

## Lanfranchi - transition to Lower Schmitz

### Key Points

- Lower Schmitz Exploration Target released
- Exploration drive on track for completion in September 2015
- Resource drilling to commence in the December 2015 quarter
- Targeting release of maiden Lower Schmitz Reserve in December 2015
- Operational changes necessary with transition to Lower Schmitz

### Potential Mine Life Extensions

Panoramic Resources Limited's ("Panoramic") Extensional Exploration Program continues to deliver positive results at both the Lanfranchi and Savannah operations. The Company believes it is well placed to add mine life at both operations following the recent high-grade Lower Schmitz discovery at Lanfranchi and the discovery of Savannah North at Savannah. The Company provides the following update on the plans to transition the operational focus at Lanfranchi from Deacon/Jury-Metcalf to Lower Schmitz.

### Background

Panoramic acquired a 75% interest in the Lanfranchi Nickel Mine (Lanfranchi) from WMC Limited in 2004 for a consideration of ~\$20 million. The remaining 25% of Lanfranchi was acquired by the Company in February 2009 from Brilliant Mining Corp. for 12 million ordinary shares in Panoramic. At the time of acquisition, Lanfranchi had an initial Mining Reserve of approximately 20,000t Ni and an expected mine life of three to four years. Since mining commenced in early 2005, the project has significantly exceeded expectations and delivered handsomely for the Company. Some key statistics for Lanfranchi, from 2005 to 30 June 2015, include:

- Aggregate gross revenue of **A\$1.83 billion**.
- Project aggregate operating surplus of **A\$406 million**.
- Aggregate production of **~93,700t Ni in ore mined from an initial Reserve of 19,933t Ni**.
- **Resources of 102,000t Ni discovered**, including 73,000t Ni at Deacon through exploration expenditure of A\$33 million
- Currently provides employment for **153 people** (full time basis).
- Aggregate State Royalties of **A\$46 million**.

Post-acquisition, initial production was from the Helmut South orebody prior to mining the Deacon orebody from 2008. Deacon has been the primary production source for Lanfranchi since that time. Over this period, secondary production has also been sourced from the Helmut South Extension, Winner, Lanfranchi and Schmitz orebodies. The current Deacon Reserve will be depleted during the September 2015 quarter and this will result in a period of transition at Lanfranchi. Production from Deacon will be curtailed while pre-development of Lower Schmitz will continue. More details around this transition are provided on page 2 of this Release.

The Company has enjoyed significant exploration success at Lanfranchi through the discoveries of Deacon, Helmut South Extension, Jury-Metcalf and more recently, Lower Schmitz. The Company has released an Exploration Target for the high-grade Lower Schmitz discovery (*refer to the Company's ASX announcement of 6 July 2015*) and is now focused on completing the relevant technical work to ready the Lower Schmitz discovery for production, subject to the determination of a Reserve and a decision to commence mining. In addition, a number of exploration targets remain to be tested at Lanfranchi, particularly down plunge of Lower Schmitz and Deacon.

## Lanfranchi – FY2016 a transitional year

FY2016 will be a year of transition for Lanfranchi due to the combination of the depletion of the Deacon Ore Reserve, the recent discovery of the high-grade Lower Schmitz mineralisation and the prevailing low US\$ nickel price. The FY2016 Operating Plan aims to maximise cash flow from the Deacon and Jury-Metcalf orebodies during the first half of the financial year while advancing the Lower Schmitz discovery towards production, potentially ramping up during the March 2016 quarter, subject to a Reserve being determined and a decision to mine (see Figure 1).

**Figure 1: FY2016 Lanfranchi Operating Plan**

Lanfranchi Nickel Mine FY2016 Production Plan			
September 2015 Quarter	December 2015 Quarter	March 2016 Quarter	June 2016 Quarter
Production from existing Reserves and completion of Lower Schmitz 9000DD. Commencement of Lower Schmitz decline and return airway	Lower Schmitz Resource drilling		
	Lower Schmitz Resource & Reserve		
	Lower Schmitz return airway and decline continues		
		Potential Lower Schmitz ramp up and production	

