Panoramic Resources Limited
Interim report
for the half-year 31 December 2019

ABN: 47 095 792 288

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

Interim Financial Report
For the half-year ended 31 December 2019

Contents

Contents	Page
Directors' report	5
Independent auditor's review report to the members	13
Consolidated income statement	17
Consolidated statement of comprehensive income	18
Consolidated statement of financial position	19
Consolidated statement of changes in equity	20
Consolidated statement of cash flows	21
Notes to the consolidated financial statements	22

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Panoramic Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The financial report is presented in Australian dollars.

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

The Company's registered office is:

Panoramic Resources Limited
Level 9
553 Hay Street
Perth WA 6000

Appendix 4D - Interim Financial Report
for the half-year ended 31 December 2019

Results for announcement to the market:

		% movement		2018 $'000		**2019 $'000**
Revenue	Up	100%	from	0	to	45,611
Net profit/(loss) after tax from ordinary activities	Down	187%	from	21,564	to	(18,831)
Net profit/(loss) after tax attributable to members	Down	183%	from	21,964	to	(18,383)

Dividends

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

Net tangible assets per share

	31 December 2018 $ per share	**31 December 2019 $ per share**
Net tangible asset backing (per share)	0.25	0.13

Net tangible assets exclude right of use assets of $19,637,000 as at 31 December 2019 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 any entity during the period; and

(ii) The Company did not lose control of any entity during the period. On 18 February 2020, the Company sold some of the shares it owned in Horizon Gold Limited resulting in a loss of control over this entity on that date (refer to Subsequent Events disclosures for more details).

Commentary on the results for the period

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

Revenue from ordinary activities

The Savannah Nickel Project generated $45,611,000 of sales income during the half-year following the re-commencement of bulk Savannah nickel/copper/cobalt concentrate shipments to China in February 2019. There were no sales in the corresponding period.

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

Factors contributing to the result for the financial year are detailed and discussed in the "Review of Operations" section of the Directors' Report for the half-year ended 31 December 2019, which accompany this Report.

Detail of controlled entity (associate)

The Company has a 51% (2018: 51%) holding in the securities of listed entity, Horizon Gold Limited (ACN: 614 175 923). The contribution of Horizon Gold Limited reduces the consolidated entity's net profit after tax from ordinary activities during the period by $949,000 (2018: net loss of $828,000).

Emphasis of matter

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

Other information required by Listing Rule 4.2A:

Subject to the requirements being applicable to the Company, all the disclosure requirements pursuant to ASX Listing Rule 4.2A.3 are contained within Panoramic Resources Limited's Interim Report for the period ended 31 December 2019 which accompanies this Interim Report (Appendix 4D).

Directors' report

The directors present their report on the consolidated entity consisting of Panoramic Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Peter R Sullivan
Victor Rajasooriar (appointed 11 November 2019)
Nicholas Cernotta
Rebecca Hayward
Gillian Swaby (appointed 8 October 2019)
Brian M Phillips (retired 20 November 2019)
Peter J Harold (retired 11 November 2019)

Operating and Financial Review

Operating Result for the Half-year

The consolidated entity recorded a loss after tax for the financial period ended 31 December 2019 of $18,831,000 (2018: profit after tax of $21,564,000).

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

- Revenue of $45,611,000 and cost of goods sold of $57,087,000 as a result of the commencement of operations at the Savannah Nickel Mine (2018: revenue and cost of goods sold both nil); and
- No impairments or impairment reversals were recorded during the half-year. An impairment reversal of $19,156,000 as a result of the recommencement of operations at Savannah was recorded in the corresponding period.

Review of operations

Nickel Division

Savannah Nickel Project

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 high-grade 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 248,856 tonnes of ore was mined during the half-year. Ore was predominately sourced from the Savannah remnants ore reserve, with challenging mining conditions experienced in this previously mined ore body. Ore supply was impacted by a localised siesmic event early in the half-year which restricted access to a key production area in the 1490 level requiring modifications to the mining sequence. Equipment reliability issues and a tight employment market also impacted on mining productivity from the underground..

The mined head grades were impacted in the December quarter by the revisions to the stoping sequence in the Savannah remnant ore reserves as a result of the seismic event mentioned earlier. In addition, dilution was higher than expected due to localised hangingwall instability on the 1665 level. It is expected that average mined grades will progressively improve over second half of calendar year 2020 as Savannah North ore production ramps up and access is gained to higher grade Savannah remnant stoping blocks.

Mill throughput was limited by ore supply with 249,955 tonnes milled in the period producing 32,260 tonnes of concentrate. Recoveries were in line with expectations, with nickel recoveries impacted in the December quarter by the lower mill feed grades.

Concentrate shipments for the half-year totaled 30,600 tonnes containing 2,159 tonnes of nickel, 1,274 tonnes of copper and 112 tonnes of cobalt.

Review of operations (continued)

Savannah Nickel Project (continued)

Table 1 – Savannah Project Operating Statistics

Area	Details	Units	3 Months Ending 31 Dec 2019	3 Months Ending 30 Sep 2019	Half-Year Ended 31 Dec 2019
Mining	Ore mined	dmt	129,522	119,334	**248,856**
	Ni grade	%	0.98	1.24	**1.10**
	Ni metal contained	dmt	1,269	1,480	**2,749**
	Cu grade	%	0.57	0.70	**0.63**
	Co grade	%	0.05	0.06	**0.05**
Milling	Ore milled	dmt	129,184	120,771	**249,955**
	Ni grade	%	0.97	1.31	**1.13**
	Cu grade	%	0.57	0.76	**0.66**
	Co grade	%	0.05	0.06	**0.05**
	Ni Recovery	%	83.0	85.1	**84.2**
	Cu Recovery	%	93.9	93.1	**93.4**
	Co Recovery	%	87.2	88.5	**87.9**
Concentrate Production	Concentrate	dmt	15,065	17,195	**32,260**
	Ni grade	%	6.92	7.80	**7.39**
	Ni metal contained	dmt	1,042	1,342	**2,384**
	Cu grade	%	4.61	4.97	**4.81**
	Cu metal contained	dmt	695	855	**1,550**
	Co grade	%	0.37	0.37	**0.37**
	Co metal contained	dmt	55	64	**119**
Concentrate Shipments	Concentrate	dmt	14,866	15,734	**30,600**
	Ni grade	%	6.85	7.25	**7.06**
	Ni metal contained	dmt	1,018	1,141	**2,159**
	Cu grade	%	4.49	3.85	**4.16**
	Cu metal contained	dmt	668	606	**1,274**
	Co grade	%	0.36	0.37	**0.36**
	Co metal contained	dmt	53	59	**112**

Unit cash costs have been negatively impacted by lower contained metal production volumes due to the challenges experienced in mining explained previously. Unit costs are expected to reduce towards targeted levels over calendar year 2020 with increased forecast mine production from the higher-grade Savannah North ore body.

