



Panoramic Resources Limited

Interim financial report for the half-year ended 31 December 2020

ABN: 47 095 792 288

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

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Appendix 4D - Interim Financial Report for the half-year ended 31 December 2020

Results for announcement to the market

		% movement		2019 \$'000		2020 \$'000
Revenue from ordinary activities	Down	100.0%	from	45,611	to	-
Net (loss)/profit after tax from ordinary activities	Down	100.0%	from	(18,831)	to	7
Net (loss)/profit after tax attributable to members	Down	100.0%	from	(18,383)	to	7

Dividends

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

Net tangible assets per share

	31 December 2019 \$ per share	31 December 2020 \$ per share
Net tangible asset backing (per share)	0.13	0.08

Net tangible assets excludes right-of-use assets of \$5,152,000 as at 31 December 2020 (\$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, thereby 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 sold 80% of its holding in Panton Sill Pty Ltd on 17 December 2020 resulting in a loss of control on this date.

Commentary on the results for the period

Factors contributing to the results for the period are as follows:

Revenue from ordinary activities

Due to the suspension of operations in April 2020, the Savannah Nickel Project remained on care and maintenance during the half year period to 31 December 2020. The operation did not produce or sell concentrate in this period. As a result, concentrate sales income for the half-year is recorded as nil, whereas the corresponding period of the prior year achieved \$45.6 million in sales.

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

Factors contributing to the results for the period are discussed in the "Review of Operations" section of the Directors' Report which accompanies this Interim Financial Report.

Detail of controlled entity (associate)

As noted in the Company's 30 June 2020 Annual Report, the Company ceased to hold its 51% interest in the securities of listed entity, Horizon Gold Limited (ACN: 614 175 923), with effect from February of 2020.

The Company also reduced its holding in Panton Sill Pty Ltd (ABN: 21 157 842 530) ("Panton") from 100% to 20% with effect from 17 December 2020.

As at 31 December 2020, Panton remains an associate of the Group with its remaining 20% shareholding. The contribution of Panton reduced the consolidated entity's net loss after tax from ordinary activities for the half year by \$1,000.

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" described the conditions that indicate the existence of material uncertainty that may cast doubt on the consolidated entity's ability to realise its assets and discharge its liabilities in the normal course of business.

Other information required by Listing Rule 4.2A

Except for the matters noted above and subject to the requirements being applicable to the Company, all the disclosure requirements pursuant to ASX Listing Rule 4.2A.3 are contained within Panoramic Resources Limited's Interim Financial Report for the half-year ended 31 December 2020 which accompanies this Appendix 4D Announcement.

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Panoramic Resources Limited

Interim financial report

For the half-year ended 31 December 2020

Contents

Directors' report	5
Independent auditor's declaration	9
Independent auditor's review report	10
Consolidated income statement	12
Consolidated statement of comprehensive income	13
Consolidated statement of financial position	14
Consolidated statement of changes in equity	15
Consolidated statement of cash flows	16
Notes to the consolidated financial statements	17

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Panoramic Resources Limited during the interim reporting half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website:

www.panoramicresources.com

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

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

Panoramic Resources Limited's registered office is:

Level 9, 553 Hay Street
Perth WA 6000

The financial statements were authorised for issue by the directors on 24 February 2021.

The directors have the power to amend and reissue the financial statements.

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 2020.

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.

Nicholas L Cernotta (Chair)
Victor Rajasooriar (Managing Director)
Peter R Sullivan
Rebecca J Hayward
Gillian Swaby

Principal Activities

The principal activities of the consolidated entity during the half-year comprised care and maintenance activities at the Savannah Nickel Project together with capital infrastructure works within the underground mine and on surface, aimed at de-risking the Project in preparation for a potential restart in the second half of CY2021.

Business Divisions

Previously, the Group had identified the following four operating segments:

- (1) Nickel - the Savannah Nickel Project;
- (2) Gold - 51% equity interest in Horizon Gold Limited (divested 29 June 2020);
- (3) Platinum Group Metals (PGM) - the Panton PGM Project (80% equity interest divested 17 December 2020); and
- (4) Exploration - greenfield exploration activities.