### Significant points to note:

- **December 2015 half year production guidance** - 2,500 to 3,000t Ni in ore.
- **Jury-Metcalf** - due to the prevailing low US\$ nickel price, capital development activities at Jury-Metcalf have been curtailed. The FY2016 Operating Plan includes a small portion of ore from Jury-Metcalf (~35kt) which is available from existing development. The Plan preserves the optionality of mining the remaining Jury-Metcalf Resource in a more favourable nickel price.
- **June 2016 half year production guidance** - production guidance from Lower Schmitz in FY2016 can be provided after the release of the Lower Schmitz maiden Reserve which is scheduled for December 2015.
- **Additional production** - could be possible during the December 2015 quarter, however this will require a significantly higher A\$ nickel price than the current spot price.
- **Lower Schmitz development** - development of the Lower Schmitz return airway will be continually assessed against the nickel price and the Lower Schmitz Resource drilling results.
- **Lower Schmitz production** - the commencement of production from Lower Schmitz is dependent on the successful delineation of a Lower Schmitz Resource and Reserve and subsequent Board approval to commence mining.
- **Employment levels** - an organisational restructure will be undertaken during the September 2015 quarter to transition to an operating model appropriate for pre-development of Lower Schmitz and production, should that eventuate. Options to minimise the impact on Lanfranchi employees are currently being explored and will be discussed with employees. These options may include: continued employment, transferring personnel to the Savannah project, utilising long service/annual leave, leave without pay and unfortunately redundancies.

The FY2016 Operating Plan will result in production from Deacon and Jury-Metcalf curtailing during the September 2015 quarter, coinciding with the completion of the Lower Schmitz 9000DD exploration drill drive. Resource drilling of Lower Schmitz will commence once the 9000DD is completed. It is anticipated that the maiden Lower Schmitz Resource and Reserve will be released towards the end of the December 2015 quarter.

To minimise the production gap between Deacon/Jury-Metcalf and Lower Schmitz, the FY2016 Operating Plan includes development of the Lower Schmitz return airway, to facilitate an early ramp up of production from Lower Schmitz, if appropriate. Production from Lower Schmitz remains contingent upon a Resource and Reserve being delineated and subsequent Board approval to commence mining.

## Lower Schmitz continues to shape up

### Background

In January 2015, the Company announced the discovery of mineralisation at Lower Schmitz, with three significant zones of high-grade nickel sulphide mineralisation being intersected in drill hole SMT373A. The discovery is located down-plunge of the high grade Schmitz orebody (refer to the Company's ASX announcements of 21 and 23 January 2015).

The Lower Schmitz discovery hole (SMT373A) was initially targeted at a large, 100m x 300m, open-ended electromagnetic (EM) anomaly. The anomaly was identified in late 2014, down plunge of the Schmitz orebody in drill hole SMT366 (refer to the Company's ASX announcement of 21 November 2014).

Based on the size and strength of the EM anomaly and the significance of the SMT373A intersections, development of an exploration drill drive ("the 9000DD") from the Deacon Decline to the Lower Schmitz position commenced during the March 2015 quarter, and is on track to be completed in September 2015. After commencing the 9000DD, the Company released a number of further high-grade drill results from the Lower Schmitz drilling (refer to the Company's ASX announcement of 20 April 2015, 20 May 2015 and 15 June 2015).

### Lower Schmitz Exploration Target

Since the initial Lower Schmitz discovery hole, the Company has completed eleven additional diamond drill holes from underground. High-grade, Schmitz style nickel sulphide mineralisation has now been intersected over a broad area. Commencing about 513,300mN at approximately -750mRL (a vertical depth of approximately 200m below the previously mined Schmitz orebody), the mineralised zone is up to 90m wide and extends down plunge (at approximately -35 degrees) to the south for at least 245m (Figure 2).

Based on the currently available information, the Company released an Exploration Target for Lower Schmitz in the range of 275,000 to 746,000 tonnes and a grade range of 5.0% to 6.0% Ni (Table 1 and Figure 3). For details and relevant disclosures for the Lower Schmitz Exploration Target, refer to the Company's ASX announcement of 6 July 2015.

**Table 1: Lower Schmitz Exploration Target and supporting assumptions**

Zone	Width of mineralisation	Plunge extent of mineralisation	Approximate average thickness of mineralisation	Assumed average density	Exploration target grade range %Ni		Exploration target tonnage range
	(metres)	(metres)	(metres)	(t/m <sup>3</sup> )	(Low – High)		(tonnes)
Zone A	90	245	3.6	3.50	5.0%	6.0%	275,000
Zone B	125	325	3.6	3.50	5.0%	6.0%	510,000
Zone c	125	475	3.6	3.50	5.0%	6.0%	746,000

**Cautionary / Clarifying Statement** – the Exploration Target reported here is not a Mineral Resource. The Exploration target reported uses information gained from a combination of actual drill results from underground drilling and supporting geophysical surveys. The level of exploration carried out to date is insufficient to define a Mineral Resource. The Exploration Target reported is conceptual in nature requiring further exploration. The planned exploration activities to further test Lower Schmitz are provided above. It remains uncertain if further exploration will result in the estimation of a Mineral Resource.

Drill results used to support the exploration target are summarised in Table 2 below. Relevant disclosures can also be found in the Company's ASX announcements of 21 January 2015, 23 January 2015, 20 April 2015, 20 May 2015, 15 June 2015 and 6 July 2015.