Table 2 – Savannah Project Payable Cash Costs

Costs Per Pound Payable Nickel	Units	3 Months Ending 31 Dec 2019	3 Months Ending 30 Sep 2019[(c)]
Mining	A$ per lb	5.71	3.84
Milling	A$ per lb	3.87	3.01
Administration	A$ per lb	3.18	2.89
Payable Operating Cash Costs (Mine Gate)	**A$ per lb**	**12.76**	**9.74**
Port Charges/Shipping/Haulage	A$ per lb	1.27	1.03
Net By-product Credits	A$ per lb	(2.60)	(2.27)
Royalties	A$ per lb	0.62	0.57
Total Payable Operating Cash Costs[(a)]	**A$ per lb**	**12.05**	**9.07**
Total Payable Operating Cash Costs [(b)]	***US$ per lb***	***8.23***	***6.22***

(a) Savannah capital development cash cost for the quarter was A$4.61/lb (Sep 2019 quarter: $3.21/lb). This cost is not included in Table 1. Capital development costs represent capitalised mining cash costs for deposits in production, being the Savannah deposit. These costs do not include the pre-production costs incurred on the Savannah North deposit.

(b) Average Oct - Dec 2019 RBA A$:US$ FX settlement rate of US$0.6832 (Sep 2019 quarter – US$0.6860).

(c) Restated for the effects of AASB 16 Leases.

Review of operations (continued)

Savannah Nickel Project (continued)

Transition to Contract Mining

An Operational Review was undertaken late in the half-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.

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.

Barminco and Panoramic have jointly developed a detailed mobilisation and implementation plan over recent weeks. Following execution of the formal mining contract, rapid mobilisation and transition to contract mining at Savannah is now expected to be completed by early March 2020.

The newer mining fleet to be supplied by Barminco is expected to deliver enhanced equipment reliability. Together with Barminco's proven expertise and operating systems, this is expected to significantly increase operational efficiencies and drive production volumes towards targeted levels.

Barminco has commenced offering roles to the majority of the existing Panoramic underground mining and maintenance workforce at Savannah, with specialist expertise and supervision roles being introduced from the Barminco portfolio.

Savannah North Development

The access decline reached the target level at Savannah North for first level access and on 18 November 2019, the 1381 crosscut intersected the Savannah North orebody. By the end of December, 60 metres of orebody strike drive development was completed, yielding approximately 6,400 tonnes of development ore. Decline and incline ramp advance continues in parallel with orebody development on the 1381 level. The March 2020 quarter will see additional ore development levels opened up prior to the commencement of stoping activities later in the quarter.

The Savannah North raise bore advanced 415 metres during the half-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.

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 drift development work is set to be carried out by the recently appointed Savannah underground mining contractor, Barminco. Raise-boring specialist, RUC, will then proceed to complete the raise bore drilling and commission the intake shaft.

Review of operations (continued)

Development Projects

Platinum Group Metals (PGM) Division

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 A$9.8 million (C$9.0 million) subject to a number of conditions precedent.

Subsequent to the end of the half-year, Panoramic has agreed to sell to Regency Gold Corp ("Regency") all of the shares in Panoramic PGMs (Canada) Limited. Panoramic and Benton have agreed to terminate their Letter Agreement and Panoramic understands that Benton has assigned its rights under the Letter Agreement to Regency. The terms of the sale have not changed materially with a number of conditions precedent remaining, including the requirement for Regency to secure sufficient financing to enable it to pay the part of the purchase price payable on completion (C$4.3 million).

The Company also owns the Panton PGM Project ("Panton"). Panton is a significant PGM resource located 60km south of the Savannah Nickel Project in the East Kimberley region of Western Australia. In May 2019, the Company undertook a detailed review of the Project, bringing together all aspects of the Project (geology, resources, mining and processing) with the aim to produce a financial model based on the latest flow sheet designs and their respective operating and capital costs. The review has also identified where further test work may be beneficial to the Project's economics.

The review concluded that while the addition of the chromite concentrate stream (in addition to the high-grade PGM concentrate) adds value to the Project, underground mining is currently marginal due to the narrow nature of the ore and associated higher capital development costs. As a smaller "open-pit only" Project lasting three years, the Project is slightly more attractive, especially at the current high spot palladium price of approximately US$2,100 per ounce. The Company is currently reviewing the outcomes of the 2019 Panton Project review.

Exploration Activities

Limited exploration activity was undertaken during the half-year due to constrained financial resources as the Company focused on lifting the operational performance at Savannah.

Corporate Activities

Takeover Bid and Third Party Discussions

On 4 November 2019, Panoramic received an unsolicited, highly conditional scrip takeover offer for the Company by ASX listed Independence group NL ("IGO").

As a result of IGO's offer and the Company's desire to explore all options in the best interests of Panoramic shareholders, on 18 November 2019 the Company announced that it had established a data room and provided due diligence access to a number of parties, including IGO, to conduct due diligence with a view to putting forward alternative proposals (which may or may not involve a control transaction) which have the potential to maximise value for Panoramic shareholders.

On 27 December 2019, IGO announced its intention to allow its offer to acquire the ordinary shares in Panoramic to lapse. The Company continues to provide due diligence access and remains in discussions around the potential for a change of control transaction proposal to be put to Panoramic.