For the half year, the Company has reduced the number of business divisions to one segment comprising Nickel. This change aligns with the Company's stated goal of focusing on the Group's core assets being Nickel and is supported by the divestment of equity interests in Horizon Gold Limited and Panton Sill Pty Ltd. Exploration is no longer viewed as a separate segment as all activities are focused on the tenements surrounding the Savannah Nickel Project.

Operating Results for the Half-year

The activities of the Company continued to be adversely impacted during the period due to the suspension of operations at the Savannah Nickel Project in April 2020. The Savannah Nickel Project was subject to travel restrictions that commenced late March 2020 and ended in June 2020. These restrictions were imposed as part of the government's measures to manage the impact of Covid-19 on the indigenous communities in the Kimberley. There were no further travel restrictions imposed during the half year period to 31 December 2020. This allowed the Company to continue with existing onsite care and maintenance activities and complete the capital de-risking projects that were planned, commencing July 2020. The Project remained on care and maintenance during the half year period to 31 December 2020.

The Group recorded a small profit from continuing operations after income tax for the half-year ended 31 December 2020 of \$7,000 (2019: loss after tax of \$18.83 million).

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

- a 100% decrease in sales revenue. The operation did not produce or sell concentrate in the period as the Project is on care and maintenance. As a result, concentrate sales income for the half-year is recorded as nil, whereas the corresponding period of the prior year achieved \$45.6 million in sales.
- Cost of goods sold and gross margin on sale of goods have a recorded value for the period of nil (prior corresponding half-year period, gross margin was a loss of \$11.48 million). This result also reflects the suspension of operations at the Project.
- In the prior corresponding half-year period, an impairment of \$2.74 million was recorded as a write down of inventory stores items to net realisable value. During the current half-year period a \$0.25 million reversal of this impairment was reported as some inventory items were sold to an external party.
- During the period the Group sold an 80% equity interest in Panton Sill Pty Ltd (PGM project), recording a profit on sale of \$7.72 million.

Review of operations

Nickel Division

Savannah Nickel Project

In mid-April 2020, the Company announced to the ASX a decision to suspend operations at the Savannah Nickel Project. Since that time and up to the date of this report, the Project has been on care and maintenance, with capital and ancillary works taking place with the aim of de-risking the project, for a potential restart in the second half of CY2021.

In July 2020, the Company released to the ASX an updated Savannah ore reserve and mine plan. Based on a mining inventory of 10.4Mt @ 1.22% Ni, 0.54% Cu and 0.08% Co for 127kt Ni, 56kt Cu and 8.5kt Co contained metal, the new mine plan has a mine life of approximately 13 years, with the majority of ore sourced from the Savannah North orebody. This results in average annual production for years 1 to 12 of 8,810t Ni, 4,579t Cu and 659t Co in concentrate. The project economics presented in this announcement indicate an attractive, near-term nickel sulphide mine restart opportunity.

Underground development works recommenced in August 2020, with mining contractor Barmenco mobilising to site. The key priority for the contractor was to complete a 468m horizontal development drive to intersect the Savannah North FAR #3 ventilation raise. This development work was successfully completed on 1 October 2020, allowing Barmenco to undertake and complete other incline, decline and development work, primarily aimed at opening up additional working levels at Savannah North. Barmenco completed the assigned tasks, opening up four mining levels in Savannah North ahead of scheduled. They demobilised from site late December 2020.

The raiseboring contractor RUC Mining mobilised to site in late September and commenced work in mid October back-reaming the FAR #3 ventilation raise. A total of 354m of back reaming at a diameter of 3.85m was successfully completed three months ahead of schedule. This work finished on 30 November 2020 with the contractor demobilising from site in December 2020.

In September, a surface exploration drilling program commenced, with a combination of deep surface diamond drilling and electromagnetic surveying being used to explore for nickel sulphide mineralisation at a number of prospective targets in close proximity to the Savannah infrastructure. In October, additional drilling to test a potential extension of the Savannah North Upper Zone orebody also commenced from underground.

With the underground development works now completed, the Company is focused on completing three major ancillary capital projects which commenced in January 2021. These projects once completed will further de-risk the project and consists of:

- Drilling of paste lines into Savannah North and installation of pipes;
- Surface power reticulation upgrade; and
- Surface return air raise fan refurbishment, civil construction and installation.

These activities commenced in January 2021 and are scheduled to take approximately five months to complete. Completion of these tasks supports a potential restart of operations in the second half of CY2021.