**Table 2 – Lower Schmitz drill results used to support the Exploration Target**

Hole	East (m)	North (m)	RL (m)	Dip (°)	Azi (°)	EOH (m)	From (m)	To (m)	Intercept	Cu (%)	Co (%)	SG g/cm <sup>3</sup>
SMT373A	391916.4	6513685.0	-800.0	-2.3	230.5	626.46	482.90	489.94	<b>7.04m @ 5.29 %</b>	0.39	0.11	3.53
							525.30	532.10	<b>6.80m @ 5.53 %</b>	0.44	0.10	3.53
							550.54	557.04	<b>6.50m @ 6.63 %</b>	0.36	0.12	3.71
SMT377A	391470.6	6513874.2	-442.3	-33.5	174.4	821.40	700.80	715.40	<b>14.60m @ 3.19 %</b>	0.10	0.05	3.18
SMT377B	391470.6	6513874.2	-442.3	-33.5	174.4	703.80	675.64	680.85	<b>5.21m @ 2.96 %</b>	0.26	0.06	3.22
SMT377C	391470.6	6513874.2	-442.3	-33.5	174.4	680.30	651.40	661.20	<b>9.80m @ 6.12 %</b>	0.33	0.11	3.52
SMT378	391451.4	6514040.6	-503.2	-29.4	170.6	715.89	678.98	689.70	<b>10.72m @ 6.15 %</b>	0.46	0.10	3.62
SMT378B	391451.4	6514040.6	-503.2	-29.4	170.6	827.70	668.95	675.89	<b>6.94m @ 7.64 %</b>	0.50	0.13	3.85
							754.84	766.07	<b>11.23m @ 7.58 %</b>	0.56	0.12	3.59
SMT378C	391451.4	6514040.6	-503.2	-29.4	170.6	654.05	641.12	644.70	<b>3.58m @ 4.44 %</b>	0.20	0.08	3.39
SMT378D	391451.4	6514040.6	-503.2	-29.4	170.6	722.70	684.69	701.20	<b>16.51m @ 4.87 %</b>	0.43	0.10	3.40
SMT378E	391451.4	6514040.6	-503.2	-29.4	170.6	719.70	685.42	693.62	<b>8.20m @ 6.69 %</b>	0.51	0.11	3.70
SMT379	391504.4	6514044.1	-467.1	-43.1	171.9	671.43	651.47	652.72	<b>1.25m @ 1.74 %</b>	0.13	0.03	3.02

## Commentary

FY2016 marks a year of transition for the Lanfranchi operations. The medium term future of Lanfranchi is now dependent on determining a maiden Resource and Reserve of the high-grade Lower Schmitz discovery, both of which are expected to be released during the December 2015 quarter. As the Company manages the transition from Deacon to the potential new production area at Lower Schmitz, a number of organisational changes will take place. The Company will explore all options to minimise the impact that these changes will have on our employees.

The Company remains positive on the outlook for Lanfranchi given the recently released Lower Schmitz Exploration Target of **275,000 to 746,000 tonnes and a grade range of 5.0% to 6.0% Ni. Lower Schmitz could provide an exciting opportunity for the Company to pursue a higher grade, higher margin business model at Lanfranchi.** In addition to Lower Schmitz, there are a number of exploration targets in and around Lower Schmitz and Deacon that will be followed up from the 9000DD.

While the current nickel price remains challenging, Company believes the medium term outlook and supply/demand fundamentals for nickel remain favourable with several forecasters predicting nickel prices well in excess of the current spot price over the next two years.

## About the Company

Panoramic Resources Limited (**ASX code: PAN**) is a Western Australian mining company formed in 2001 for the purpose of developing the Savannah Nickel Project in the East Kimberley. Panoramic successfully commissioned the \$65 million Savannah Project in late 2004 and then in 2005 purchased and restarted the Lanfranchi Nickel Project, near Kambalda. In FY2014, the Company produced a record 22,256t contained nickel and produced approximately 19,300t contained nickel in FY2015.

Following the successful development of the nickel projects, the Company diversified its resource base to include gold and platinum group metals (PGM). The Gold Division consists of the Gidgee Project located near Wiluna and the Mt Henry Project (70% interest), near Norseman. A Feasibility Study has been completed at Mt Henry. The PGM Division consists of the Pantou Project, located 60km south of the Savannah Project and the Thunder Bay North Project in Northern Ontario, Canada.

Panoramic has been a consistent dividend payer and has paid out a total of \$114.3 million in fully franked dividends since 2008. At 30 June 2015, Panoramic had \$54 million in cash, no bank debt and employed approximately 400 people.

