

FY2016 Full-Year Results

Key Points

- **Overview** – a difficult year for the Company due to the US\$ nickel price falling to a decade low and the decision to place both nickel operations on C&M to preserve the in-ground resources until the nickel price recovers
- **Net Revenue** - \$92.1 million, reflecting the sharp fall in the nickel price and Lanfranchi on C&M
- **Underlying EBITDA (Nickel Division)** - loss of \$10.8 million
- **Impairments** - Savannah (\$30.3 million), Lanfranchi (\$12.0 million) and Gum Creek (\$41.8 million)
- **Other asset write-downs** - \$8.5 million, being inventory (\$6.7 million) and exploration (\$1.9 million)
- **Reported net loss after tax** - \$144.4 million (second half-year net loss after tax of \$5.7 million)

Key Metrics

Description (Units in A\$ million unless otherwise stated)	FY2016	FY2015	FY2014
Group nickel production (dmt)	10,864t	19,301t	22,256t
Group nickel sales (dmt)	10,367t	19,547t	22,387t
A\$ average spot nickel price (LME)	A\$5.82/lb	A\$8.34/lb	A\$7.52/lb
Total net revenue	\$92.1	\$199.7	\$238.2
Cost of sales before depreciation and amortisation (D&A)	(\$102.9)	(\$167.0)	(\$164.9)
Underlying Nickel Division EBITDA	(\$10.8)	\$32.7	\$73.3
Depreciation and amortisation (D&A)	(\$50.7)	(\$62.1)	(\$59.7)
Profit/(loss) before tax, impairments and write-offs	(\$73.4)	(\$52.5)	\$2.0
Impairments, write-offs and write-backs before tax	(\$81.4) ¹	\$11.9	(\$13.1)
Income tax benefit	\$10.4	\$11.8	\$1.8
Reported net loss after tax	(\$144.4)	(\$28.8)	(\$9.3)
Cash inflow/(outflow) from operating activities before tax	(\$42.8)	\$43.5	\$54.0
Cash, term deposits, receivables and concentrate	\$28.7	\$66.6	\$102.7
Payable Nickel Cash Cost, including royalties (A\$/lb)	\$4.30 ²	\$6.02	\$5.41
C1 Cash Cost (Ni in concentrate) (A\$/lb) ³	\$2.61 ²	\$3.74	\$3.32
	30 June 2016	30 June 2015	30 June 2014
Current Assets	\$29.0	\$97.6	\$116.2
Non-Current Asset	\$111.6	\$231.6	\$257.4
Total Assets	\$140.6	\$329.2	\$373.6
Current Liabilities	\$7.6	\$46.9	\$43.0
Non-Current Liabilities	\$30.9	\$42.4	\$54.5
Total Liabilities	\$38.5	\$89.3	\$97.5
Net Assets	\$102.2	\$239.9	\$276.1

¹ non-cash impairment/write-offs at (1) Savannah Project for \$30.3 million before tax; (2) the Lanfranchi Project for \$7.3 million before tax (an additional \$4.7 million before tax was also recognised in the asset revaluation reserve); (3) the Gum Creek Project for \$41.8 million before tax; and \$1.9 million for exploration

² FY2016 nickel cash costs are for the Savannah Project only. Cash costs exclude redundancy and site clean-up costs

³ excluding smelter payability deductions and royalties

Commentary

Overview

FY2016 was a watershed year for the Company. The combination of the Deacon orebody coming to an end after producing over **2.5Mt ore containing 58,500t contained nickel over eight years of continuous production**, the US\$ nickel price reaching a decade low in February this year and the decision to place both nickel operation onto care and maintenance resulted in significant negative quotational period adjustments, one-off redundancy costs and asset impairments all of which combined to significantly impact on the FY2016 full-year result.

On the positive side, **Savannah achieved a record production year of 9,316t Ni, 6,011t Cu and 476t Co** which is a great credit to the team at Savannah, most of whom were subsequently made redundant. The Company wishes to thank all Panoramic Group employees who have left for their efforts over the past year. The Company is now well placed to ride out this low nickel price environment, with efforts now focused on planning to restart the operations under a lower cost regime when the nickel price recovers to more sustainable levels.