Platinum Group Metals (PGM) Division

Panton PGM Project

In October 2020, the Company entered into a binding agreement to sell an equity interest in Panton Sill Pty Ltd, a subsidiary company that holds the Panton PGM Project and associated tenements. The purchaser, Great Northern Palladium Pty Ltd ("Great Northern Palladium"), agreed to acquire an 80% equity interest in Panton for A\$12.0 million (inclusive of a \$200,000 non-refundable deposit).

Great Northern Palladium has the right to purchase the remaining 20% of Panton from the Company for an additional A\$3.0 million within a prescribed timeframe. This timeframe comprises either a six month period from the completion of the sale or a nine month period from the completion of the sale should there be a change of control of Panoramic Resources Ltd.

If Great Northern Palladium does not exercise its right to acquire the remaining 20% of the shares in Panton, then the Company and Panton will participate in an incorporated joint venture in respect of the project on a free carry basis until a decision to mine has been made.

The sale of the 80% equity interest was completed on 17 December 2020. At the date of this report, Great Northern Palladium has not exercised its right to acquire the remaining 20% interest.

Subsequent Events

No matter or circumstance has occurred subsequent to half-year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Interim Dividend

No dividend was paid during the period and no interim dividend has been declared for the half year ended 31 December 2020 (31 December 2019: nil).

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Group during the half-year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where applicable and unless otherwise stated) 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. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of directors.



Victor Rajasooriar
Managing Director

Perth, 24 February 2021

Directors' Declaration

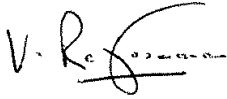
31 December 2020

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 2020 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, 24 February 2021

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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 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 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

Philip Teale
Partner
24 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Panoramic Resourced Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of 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 2020 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.



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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 2020 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*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Philip Teale'.

Philip Teale
Partner
Perth
24 February 2021

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Panoramic Resources Limited
Consolidated income statement
For the half-year ended 31 December 2020

	Notes	Consolidated Half-year	
		31 December 2020 \$'000	31 December 2019 \$'000
Revenue from contracts with customers	4	-	45,611
Cost of goods sold		-	(57,087)
Gross loss		-	(11,476)
Other income	5	8,947	3,535
Care and maintenance expenses		(6,620)	(528)
Corporate and marketing costs		(2,146)	(3,299)
Exploration and evaluation expenditure		(385)	(866)
Fair value losses on derivatives		-	(474)
Change in fair value of financial assets at fair value through profit or loss		299	271
Other expenses		113	(3,194)
Finance costs		(201)	(2,800)
Profit/(loss) before income tax		7	(18,831)
Profit/(loss) for the half-year		7	(18,831)
Profit/(loss) for the half-year is attributable to:			
Owners of Panoramic Resources Limited		7	(18,383)
Non-controlling interests		-	(448)
		7	(18,831)
		Cents	Cents
Profit/(loss) per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic profit/(loss) per share		0.0	(3.0)
Diluted profit/(loss) per share		0.0	(3.0)

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

Panoramic Resources Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2020

Notes	Consolidated Half-year	
	31 December 2020 \$'000	31 December 2019 \$'000
Profit/(loss) for the half-year	7	(18,831)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of cash flow hedges, net of tax	-	(21,608)
Other comprehensive profit/(loss) for the half-year, net of tax	-	(21,608)
Total comprehensive profit/(loss) for the half-year	7	(40,439)
Total comprehensive profit/(loss) for the half-year is attributable to:		
Owners of Panoramic Resources Limited	7	(39,991)
Non-controlling interests	-	(448)
	7	(40,439)

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

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Panoramic Resources Limited
Consolidated statement of financial position
As at 31 December 2020