Capital Raising

The Company completed two equity capital raises during the half-year to provide working capital to supplement the revenue shortfall from the lower than expected production from the Savannah Nickel Mine and to reduce the borrowings under the Savannah facility Agreement.

In September 2019, the Company completed an underwritten pro-rata renounceable entitlement offer of two new shares for every eleven shares to raise approximately $28.2 million (before costs).

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).

Review of operations (continued)

Savannah Financing Agreement

The Savannah Financing Agreement with Macquarie Bank Limited was amended during the period with the following key changes to terms:

- Reduction in debt by 50% from $40 million to $20 million with the reduction funded from the equity raise completed in September. The remaining debt interest rate margin was increased to 7.5%;
- The loan repayment schedule was adjusted with the first repayment date being deferred by one quarter to 30 September 2020 and the final repayment deferred by one quarter to 31 March 2022;
- The Project's minimum liquidity amount reduces from $7.5 million to nil. Post completion of the Savannah North ramp-up, the Project proceeds accounts are required, in aggregate, to have the next month's operating cost available in cash;
- Existing hedge contracts were rolled forward to match the new loan repayment schedule from the September 2020 quarter to the March 2022 quarter. No additional hedging was required; and
- the Debt Service Cover ratio was removed and the pricing assumptions for the remaining financial covenants were adjusted.

Zeta Loan Facility

On 25 November 2019, the Company has executed a $10.5 million unsecured loan agreement with major shareholder and related party Zeta Resources Limited (Zeta).

Consolidation of Controlled Entity (Horizon Gold Limited)

Accounting Treatment

In recognition of the Company's majority 51% shareholding in Horizon Gold Limited ("Horizon Gold") and under AASB 10 *Consolidated Financial Statements*, the assets, liabilities, equity, income, expenses and cash flows of Horizon Gold are consolidated in the financial statements of the consolidated entity after attributing the profit or loss and each component of other comprehensive income to the equity owners of the Company and to the non-controlling interests (as described in note 18 of the "Notes to the Consolidated Financial Statements").

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

Refer to subsequent events disclosures for details of the partial sale of the Company's shareholding in Horizon Gold subsequent to balance date and the impact on the accounting treatment for this investment.

Table 1: Pro-forma Consolidated Balance Sheet (51% equity interest in Horizon Gold re-classified as "Investment in Subsidiary")[3]

	31 December 2019 (Pro-forma)[1] $000	Adjustments $000	31 December 2019 (AIFRS)[2] $000
Current Assets			
Cash and cash equivalents	13,295	424	13,719
Trade and other receivables	3,631	16	3,647
Inventories	11,447	-	11,447
Derivative financial instruments	-	-	-
Prepayments	959	3	962
Disposal group classified as held for sale	4,464	-	4,464
Total Current Assets	**33,796**	**443**	**34,239**
Non-Current Assets			
Financial assets at fair value through profit and loss	1,228	-	1,228
Investment in subsidiary at fair value through other comprehensive income	8,196	(8,196)	-
Property, plant and equipment	58,914	4,303	63,217
Right of use assets	19,637	-	19,637
Exploration and evaluation	11,914	16,854	28,768
Development properties	95,429	-	95,429
Mine properties	28	-	28
Derivative financial instruments	-	-	-
Other non-current assets	181	-	181
Total Non-Current Assets	**195,527**	**12,961**	**208,488**
Total Assets	**229,323**	**13,404**	**242,727**
Current Liabilities			
Trade and other payables	28,522	449	28,971
Borrowings	26,838	-	26,838
Derivative financial instruments	4,765	-	4,765
Provisions	2,477	57	2,534
Total current liabilities	**62,602**	**506**	**63,108**
Non-Current Liabilities			
Borrowings	23,422	-	23,422
Derivative financial instruments	17,479	-	17,479
Provisions	22,560	10,501	33,061
Total Non-Current Liabilities	**63,461**	**10,501**	**73,962**
Total Liabilities	**126,063**	**11,007**	**137,070**
Net Assets	**103,260**	**2,397**	**105,657**
Equity			
Contributed equity	240,083	-	240,083
Reserves	(7,164)	7,750	586
Accumulated losses	(129,659)	(10,547)	(140,206)
Non-controlling interests	-	5,194	5,194
Total equity	**103,260**	**2,397**	**105,657**

[1] The pro-forma balance sheet presentation of the de-consolidated 51% equity interest in Horizon Gold is a non-AIFRS treatment of this investment. The adjustments to the Pro-forma balance sheet are to comply with AIFRS.
[2] AIFRS means "Australian International Financial Reporting Standards".
[3] The financial information presented above in Table 1 has not been reviewed by the Company's Auditor, Ernst & Young (EY).

Subsequent Events

Partial Sale of Horizon Gold Limited Shareholding

On 18 February 2020 Panoramic sold 20,237,037 shares in Horizon Gold to major shareholder and related party Zeta raising proceeds of $5,464,000. The sale proceeds are to be utilised for ongoing working capital purposes. Panoramic's residual shareholding in Horizon Gold following the sale transaction is 18,793,580 shares, which represents approximately 24.6% of Horizon Gold's share capital.

As a result of this transaction Panoramic will cease to exercise control over Horizon Gold and the results of Horizon Gold will no longer be consolidated as part of the Panoramic Group.

Execution of Underground Mining Contract

Panoramic subsidiary Savannah Nickel Mines Pty Ltd has entered into a long term underground mining contract with Barminco Limited for the Savannah Nickel Mine. Refer to the Review of Operations for more details.

Completion of Retail Entitlement Offer

On 14 January 2020 Panoramic announced the completion of the retail component of its underwritten accelerated non-renounceable pro-rata entitlement offer for one new ordinary share for every six existing ordinary shares. The total amount raised under the Entitlement Offer was $32.7 million.

Zeta Loan Facility

The Zeta 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.

Interim Dividend

No dividend was paid during the period and no interim dividend has been declared for the half-year ended 31 December 2019 (2018: nil).

