**	8
Total liabilities	**1,774**	1,575
Shareholders' equity		
Contributed equity	**353,550**	210,109
Reserves	**13,391**	12,934
Retained earnings	**(208,756)**	(186,436)
Capital and reserves attributable to owners of Panoramic Resources Limited	**158,185**	36,607
Loss for the year	**22,320**	32,547
Total comprehensive income	**22,320**	32,547

(b) Guarantees entered into by the parent entity

The parent entity has given financial guarantees in respect of:
(i) leases of subsidiaries amounting to $28.107 million (2019: $6.738 million); and
(ii) the bank facilities of a subsidiary amounting to nil (2019: $40.04 million).

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

There are cross guarantees given by Panoramic Resources Limited and Savannah Nickel Mines Pty Ltd as described in note 31. No deficiencies of assets exist in either 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 2020 in respect of a bank guarantees put in place with a financial institution with a face value of $0.251 million (2019: $0.181 million).

37 Financial risk management

The Group's principal financial instruments comprise receivables, payables, leases, borrowings, 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 risk to which it is exposed. These include monitoring levels of exposure to commodity prices, interest rate and foreign currency exchange risks 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 and Governance 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 currency exchange rate risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases in a currency other than the entity's functional currency. For the year ended 30 June 2020, 100% of the Group's sales were denominated in United States Dollars ("USD") (2019: 100%), whilst most of the costs are denominated in Australian Dollars ("AUD"). The Group's functional currency is Australian Dollars.

The Group's income statement and balance sheet can be affected significantly by movements in the AUD/USD exchange rate. The Group seeks to mitigate the effects of its net foreign currency exposure by using derivative instruments, principally forward foreign currency exchange rate contracts and put and call options.

It is the Group's policy to, where practical, enter into derivative instruments to hedge foreign currency exposures once the likelihood of such exposures are highly probable, and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged items to maximise hedge effectiveness. The Group will follow its current policy of matching and hedging up to 80% of sales revenues in USD, where practical.

As at 30 June 2020, the Group had the following exposure to USD foreign currency.

	2020 $'000	2019 $'000
Trade receivables (USD)	**2,417**	1,521
Other receivables (CAD)	**6,697**	-
Restricted deposit (USD)	**-**	8,054
Derivatives (USD)	**-**	(8,305)
Net exposure	**9,114**	1,270

The other receivable relates to the deferred consideration in relation to the sale of Panoramic PGMs (Canada) Limited.

37 Financial risk management (continued)

(a) Foreign currency exchange rate risk (continued)

Sensitivity

The following sensitivities are based on the foreign currency risk exposures in existence at the balance sheet date. The +/- 10% (2019: +/- 5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the AUD to the USD, for the preceding 5 years and management's expectation of future movements.

The +/- 10% (2019: Not applicable) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the AUD to the CAD, for the preceding 5 years and management's expectation of future movements.

At 30 June 2020, had the currencies moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements	**Impact on post tax profit[1]**		**Impact on equity[1]**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
AUD to USD +10.0% (2019: +5%)	**(154)**	(163)	**-**	4,325
AUD to USD -10.0% (2019: -5%)	**188**	172	**-**	(4,547)
AUD to CAD +10.0% (2019: +5%)	**(425)**	-	**-**	-
AUD to CAD -10.0% (2019: -5%)	**519**	-	**-**	-

[1] Amounts in brackets indicate a reduction in post tax profit (or increase in post tax loss) or a reduction in equity.

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

(b) Interest rate risk

The Group has put in place a Cash Management Policy to ensure that 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.

	2020		2019	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Deposits at call	**0.7%**	**31,164**	1.7%	5,449
Borrowings	**-**	**-**	5.4%	39,259
Cash restricted or pledged	**1%**	**251**	1.8%	15,615
		31,415		60,323

37 Financial risk management (continued)

(c) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and 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) valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (level 2), and
(c) valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (level 3).

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities at 30 June 2020 and 30 June 2019:

At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets at fair value through profit or loss:				
- Equity securities	**767**	**-**	**-**	**767**
- Trade receivables	**-**	**2,417**	**-**	**2,417**
Financial assets measured at fair value:				
Total assets	**767**	**2,417**	**-**	**3,184**

The fair values of trade receivables classified as financial assets at fair value through profit or loss are determined using market observable inputs sourced from the London Metal Exchange pricing index. These instruments are included in level 2.

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.

(d) Commodity Price Risk

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

The Group's profit and loss account and balance sheet can be affected significantly by movements in nickel prices on the London Metal Exchange. 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% 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.

37 Financial risk management (continued)

(d) Commodity Price Risk (continued)

		Commodity price risk			
		-30%		+30%	
At 30 June 2020	**Gross exposure $'000**	**Impact on post tax profit $'000**	**Impact on other equity $'000**	**Impact on post tax profit $'000**	**Impact on other equity $'000**
Financial assets					
Trade receivables at fair value	**2,417**	**(389)**	-	**389**	-
Total increase/ (decrease)		**(389)**	-	**389**	-

		Commodity price risk			
		-30%		+30%	
At 30 June 2019	Gross exposure $'000	Impact on post tax profit $'000	Impact on other equity $'000	Impact on post tax profit $'000	Impact on other equity $'000
Financial assets					
Trade receivables at fair value	1,521	(1,292)	-	1,373	-
Derivatives - cash flow hedges	8,029	-	(35,938)	-	31,383
Total increase/ (decrease)		(1,292)	(35,938)	1,373	31,383

(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 exposure to credit risk at reporting date is in relation to each class of recognised financial assets, other than derivatives. The carrying amounts of these assets are 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 the 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 has a concentration of credit risk in that it depends on one major customer 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 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. Refer to notes 7 and 8 for disclosures in relation to expected credit losses on financial assets carried at amortised cost.

37 Financial risk management (continued)

(f) Equity price risk

The Group is exposed to equity securities price risk. This risk 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 holds investments of shares in several listed entities. 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 less than 1% (2019: 1%) 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 +/- 65% (2019: 65%) which is based on reasonably possible changes over a financial year, based on the share price fluctuations of the last 12 months and management's expectation of future movements.

Sensitivity

	Impact on post tax profit		**Impact on other equity**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets at fair value through profit or loss +65%	**498**	622	**-**	-
Financial assets at fair value through profit or loss -65%	**(498)**	(622)	**-**	-

(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), leases and committed available credit lines.

The Group regularly monitors rolling forecasts of liquidity on the basis of expected cash flows.

The Group has put in place a Group Cash Management Policy to ensure that 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 a regular 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 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.

Contractual maturities of financial liabilities	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contrac-tual cash flows**	**Carrying amount (assets)/ liabilities**
At 30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade payables	**3,396**	**-**	**-**	**3,396**	**3,396**
Lease liabilities	**1,328**	**4,885**	**231**	**8,525**	**7,251**
Total non-derivatives	**4,724**	**4,885**	**231**	**11,921**	**10,647**

37 Financial risk management (continued)

(g) Liquidity risk (continued)

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 5 years	Total contrac-tual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2019	$'000	$'000	$'000	$'000
Non-derivatives				
Trade payables	22,094	-	22,094	22,094
Borrowings	8,204	36,736	44,940	39,259
Lease liabilities	2,060	5,486	7,546	6,738
Total non-derivatives	32,358	42,222	74,580	68,091