	Notes	Consolidated	
		31 December	30 June
		2020	2020
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	29,591	31,164
Trade and other receivables	8	4,408	11,426
Inventories	9	427	-
Prepayments		824	872
Other current assets		80	-
Total current assets		35,330	43,462
Non-current assets			
Receivables	10	2,673	2,787
Financial assets at fair value through profit or loss	11	1,384	767
Investment in associate	12	3,000	-
Property, plant and equipment	13	50,241	51,178
Exploration and evaluation	14	6,329	12,535
Development and mineral properties	14	96,848	86,695
Right-of-use assets		5,152	5,958
Other financial assets		181	251
Total non-current assets		165,808	160,171
Total assets		201,138	203,633
LIABILITIES			
Current liabilities			
Trade and other payables		3,208	3,396
Borrowings		1,605	1,827
Provisions	15	611	2,404
Total current liabilities		5,424	7,627
Non-current liabilities			
Borrowings		5,139	5,423
Provisions	16	24,371	24,498
Total non-current liabilities		29,510	29,921
Total liabilities		34,934	37,548
Net assets		166,204	166,085
EQUITY			
Contributed equity		353,550	353,550
Reserves		22,284	22,172
Accumulated losses		(209,630)	(209,637)
Total equity		166,204	166,085

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

Panoramic Resources Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

Consolidated entity	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
Loss for the year	-	-	-	-	-	(18,383)	(448)	(18,831)
Other comprehensive loss	-	-	(21,608)	-	-	-	-	(21,608)
Total comprehensive loss for the half-year	-	-	(21,608)	-	-	(18,383)	(448)	(40,439)
Contributions of equity, net of transaction costs and tax	29,974	-	-	-	-	-	-	29,974
Balance at 31 December 2019	240,083	1,200	(21,884)	21,716	(446)	(140,206)	5,194	105,657

Consolidated entity	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 2020	353,550	-	-	22,172	-	(209,637)	-	166,085
Profit for the year	-	-	-	-	-	7	-	7
Performance rights issued	-	-	-	112	-	-	-	112
Total comprehensive income for the half-year	-	-	-	112	-	7	-	119
Balance at 31 December 2020	353,550	-	-	22,284	-	(209,630)	-	166,204

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

Panoramic Resources Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Notes	Consolidated	
		Half-year	
		31 December	31 December
		2020	2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,512	48,474
Payments to suppliers and employees (inclusive of goods and services tax)		(10,930)	(32,069)
JobKeeper receipts		1,033	-
Interest paid on right-of-use leased assets		(86)	-
Payments for exploration and evaluation expenditure		-	(866)
Other revenue		609	-
Other interest paid		(1)	(1,442)
Net cash (outflow) / inflow from operating activities		(6,863)	14,097
Cash flows from investing activities			
Proceeds from sale of subsidiary (net of cost)		15,433	-
Payment of development costs		(8,605)	(15,054)
Payments for property, plant and equipment		(3)	(13,616)
Proceeds from sale of property, plant and equipment		2	-
Exploration and evaluation expenditure		(829)	(1,170)
Interest received		90	104
Net cash inflow/(outflow) from investing activities		6,088	(29,736)
Cash flows from financing activities			
Proceeds from issues of shares (net of cost)		-	29,974
Proceeds from borrowings		-	10,500
Repayment of borrowings		-	(20,799)
Payments for leased assets		(468)	(2,640)
Capitalised borrowing costs		-	(410)
Net cash (outflow)/inflow from financing activities		(468)	16,625
Net (decrease) / increase in cash and cash equivalents		(1,243)	986
Cash and cash equivalents at the beginning of the financial year		30,893	12,733
Effects of exchange rate changes on cash and cash equivalents		(59)	-
Cash and cash equivalents at end of half-year	7	29,591	13,719

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 2020 was authorised for issue in accordance with a resolution of the directors on 24 February 2021.

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

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 investing and financing 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 2020.

It is also recommended that the half-year financial report be considered together with any public announcements made by Panoramic and its controlled entities (the "Group") during the half-year ended 31 December 2020 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 the following:

- fair value through profit or loss financial assets and liabilities (including derivative instruments) and
- assets held for sale - measured at fair value less cost of disposal.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The consolidated interim financial statements are presented in Australian dollars and all values are rounded to the nearest thousand (AUD\$ thousand) except where otherwise stated.

(b) Changes in accounting policies and disclosures

Since 1 July 2020 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2020. The adoption of any new and revised standards and interpretations effective from 1 July 2020 has not resulted in any changes to the Group's accounting policies and has had no material effect on the amounts reported to the current or prior period. The Group has not elected to early adopt any new standards or interpretations that are not mandatorily effective.