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

Auditor Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of directors.

Victor Rajasooriar
Managing Director

Perth, 28 February 2020

Building a better
working world

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Auditor's independence declaration to the directors of Panoramic Resources Limited

As lead auditor for the review of the half-year financial report of Panoramic Resources Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

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

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

Ernst & Young

Ernst & Young

Teale

Philip Teale
Partner
28 February 2020

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Panoramic Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty related to going concern

We draw attention to Note 1(c) Going concern basis in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Building a better working world

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Teale

Philip Teale
Partner
Perth
28 February 2020

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

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) complying with Accounting Standard AASB134: *Interim Financial Reporting* and the *Corporations Regulations 2001;* and

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

On behalf of the Board

Victor Rajasooriar
Managing Director

Perth, 28 February 2020

	Notes	Consolidated Half-year 31 December 2019 $'000	31 December 2018 $'000
Revenue		**45,611**	-
Cost of goods sold		**(57,087)**	-
Gross margin on sale of goods		**(11,476)**	-
Other income		**3,535**	2,046
Mark to market of derivatives		**(474)**	(120)
Exploration and evaluation expenditure		**(866)**	(512)
Other expenses	4	**(3,194)**	(21)
Change in fair value of financial assets at fair value through profit or loss		**271**	(1,235)
Care and maintenance expenses		**(528)**	(692)
Corporate and marketing costs		**(3,299)**	(2,656)
Reversal of impairment loss	8, 9	**-**	19,156
Finance costs	4	**(2,800)**	(326)
(Loss)/profit before income tax		**(18,831)**	15,640
Income tax benefit		**-**	5,924
(Loss)/profit for the half-year		**(18,831)**	21,564
(Loss)/profit for the half-year is attributable to:			
Owners of Panoramic Resources Limited		**(18,383)**	21,964
Non-controlling interests		**(448)**	(400)
		(18,831)	21,564
		Cents	**Cents**
(Loss)/earnings per share attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share		**(3.0)**	**4.4**
Diluted (loss)/earnings per share		**(3.0)**	**4.4**

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

		Consolidated Half-year	
	Notes	**31 December 2019 $'000**	31 December 2018 $'000
(Loss)/profit for the half-year		**(18,831)**	21,565
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges, net of tax		**(21,608)**	13,822
Other comprehensive (loss)/income for the half-year, net of tax		**(21,608)**	13,822
Total comprehensive (loss)/income for the half-year		**(40,439)**	35,387
Total comprehensive (loss)/income for the half-year is attributable to:			
Owners of Panoramic Resources Limited		**(39,991)**	35,787
Non-controlling interests		**(448)**	(400)
		(40,439)	35,387

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

	Notes	Consolidated entity 31 December 2019 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**13,719**	12,733
Trade and other receivables	6	**3,647**	19,278
Inventories		**11,447**	8,415
Derivative financial instruments	7	**-**	3,742
Prepayments		**962**	1,354
Disposal group classified as held for sale		**4,464**	4,299
Total current assets		**34,239**	49,821
Non-current assets			
Property, plant and equipment	8	**63,217**	59,004
Right-of-use assets	1(b)	**19,637**	-
Exploration and evaluation	9	**28,768**	27,763
Development properties	9	**95,429**	84,745
Mineral properties	9	**28**	29
Derivative financial instruments	7	**-**	4,409
Financial assets at fair value through profit or loss		**1,228**	957
Other non-current assets		**181**	181
Total non-current assets		**208,488**	177,088
Total assets		**242,727**	226,909
LIABILITIES			
Current liabilities			
Trade and other payables	10	**28,971**	22,094
Borrowings	11	**26,838**	8,082
Derivative financial instruments	7	**4,765**	2,721
Provisions		**2,534**	2,205
Total current liabilities		**63,108**	35,102
Non-current liabilities			
Borrowings	12	**23,422**	38,553
Derivative financial instruments	7	**17,479**	5,584
Provisions		**33,061**	31,548
Total non-current liabilities		**73,962**	75,685
Total liabilities		**137,070**	110,787
Net assets		**105,657**	116,122
EQUITY			
Contributed equity	13	**240,083**	210,109
Reserves		**(614)**	20,994
Accumulated losses		**(140,206)**	(121,823)
Amounts recognised in equity relating to disposal group		**1,200**	1,200
Non-controlling interests		**5,194**	5,642
Total equity		**105,657**	116,122

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

Consolidated entity	**Contributed equity $'000**	**Share- based payment reserve $'000**	**Accum- ulated losses $'000**	**Cash flow hedge reserve $'000**	**Mineral properties revaluation reserve $'000**	**Equity relating to disposal group $'000**	**Foreign currency translation reserve $'000**	**Equity Reserve $'000**	**Non- controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2018	188,860	21,716	(151,996)	-	19,845	-	1,200	(446)	6,740	85,919
Loss for the year	-	-	21,965	-	-	-	-	-	(400)	21,565
Other comprehensive income	-	-	-	13,822	-	-	-	-	-	13,822
Total comprehensive income for the half-year	**-**	**-**	**21,965**	**13,822**	**-**	**-**	**-**	**-**	**(400)**	**35,387**
Transfer of revaluation reserves to retained earnings on disposal of asset	-	-	19,845	-	(19,845)	-	-	-	-	-
Balance at 31 December 2018	**188,860**	**21,716**	**(110,186)**	**13,822**	**-**	**-**	**1,200**	**(446)**	**6,340**	**121,306**

Consolidated entity	**Contributed equity $'000**	**Share- based payment reserve $'000**	**Accum- ulated losses $'000**	**Cash flow hedge reserve $'000**	**Mineral properties revaluation reserve $'000**	**Equity relating to disposal group $'000**	**Foreign currency translation reserve $'000**	**Equity Reserve $'000**	**Non-con- trolling interests $'000**	**Total equity $'000**
Balance at 1 July 2019	210,109	21,716	(121,823)	(276)	-	1,200	-	(446)	5,642	116,122
Loss for the year	-	-	(18,383)	-	-	-	-	-	(448)	(18,831)
Other comprehensive loss	-	-	-	(21,608)	-	-	-	-	-	(21,608)
Total comprehensive loss for the half-year	**-**	**-**	**(18,383)**	**(21,608)**	**-**	**-**	**-**	**-**	**(448)**	**(40,439)**
Contributions of equity, net of transaction costs and tax	29,974	-	-	-	-	-	-	-	-	29,974
Balance at 31 December 2019	**240,083**	**21,716**	**(140,206)**	**(21,884)**	**-**	**1,200**	**-**	**(446)**	**5,194**	**105,657**