Underlying Earnings

The Nickel Division reported an underlying loss before interest, tax, depreciation and amortisation (EBITDA loss) of \$10.8 million for FY2016. **On a stand-alone basis, the EBITDA margin (before redundancy costs) at Savannah was \$10.2 million.**

The reduction in net revenue to \$92.1 million reflected both the earlier than planned curtailment of production at Lanfranchi and the fall in the realised nickel price, especially in the first half of the financial year. The weakening US\$ nickel price (*Figure 1*) impacted sales revenue and also resulted in negative final quotational pricing adjustments (ie. refunds to customers) of \$11.8 million under the terms of the relevant sales contracts.

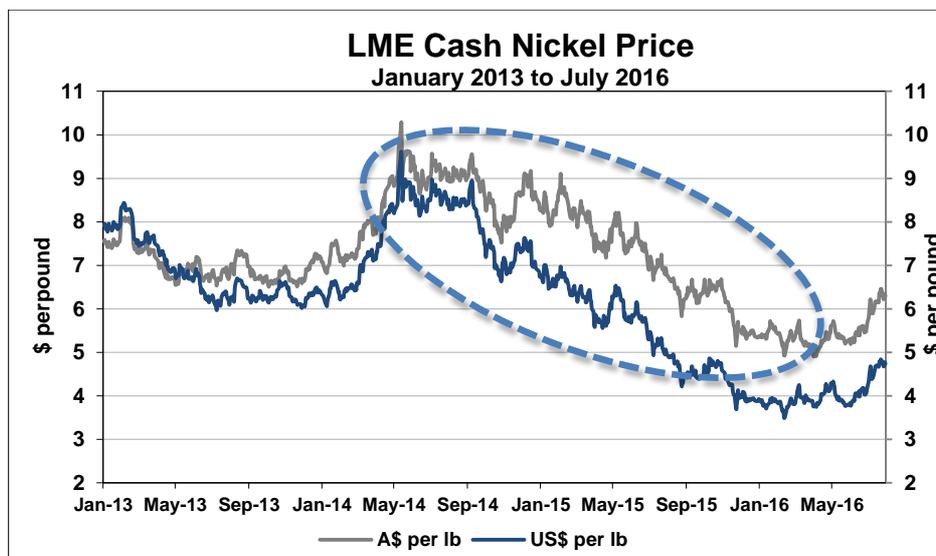


Figure 1

Cost of sales before depreciation and amortisation of \$102.9 million was 38% lower than the previous year due to the 44% reduction in Group production. This was offset by employee redundancy and associated leave entitlement payments of \$16.5 million across the Nickel Division as a result of the Lanfranchi moving onto full care and maintenance in November 2015 and the transition onto care and maintenance at the Savannah during the second half of the financial year.

The net loss after tax of \$144.4 million comprised of **\$138.7 million in the first half-year** after booking the impairment losses and write-offs and **\$5.7 million in the second half-year.**

Impairment Losses

The Company undertook a major review of the recoverable values of the Group's nickel and gold assets at 31 December 2015 and again at 30 June. The following net non-cash impairment losses totaling \$84.1 million were booked which had a significant impact on the FY2016 full-year result:

- Nickel Division – in response to the sharp fall in the US\$ nickel price from August 2015 and the uncertainty around the timing of a price recovery, impairment charges of \$30.3 million and \$12.0 million were made against the asset carrying values of the Savannah and Lanfranchi respectively. Of the total impairment loss of \$42.3 million in the Nickel Division, \$37.6 million was recognised in the consolidated income statement; and
- Gum Creek Gold Project – an impairment charge of \$41.8 million was made against the carrying values of the Gum Creek Gold assets at 31 December 2015.

Other Items

The following items also impacted on the December 2015 half-year result:

- Other asset write-downs – the provision for inventory obsolescence against the carrying value of warehouse spares was increased by \$6.7 million and previously capitalised exploration expenditure of \$1.9 million was written-off; and
- Net Deferred Tax Asset – the Company’s net deferred tax asset position of \$35.8 million was taken off balance sheet due to the uncertain outlook in the nickel price.

Cash Flow

Net cash from operating activities saw an outflow of \$42.8 million after working capital movements, corporate costs and greenfields exploration. The net cash drawdown was due to a combination of:

- the reduction in sales revenue due to the lower received US\$ nickel price and the significant drop in production at Lanfranchi as a result of the decision to immediately stop mining the Deacon orebody due to seismic activity; and
- the working capital requirements (creditors, contractor and equipment termination costs, inventory management costs) to put Lanfranchi and Savannah onto care and maintenance, together with employee termination and redundancy costs incurred across the Group (including Perth Office).