(c) Going concern basis

The Group had cash outflows from operating and investing activities of \$0.78 million (including proceeds from the sale of subsidiaries to the amount of \$15.4 million) for the half-year ended 31 December 2020. At 31 December 2020, the Group had cash on hand (including restricted cash) of \$29.85 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. During the period to 31 December 2020, development activities have been undertaken within the underground mine to progress the establishment of ventilation services in FAR #3 and to establish level access to the Savannah North orebody. Other ancillary capital works commenced in January 2021. These activities serve to de-risk the project and support the potential recommencement of operations.

The suspension of operations is intended to be temporary, however at the date of this report the project remains on care and maintenance, subject to a number of conditions being met including the availability of equipment and personnel, assessing the ongoing impact of any Covid-19 related restrictions, nickel price and Board approval to proceed. The Company is working towards a potential restart of operations in the second half of CY2021.

If the suspension of operations 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.

The Company requires additional capital to fund the restart of operations at the Savannah Nickel Project. This funding could be secured from a number of sources including an offtake prepayment facility, bank finance, capital raise or a combination of these.

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.

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

(c) Going concern basis (continued)

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 and for disclosure purposes.

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of the Group's financial assets carried at fair value.

At 31 December 2020

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss				
Listed equity securities	1,384	-	-	1,384
Total financial assets	1,384	-	-	1,384

At 30 June 2020

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss				
Trade receivables	-	2,417	-	2,417
Listed equity securities	767	-	-	767
Total financial assets	767	2,417	-	3,184

The Group held no financial liabilities carried at fair value at either reporting date.

3 Segment information

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

Previously, the Group had identified the following four operating segments:

- (1) Nickel - the Savannah Nickel Project;
- (2) Gold - 51% equity interest in Horizon Gold Limited (divested 29 June 2020);
- (3) Platinum Group Metals (PGM) - the Panton PGM Project (80% equity interest divested 17 December 2020); and
- (4) Exploration - greenfield exploration activities.

For the half year, the Company has reduced the number of business divisions to one segment comprising Nickel. This change aligns with the Company's stated goal of focusing on the Group's core assets being Nickel and is supported by the divestment of equity interests in Horizon Gold Limited and Panton Sill Pty Ltd. Exploration is no longer viewed as a separate segment as all activities are focused on supporting the Savannah Nickel Project.

All Group assets are within the Nickel segment located in the East Kimberley region of Western Australia as at 31 December 2020 and 30 June 2020.

4 Revenue

The Group derives the following types of revenue:

	Consolidated Half-year	
	31 December 2020 \$'000	31 December 2019 \$'000
Revenue from contracts with customers (sale of nickel concentrate)	-	45,611
	<u>-</u>	<u>45,611</u>

For the half-year ended 31 December 2020, the Company had Nil revenue from contracts with customers derived from sale of goods to external customers (2019: 100%, totalling \$45.61 million, derived from sale of goods to one external customer located in China).

5 Other income

	Consolidated Half-year	
	31 December 2020 \$'000	31 December 2019 \$'000
Net gain/(loss) on sale of subsidiary	7,721	(5)
JobKeeper	1,054	-
Quotational period (QP) price adjustments	138	3,319
Gain on remeasurement of rehabilitation liability	65	-
Net foreign exchange (loss)/gain	(532)	8
Interest income	188	104
Other income	313	109
	<u>8,947</u>	<u>3,535</u>

On 17 December 2020 the Company completed the sale of an equity interest in Pantom Sill Pty Ltd, a subsidiary company that holds the Pantom PGM Project and associated tenements. The purchaser, Great Northern Palladium Pty Ltd, agreed to acquire an 80% equity interest in Pantom for A\$12.0 million. A gain on the sale totalling \$7.72 million has been recognised in the consolidated income statement for the half-year ended 31 December 2020.