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

	Notes	Consolidated Half-year 31 December 2019 $'000	31 December 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**48,474**	415
Payments to suppliers and employees (inclusive of goods and services tax)		**(32,069)**	(3,110)
Interest paid		**(1,442)**	(64)
Payments for exploration and evaluation expenditure		**(866)**	(512)
Net cash inflow / (outflow) from operating activities		**14,097**	(3,271)
Cash flows from investing activities			
Payments for property, plant and equipment		**(13,616)**	(15,546)
Payment of development costs		**(15,054)**	(16,163)
Interest received		**104**	221
Exploration and evaluation expenditure		**(1,170)**	(4,119)
Proceeds from sale of subsidiary (net of cost)		**-**	13,240
Net cash outflow from investing activities		**(29,736)**	(22,367)
Cash flows from financing activities			
Proceeds from issues of shares (net of cost)		**29,974**	-
Proceeds from borrowings	11	**10,500**	23,291
Repayment of borrowings		**(20,799)**	(46)
Repayment of lease liabilities		**(2,640)**	-
Capitalised borrowing costs		**(410)**	(968)
Net cash inflow from financing activities		**16,625**	22,277
Net increase / (decrease) in cash and cash equivalents		**986**	(3,361)
Cash and cash equivalents at the beginning of the financial year		**12,733**	25,430
Cash and cash equivalents at end of half-year	5	**13,719**	22,069

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

1 Basis of Preparation of half-year report

The financial report of Panoramic Resources Limited ("Panoramic" or the "Company") for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 28 February 2020.

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

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

The half-year financial report should be read in conjunction with the annual financial report of Panoramic Resources Limited as at 30 June 2019.

It is also recommended that the half-year financial report be considered together with any public announcements made by Panoramic Resources Limited and its controlled entities (the "Group") during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under ASX listing rules.

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

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

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2019, except for the adoption of new standards and interpretations as of 1 July 2019.

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

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

AASB 16: *Leases*

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

AASB 16 supersedes AASB 117 *Leases*, 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 *Leases* and recognised its finance leases in the consolidated statement of financial position. Operating leases were not recognised in the consolidated statement of financial position 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 has elected to present the right-of-use asset separately and lease liabilities as part of borrowings in the statement of financial position.

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; and
• 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 impact on the statement of financial position as at 1 July 2019 on adoption of AASB 16 is set out in the table below:

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

The impact on operating cash flows is the removal of the payments for operating lease costs incurred (previously under AASB 117 *Leases*), which were either expensed through operating costs or capitalised to non-current assets, except for cash flows relating to variable, short-term and low-value payments.

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

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period:

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	-	5,066	5,066
Depreciation expense	(198)	(2,583)	(2,781)
As at 31 December 2019	**1,372**	**18,265**	**19,637**

Lease liabilities	**Total $000**
As at 30 June 2019	6,738
On adoption of AASB 16 - 1 July 2019	10,250
Additions	5,066
Interest expense	602
Payments	(3,240)
As at 31 December 2019	**19,416**

The Group recognised rent expense from short-term leases of $112,000 for the six months ended 31 December 2019.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 31 December 2019 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 Basis of Preparation of half-year report (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.

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

(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 judgement 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.

(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>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
• 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.

Other than the new accounting standards outlined above, the adoption of any new and revised standards and interpretation effective 1 July 2019 has not resulted in any changes to the Group's accounting policies and has no material effect on the amounts reported to the current or prior period.

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

(c) Going concern basis

The Group had cash outflows from operating and investing activities of $15.639 million for the half-year ended 31 December 2019. At 31 December 2019, the Group had cash on hand (including restricted cash and excluding the cash held by Horizon Gold Limited) of $14.678 million.

Operations recommenced in the prior financial year at the Savannah Nickel Project ("Savannah"), with the first Savannah bulk nickel concentrate shipped to China in February 2019. To date production from the underground mine has been below expectations, resulting in lower cash flows from operations than expected. The Group has initiated a range of actions which seek to lift production to expected levels and which are anticipated to increase cash flows generated from operations.

The Group will continue to be exposed to the normal risks of mining operations and uncertainties inherent in mining the new Savannah North orebody. These risks include significant judgments in the capital required to complete the transition to Savannah North, the volatility in commodity prices and the strength of the Australian dollar, the financial constraints under the Savannah Facility Agreement ("SFA"), the Project failing to perform as expected, higher than expected operating costs, lower than expected customer revenues and key additional infrastructure not coming on stream when required or within budget.

It is anticipated, that based on current forecast assumptions, additional working capital funding will be required as the mine production increases to expected levels. The Group has a range of options that it could seek to execute including non-core assets sales, revising the terms of the SFA including rescheduling of debt repayments, refinancing the existing debt facility or raising funds by way of equity raising.

The Board is satisfied 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.

2 Fair Value of Financial Assets and Liabilities

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

Disclosure of fair value measurements is by level of the following fair value measurement hierarchy:
(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the fair value measurement hierarchy of the Group's financial assets and liabilities carried at fair value at 31 December 2019 and 30 June 2019.