The Company's vision is to broaden its exploration and production base, with the aim of becoming a major, diversified mining company in the S&P/ASX 100 Index. The growth path will include developing existing resources, discovering new ore bodies, acquiring additional projects and is being led by an experienced exploration-to-production team with a proven track record.

For further information contact:  
**Peter Harold, Managing Director**  
 +61 8 6266 8600

## Competent Person

The information in this release that relates to Exploration Targets and Exploration Results is based on information compiled by John Hicks. Mr Hicks is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a full-time employee and shareholder of Panoramic Resources Limited. Mr Hicks also holds performance rights in relation to Panoramic Resources Limited. Mr Hicks has sufficient experience that is relevant to the style of mineralisation and type of target/deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hicks consents to the inclusion in the release of the matters based on the information in the form and context in which it appears.

**Figure 2: Lower Schmitz drill results**

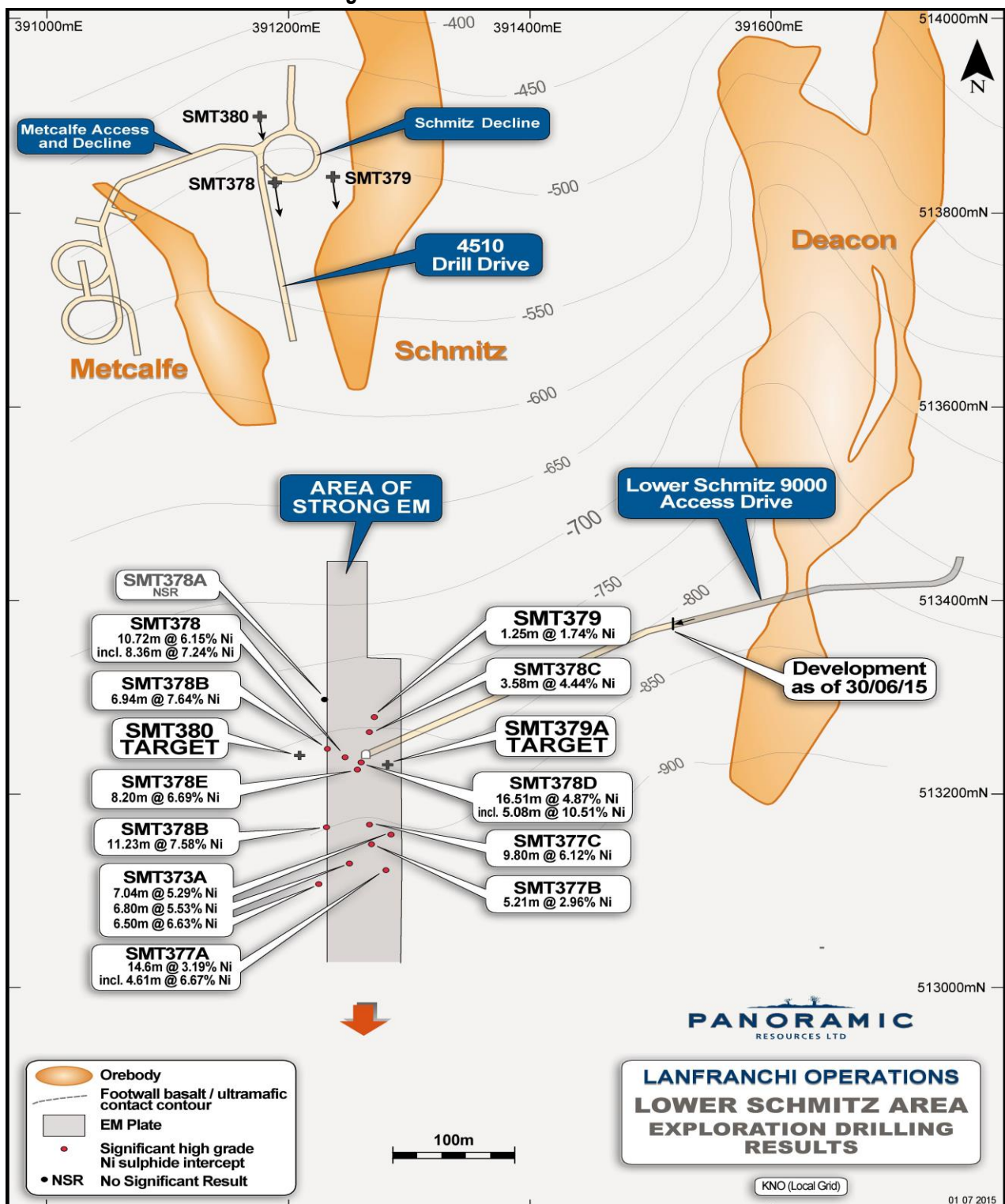


Figure 3: Lower Schmitz exploration target zones