6 Breakdown of expenses by nature

	Consolidated Half-year	
	31 December 2020 \$'000	31 December 2019 \$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	829	2,315
Right-of-use assets	763	2,781
	<u>1,592</u>	<u>5,096</u>
<i>Amortisation</i>		
Mine properties	-	2
Development properties	-	6,041
	<u>-</u>	<u>6,043</u>
<i>Finance costs</i>		
Finance charges not capitalised	-	1,925
Interest paid on leases	72	609
Unwinding of discount - rehabilitation	129	266
	<u>201</u>	<u>2,800</u>

6 Breakdown of expenses by nature (continued)

	Consolidated Half-year	
	31 December 2020 \$'000	31 December 2019 \$'000
<i>Other expenses</i>		
(Reversal of write-down)/write-down of stock to net realisable value	(245)	2,736
Share based payments expense	112	-
Other items	20	458
	<u>(113)</u>	<u>3,194</u>

7 Current assets - Cash and cash equivalents

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Cash at bank and in hand	8,554	10,179
Short term deposits	21,037	20,985
	<u>29,591</u>	<u>31,164</u>

Cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

Short-term deposits are held with various financial institutions with short-term credit ratings of A-1+ (SAP). 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.

8 Current assets - Trade and other receivables

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Trade receivables – at fair value	-	2,417
Other receivables - at amortised cost	4,408	9,009
	<u>4,408</u>	<u>11,426</u>

Other receivables include predominantly the unpaid portion of the Thunder Bay North (PGM Project) sales proceeds due within the next twelve months (\$3.7 million).

9 Current assets - Inventories

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Inventories	<u>427</u>	-

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. For the financial year ended 30 June 2020 an impairment charge totalling \$6.62 million was recorded to write down the value of inventory spares and consumables on hand to their net realisable value. During the half year ended 31 December 2020, a review of inventory on hand was completed. As a result of this review a reversal of the impairment totalling \$0.25 million was recorded.

The remaining movement in the inventories balance reflects additional purchases, principally fuel, and subsequent utilisation of stock.

10 Non-current assets - Receivables

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Other receivables – at amortised cost	<u>2,673</u>	<u>2,787</u>

Other receivables include the unpaid portion of the Thunder Bay North (PGM Project) sales proceeds not due within the next twelve months.

Refer to note 8 for the current portion of these receivables.

11 Non-current assets – Financial assets at FVTPL

Financial assets at fair value through profit or loss include the following classes of financial assets:

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Listed equity securities	<u>1,384</u>	<u>767</u>

The movement in the balance of financial assets at fair value through profit or loss between 30 June 2020 and 31 December 2020 is attributable to the acquisition of 726,550 shares in Horizon Gold Limited as settlement for amounts owed to the Company, combined with subsequent fair value gains on those and other listed equity holdings of \$0.30 million recognised through profit or loss.

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

12 Non-current assets – Investment in Associate

In October 2020, the Company entered into a binding agreement to sell an equity interest in Panton Sill Pty Ltd, a subsidiary company that holds the Panton PGM Project and associated tenements. The purchaser, Great Northern Palladium Pty Ltd (“Great Northern Palladium”), agreed to acquire an 80% equity interest in Panton for A\$12.0 million (inclusive of a \$200,000 non-refundable deposit).

Great Northern Palladium has the right to purchase the remaining 20% of Panton from the Company for an additional A\$3.0 million within a prescribed timeframe. This timeframe comprises either a six month period from the completion of the sale or a nine month period from the completion of the sale should there be a change of control of Panoramic Resources Ltd.

The sale of the 80% equity interest was completed on 17 December 2020 with the Company receiving \$11.8 million in cash (net of the deposit) and resulted in the Company losing control over Panton.

The Company’s remaining 20% shareholding in Panton, however, exerts significant influence, as such this is classified as an investment in an associate and accounted for using the equity method in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s profit or loss includes its share of the investee’s profit or loss and the investor’s other comprehensive income includes its share of the investee’s other comprehensive income.

12 Non-current assets – Investment in Associate (continued)

On 17 December 2020, the investment in an associate is recognised at cost of \$3.0m. From this date to 31 December 2020, Panton did not generate any earnings or losses, therefore the Group did not recognise any share of the associate's profit or loss during the period.

13 Non-current assets - Property, plant and equipment

On 15 April 2020, the Company announced to the ASX a decision to suspend operations at the Savannah Nickel Project and place the Project into care and maintenance. During the half year to 31 December 2021, the Project remained on care and maintenance with site activities focused on underground development works to open up four mining levels in the Savannah North orebody and the completion of the FAR #3 ventilation rise. These initial works were undertaken with the aim of de-risking the project and supporting a potential restart of operations in the future.

The decision to suspend operations at the Savannah Nickel Project was considered to be an indicator of impairment and accordingly, a formal estimate of the recoverable amount of the Nickel cash generating unit (CGU) was performed in the year ended 30 June 2020.