Consolidated entity - at 31 December 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets for which fair values are disclosed:				
- Disposal group held for sale	**-**	**-**	**4,464**	**4,464**
Financial assets at fair value through profit or loss:				
- Equity securities	**1,228**	**-**	**-**	**1,228**
Total assets	**1,228**	**-**	**4,464**	**5,692**
Liabilities				
Financial liabilities at fair value through profit or loss:				
- Derivative instruments	**-**	**22,244**	**-**	**22,244**
- Amount owing on estimated final customer invoices	**-**	**1,675**	**-**	**1,675**
Total liabilities	**-**	**23,919**	**-**	**23,919**

Consolidated entity - at 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss:				
- Derivative instruments	-	8,151	-	8,151
- Trade receivables	-	1,521	-	1,521
- Equity securities	957	-	-	957
Financial assets measured at fair value:				
- Disposal group held for sale	-	-	4,299	4,299
Total assets	957	9,672	4,299	14,928
Liabilities				
Financial liabilities for which fair values are disclosed:				
- Lease liabilities	-	-	6,738	6,738
Total liabilities	-	-	6,738	6,738

3 Segment information

(a) Description of segments

Business segments

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

The 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.

Nickel

The Savannah Nickel Project mines nickel ore and produces nickel concentrate. The Savannah Nickel Project was placed onto care and maintenance in May 2016. In July 2018, the Company commenced pre-production activities on site. The Company made its first shipment of Savannah nickel concentrate to China in February 2019. Nickel concentrate is sold to the one customer, Sino Nickel Pty Ltd (a company owned by the Jinchuan Group Limited (60%) and Sino Mining International (40%)).

Gold

The Gum Creek Gold Project (formerly the Gidgee Gold Project) is located 640km northeast of Perth in Western Australia, and was purchased by the Company in January 2011.

In May 2012, a subsidiary of the Company, Panoramic Gold Pty Ltd, 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 has retained a 51% controlling equity in Horizon Gold Limited.

Platinum Group Metals (PGM)

In July 2012, the Company finalised the acquisition of Magma Metals Limited ("Magma") by way of an off-market takeover bid. Magma’s principal project, the Thunder Bay North PGM Project ("TBN"), is located in northwest Ontario, Canada. Since acquisition, the Company has commenced evaluation studies to re-optimise the mining method and mineral processing route contained in the previous 2011 Preliminary Economic Assessment ("PEA"). In January 2015, Rio Exploration Canada Inc. ("RTEC"), having completed its review of all existing data on TBN, exercised a right under the "Earn In with Option to Joint Venture Agreement (July 2014)" by electing to proceed into the Earn-In option phase. RTEC is able to earn a 70% interest in the TBN by spending C$20 million over a five year period to January 2020. On 2 July 2019, RTEC and the Company executed a Waiver of Purchase Option and Right of First Refusal under which each party waived its rights under the Earn In with Option to Joint Venture Agreement following the execution of the Letter Agreement by the Company and Benton Resources Inc. to allow the sale of the Thunder Bay North PGM Project to proceed.

3 Segment information (continued)

(a) Description of segments (continued)

Business 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. The Company will continue to assess options to develop the asset through the optimisation of the project's mining and processing options.

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.

On 6 January 2020, the Company signed a Share Purchase Agreement with Regency Gold Corporation ("Regency") under which the Company has agreed to sell Regency all of the shares in Panoramic PGMs Canada Limited. The Company and Benton agreed to terminate the Letter Agreement, and Benton as assigned its rights under the Letter Agreement to Regency. There were no material changes to the terms previously agreed in the Letter Agreement.

At 31 December 2019, the Thunder Bay North PGM Project was reclassified as asset held-for-sale and is excluded from total segment assets.

Exploration

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

The Group's GM - 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 be added to an existing segment or become a separate reportable segment, as appropriate.

Accounting policies

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

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.

3 Segment information (continued)

(b) Operating business segments

Six Months Ended 31 December 2019	**Nickel $'000**	**Gold $'000**	**Platinum Group Metals $'000**	**Exploration $'000**	**Total $'000**
Revenue from contracts with customers	45,611	-	-	-	45,611
Total segment revenue	**45,611**	**-**	**-**	**-**	**45,611**
Segment result	**(13,985)**	**(949)**	**(157)**	**(206)**	**(15,297)**
Total segment assets	**189,580**	**21,600**	**7,019**	**5,463**	**223,662**
Total segment liabilities	**111,888**	**10,749**	**86**	**7**	**122,730**
Depreciation and amortisation	10,947	-	-	-	10,947
Mark-to-market of derivatives	631	-	-	-	631
Interest expense	765	86	-	-	851
Interest income	(55)	(8)	-	-	(63)

On adoption of AASB 16, the impact on the segment assets and segment liabilities resulted in an increase of $9.343 million in the carrying values of right-of-use assets and lease liabilities at 1 July 2019.

Six Months Ended 31 December 2018	Nickel $'000	Gold $'000	Platinum Group Metals $'000	Exploration $'000	Total $'000
Revenue from contracts with customers	-	-	-	-	-
Segment result	24,737	(828)	(5)	(351)	23,553
Reversal of impairment of assets	(19,156)	-	-	-	(19,156)
Mark-to-market of derivatives	120	-	-	-	120
Depreciation and amortisation	476	-	-	-	476
Interest expense	187	94	-	-	281
Interest income	(62)	(66)	-	-	(128)
At 30 June 2019					
Total segment assets	177,475	22,136	6,912	5,260	211,783
Total segment liabilities	99,444	10,503	148	7	110,102

(c) Other segment information

(i) Segment revenue

For the six months period to 31 December 2019, 100% of the revenue from contracts with customers was derived from sale of goods to one external customer located in China.

Total revenue derived from contracts with customers in Australia is $45.611 million (2018: Nil).

3 Segment information (continued)

(c) Other segment information (continued)

(ii) Segment results

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

	Consolidated entity	
	31 December 2019 $'000	31 December 2018 $'000
Segment results	**(15,297)**	23,553
Corporate charges and other unallocated expenses	**(3,534)**	(1,989)
(Loss)/profit for the half-year	**(18,831)**	21,564

(iii) Segment assets

Reportable segments assets are reconciled to total assets as follows:

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Segment assets	**223,662**	211,783
Intersegment eliminations	**117**	117
Unallocated assets	**14,484**	10,710
Assets held-for-sale	**4,464**	4,299
Total assets as per the consolidated statement of financial position	**242,727**	226,909

At 31 December 2019, unallocated assets include cash and cash equivalent held by the parent entity amounting to $12.274 million (June 2019: $9.626 million).

Total non-current assets located in Australia is $208.489 million (June 2019: $177.088 million). 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:

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Segment liabilities	**122,730**	110,102
Intersegment eliminations	**117**	117
Unallocated liabilities	**3,723**	1,568
Borrowings (Note 11)	**10,500**	-
Total liabilities as per the consolidated statement of financial position	**137,070**	111,787

4 (Loss)/profit for the half-year

	Consolidated entity	
	31 December 2019 $'000	31 December 2018 $'000
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**2,315**	466
Plant and equipment under finance leases	**-**	32
Right-of-use assets	**2,781**	-
	5,096	498
Amortisation		
Mine properties	**2**	-
Development properties	**6,041**	-
	6,043	-
Finance costs		
Interest and finance charges not capitalised	**2,534**	2,534
Unwinding of discount - rehabilitation	**266**	266
	2,800	2,800
Other expenses		
Net loss on disposal of property, plant and equipment	**2**	-
Net realisable value write down of stock	**2,736**	-
Other items	**456**	(21)
	3,194	(21)

5 Current assets - Cash and cash equivalents

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Cash at bank and in hand	**11,630**	7,284
Short term deposits	**2,089**	5,449
	13,719	12,733

Cash equivalents

Cash and cash equivalents as at 31 December 2019 include $0.424 million (30 June 2019: $1.879 million) held by Horizon Gold Limited.

Short term deposits comprise deposits at call of between 30 days and 90 days and other deposits for periods exceeding 90 days that can be immediately converted into cash at market cash rates, depending on the Group's immediate cash requirements, without incurring any significant penalties from the financial institutions.

6 Current assets - Trade and other receivables

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Trade receivables - at fair value	**-**	1,521
Other receivables - at amortised cost	**2,264**	2,141
Restricted deposit - at amortised cost	**1,383**	15,616
	3,647	19,278

At 31 December 2019, the Group had restricted cash of $1.383 million (2018: $16.731 million) in cash at bank in relation to the project financing facility under the Savannah Facility Agreement ("SFA") with Macquarie Bank Limited. These funds can only be used by the Company for expenditure associated with the Savannah Nickel Project in accordance with the SFA and the drawing of the funds is subject to the Macquarie Bank Limited's approval.

7 Derivative financial instruments

	Consolidated entity	
	31 December 2019 $'000	30 June 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	**2,299**	2,721
Forward commodity contracts - designated as cash flow hedges	**2,466**	-
Total current derivative financial instrument liabilities	**4,765**	2,721
Non-current liabilities		
Forward foreign exchange contracts - designated as cash flow hedges	**7,163**	5,584
Forward commodity contracts - designated as cash flow hedges	**10,316**	-
Total non-current derivative financial instrument liabilities	**17,479**	5,584
Net liabilities	**(22,244)**	(154)

7 Derivative financial instruments (continued)

Instruments used by the group

In September 2018, the Company executed the 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 uses a number of methodologies to determine the fair value of derivatives. These techniques include comparing contracted rates to market rates with the same length of maturity to determine the value of forward contracts and use of option pricing models to value put options. The principal inputs to valuation techniques are listed below:

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

Commodity prices, interest rates and foreign currency exchange rates are 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 are subject to enforceable master netting arrangements, such as an ISDA master netting agreement. In certain circumstances, for example, when a credit event such as default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is 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.

Commodity Hedges

(i) Nickel and copper

The Group has entered into nickel and copper forward contracts as part of a mandatory and discretionary hedging lines under the ISDA.

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

Consolidated entity	**Tonnes Hedged**	**Average US$ price per tonne**	Tonnes Hedged	Average US$ price per tonne
	31 December 2019	**31 December 2019**	30 June 2019	30 June 2019
Nickel Fixed Forward				
Not later than one year	**2,138**	**$13,387**	2,058	13,933
Later than one year	**6,034**	**$13,248**	5,932	13,625
Copper Fixed Forward				
Not later than one year	**697**	**$6,040**	1,292	6,085
Later than one year	**1,939**	**$5,951**	1,344	6,107

7 Derivative financial instruments (continued)

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.

Foreign exchange contracts - cash flow hedges

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

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

Consolidated entity	**US$ Hedged**	**Average Rate**	US$ Hedged	Average Rate
	31 December 2019 $'000	**31 December 2019 US$**	30 June 2019 $'000	30 June 2019 US$
Foreign Exchange US$ Forward				
Not later than one year	**31,185**	**$0.74**	31,206	0.74
Later than one year	**94,450**	**$0.75**	72,848	0.74

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.

8 Non-current assets - Property, plant and equipment

Consolidated entity	**Plant and equipment $'000**	**Plant and equipment under finance leases $'000**	**Construction in progress $'000**	**Total $'000**
Net book value 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)
Additions	233	-	13,399	13,632
Depreciation charge	(2,315)	-	-	(2,315)
Disposals	(2)	-	-	(2)
Transfer (to)/from other asset class	2,377	-	(2,377)	-
Net book value at 31 December 2019	**42,611**	**-**	**20,606**	**63,217**

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

(a) Savannah Nickel Project

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 has been recognised in the consolidated income statement.

The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the fair value less costs of disposal ("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 at 31 December 2019 and no indicators of impairment were identified.

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

Consolidated entity	**Mine Development Expenditure $'000**	**Exploration and Evaluation $'000**	**Mine (Mineral) Properties $'000**	**Total $'000**
Net book value at 1 July 2019	84,745	27,763	29	112,537
Additions	15,464	1,005	-	16,469
Amortisation charge	(6,041)	-	(1)	(6,042)
Re-measurement of rehabilitation provision	1,261	-	-	1,261
Transfer (to)/from other asset class	-	-	-	-
Net book value at 31 December 2019	**95,429**	**28,768**	**28**	**124,225**

10 Current liabilities - Trade and other payables

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Trade payables	**18,316**	15,020
Accrued expenses	**8,980**	7,074
Amounts owing on estimated final customer invoices	**1,675**	-
	28,971	22,094

Trade and other payables at 31 December 2019 have increased from 30 June 2019 in line with the ramp up of the Savannah Nickel Project operational and production activities.