The recoverable amount of the Savannah Nickel Project CGU was determined using a combination of a discounted cash flow ("DCF") calculation at 30 June 2020 with 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 found to be less than the carrying value and accordingly an impairment loss of \$32.9 million was recorded at 30 June 2020.

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 / reserves and the valuation multiples.

At 31 December 2020, a review of the carrying value of the Savannah Nickel Project CGU was undertaken to determine if indicators of impairment or reversal were present. The review did not identify any indicators requiring the adjustment of the impairment charge recorded at 30 June 2020.

At the date of this report, the Savannah Nickel Project CGU remains on care and maintenance.

14 Non-current assets - Exploration and evaluation, development and mineral properties

During the half year, \$10.4 million of developmental works were capitalised. These works included underground mining lateral development works to open up four levels within the Savannah North orebody and the completion of the FAR #3 ventilation rise.

Offsetting the above increase is the derecognition of the capitalised exploration and evaluation assets amounting to \$7.3 million as a result of the deconsolidation of Panton following the completion of sale of the Group's 80% shareholding to Great Northern Palladium Pty Ltd. Refer to note 5 for details.

(a) Impairment of assets

Savannah Nickel Project

Refer to note 13 for further details on the impairment assessment for the Savannah Nickel Project assets.

15 Current liabilities - Current provisions

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Employee benefits - annual leave	440	1,037
Employee benefits - long service leave	171	231
Restructuring costs	-	1,136
	611	2,404

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.

For detail on non-current Provisions, refer to note 16.

16 Non-current liabilities - Provisions

	Consolidated entity	
	31 December 2020 \$'000	30 June 2020 \$'000
Employee benefits - long service leave	11	-
Rehabilitation	24,360	24,498
	<u>24,371</u>	<u>24,498</u>

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 of the Group's most recent Annual Report.

17 Dividends

No dividend was declared or paid for the half years ended 31 December 2020 and 31 December 2019.

18 Contingencies

The Group had no contingent liabilities at 31 December 2020 (2019: nil).

19 Commitments

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

20 Related party transactions

Performance rights issued to key management personnel

During the half year period, a total of 9,353,398 performance rights were awarded to Victor Rajasooriar (Managing Director) and Grant Dyker (Chief Financial Officer) under the Group's Short Term Incentive Plan. The performance rights were issued for no consideration, with each having nil exercise price and an expiry date of 2 years from vesting.

For both KMP, 75% of their performance rights, known as the Relative Total Shareholder Return ("RTSR") Rights, vest upon achievement of pre-specified 20-day volume weighted average price ("VWAP") targets as measured against a specified peer group of like companies over the Performance Period, this being the period from 1 July 2020 to 30 June 2023. The number of rights that vest is determined based on whether the performance achieved is greater than the fiftieth percentile of the peer group. If below this level, then none of the rights vest. Above this level the number is determined stepwise in line with the relative percentile achieved.

The remaining 25%, known as the Absolute Total Shareholder Return ("ATSR") Rights, vest upon achievement of pre-specified 20-day volume weighted average price ("VWAP") targets. The number of rights that vest is determined pro-rata based on the level of performance achieved

The following table specifies further details of the rights awarded during the period.

	Victor Rajasooriar Managing Director	Grant Dyker Chief Financial Officer
Number of RTSR Rights	5,562,366	1,452,683
Number of ATSR Rights	1,854,122	484,228
Start of Vesting Period	17/09/2020	5/10/2020
Vesting Date	30/06/2023	30/06/2023
Value per RTSR Right	\$0.1070	\$0.0720
Total RTSR Expense for the period	\$69,782	\$9,213
Value per ATSR Right	\$0.1110	\$0.0700
Total ATSR Expense for the period	\$24,130	\$2,985

20 Related party transactions (continued)

In determining fair value of the performance rights granted during the period ended 31 December 2020 the following assumptions were used:

	Victor Rajasooriar	Grant Dyker
Dividend yield	Nil	Nil
Expected volatility	80%	80%
Risk-free interest rate	0.0175%	0.0175%
Expected life of rights	2.73 years	2.68 years
Weighted average share price	\$0.087	\$0.095

21 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to half-year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

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