11 Current liabilities - Borrowings

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Secured		
Bank loans	**20,844**	5,759
Lease liabilities (Note 1(b))	**5,994**	1,685
Other loans	**-**	638
Total secured current borrowings	**26,838**	8,082

Bank loans

Savannah Facility Agreement ("SFA")

Details of the SFA are set out in Note 12.

Zeta Loan Facility ("Loan Facility")

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 was repaid subsequent to balance date. Refer to subsequent events disclosures in Note 19.

12 Non-current liabilities - Borrowings

	Consolidated entity	
	31 December 2019 $'000	30 June 2019 $'000
Secured		
Bank loans	**10,000**	33,500
Lease liabilities (Note 1(b))	**13,422**	5,053
Total secured non-current borrowings	**23,422**	38,553

Bank loans

Savannah Facility Agreement ("SFA")

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 loan facility is secured over the Project's assets and undertakings. At 31 December 2019, the carrying amounts of assets pledged as security for current and non-current borrowings were $191.031 million (30 June 2019: $181.308 million).

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.

On 3 September 2019, the SFA was 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.

13 Contributed equity

(a) Share capital

	Notes	**31 December 2019 Shares**	30 June 2019 Shares	**31 December 2019 $'000**	30 June 2019 $'000
Ordinary shares					
Ordinary shares - fully paid	13(b)	**667,217,660**	553,582,471	**240,083**	210,109
Total contributed equity		**667,217,660**	553,582,471	**240,083**	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	Performance rights issue	2,935,093	-	-
18 March 2019	Share Issue	13,157,895	$0.38	5,000
17 April 2019	Share Issue	39,054,489	$0.38	14,841
19 June 2019	Shares Issue	6,842,105	$0.38	2,600
	Transaction costs, net of tax	-	-	(1,192)
30 June 2019	Closing balance	553,582,471		210,109
1 July 2019	Opening balance	553,582,471	-	210,109
30 September 2019	Share Issue	100,653,238	$0.28	28,183
16 December 2019	Share Issue	12,981,951	$0.30	3,895
	Transaction costs, net of tax	-	-	(2,104)
31 December 2019	Closing balance	667,217,660		240,083

14 Dividends

No dividend was declared or paid for the half years ended 31 December 2019 and 31 December 2018.

15 Non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	**Country of incorporation and operation**	**31 December 2019**	30 June 2019
Horizon Gold Limited	Australia	49%	49%

	31 December 2019 $000	30 June 2019 $000
Accumulated balances of non-controlling interest	5,194	5,642

	31 December 2019	31 December 2018
Loss allocated to non-controlling interest	448	400

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

Summarised statement of profit or loss for the period:	**31 December 2019 $000**	31 December 2018 $000
Other income	17	66
Care and maintenance expenses	(527)	(503)
Corporate and administration	(354)	(297)
Finance costs	(86)	(94)
Loss before tax	(950)	(828)
Income tax benefit	-	-
Loss for the period from continuing operations	(950)	(828)
Total comprehensive loss	(950)	(828)
Attributable to non-controlling interest	(448)	(400)

15 Non-controlling interests (continued)

Summarised statement of financial position at the end of the period:	**31 December 2019**	30 June 2019
	$000	$000
Cash and bank balances (current)	424	1,879
Trade and other receivables (current)	16	19
Prepayments (current)	3	28
Property, plant and equipment (non-current)	4,303	4,299
Exploration and evaluation (non-current)	16,854	15,912
Intercompany payables (current)	(257)	(90)
Trade and other payables (current)	(192)	(286)
Provisions (current)	(57)	(47)
Provisions (non-current)	(10,501)	(10,173)
Total equity	10,593	11,541
Attributable to:		
Equity holders of parent	5,399	5,899
Non-controlling interest	5,194	5,642

Summarised cashflow information for the period:	**31 December 2019**	31 December 2018
	$000	$000
Operating	(483)	(559)
Investing	(1,139)	(2,525)
Financing	167	51
Net decrease in cash and cash equivalents	(1,455)	(3,033)

Refer to Note 19 regarding partial sale of shares in Horizon Gold post reporting period.

16 Contingencies

The Group had no contingent liabilities at 31 December 2019 (2018: nil).

17 Related party transactions

Zeta Loan Facility ("Loan Facility")

On 25 November 2019, the Company executed a $10.5 million unsecured loan agreement with Zeta Resources Limited ("Zeta"), the Company's major shareholder. See note 11 for details on the terms and conditions of the loan, and Note 19 regarding settlement post reporting period.

Interest expense of $0.04 million and facility fees of $0.158 million was incurred for the half-year ended 31 December 2019.

Other than the above transaction there have been no significant changes in related party transactions for the half-year ended 31 December 2019.

18 Commitments

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

19 Events occurring after the reporting period

Partial sale of Horizon Gold shareholding

On 18 February 2020 Panoramic sold 20,237,037 shares in Horizon Gold Limited ("Horizon") to major shareholder and related party Zeta Resources Limited raising proceeds of $5,464,000. The sale proceeds are to be utilised for ongoing working capital purposes. Panoramic's residual shareholding in Horizon following the sale transaction is 18,793,580 shares, which represents approximately 24.6% of the Horizon's share capital.

As a result of this transaction Panoramic will cease to exercise control over Horizon and the results of Horizon will no longer be consolidated as part of the Panoramic Group.

Execution of Underground Mining Contract

Panoramic subsidiary Savannah Nickel Mines Pty Ltd has entered into a long term underground mining contract with Barminco Limited for the Savannah Nickel Mine. Refer to the Review of Operations in the Directors' Report for more details.

Completion of Retail Entitlement Offer

On 14 January 2020 Panoramic announced the completion of the retail component of its 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.

Settlement of Zeta Loan Facility

The Zeta 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.