Net cash from investing activities was a positive inflow of \$1.7 million after \$17.8 million in proceeds from the sale of Metals X Limited (“Metals X”) shares. As announced in July 2015, The Company received 15.225 million shares in Metals X (after brokerage) in consideration for the sale of its 70% interest in the Mt Henry Gold Project to Metals X.

At 30 June 2016, the Company had liquid assets of \$27.9 million, comprising \$19.4 million in available cash, \$8.4 million of nickel in concentrate which was ready for shipment at 30 June (shipped on 5 July) and \$0.8 million in other receivables. Cash on hand excludes the \$1.8 million cash-backed against the drawn amount on the Company’s performance bond facility.

Aggregate movements in the Company’s cash balance over FY2016 are shown in Figure 2.

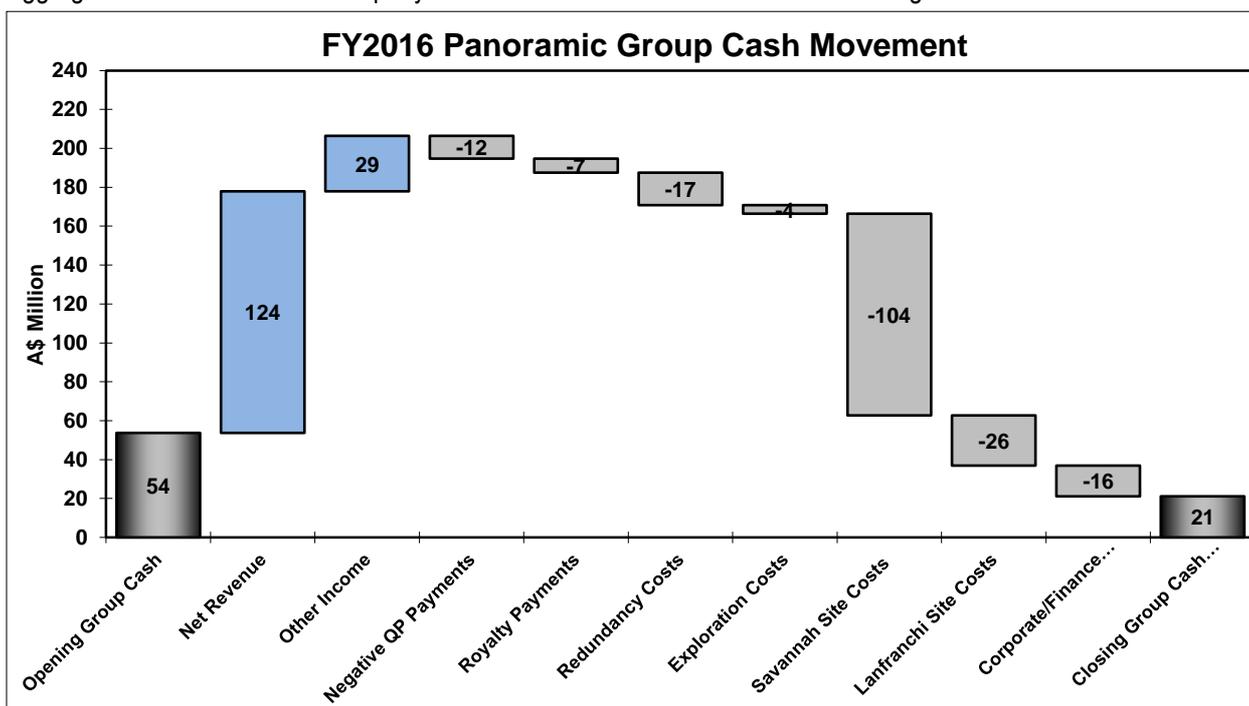


Figure 2

Note: Closing cash at bank excludes \$1.8 million cash-backed against the Company’s performance bond facility.

Nickel Production

On a Group basis, 10,864 tonnes of nickel contained in concentrate/ore was produced for the full year (Figure 2): The result was significantly impacted by the curtailment of production at Lanfranchi in August 2015.

Savannah Nickel Project (including the Copernicus Nickel Project) – consecutive record production year

Physicals		FY2016	FY2015
<i>(i) Produced</i>			
Ore Treated	(t)	870,542	854,794
Nickel Grade	(%)	1.32	1.18
Recovery	(%)	85.8	86.4
Nickel in Concentrate	(t)	9,845	8,726
<i>(ii) Sold</i>			
Nickel in Concentrate	(t)	9,316	8,936

Savannah also produced 6,011 (2015: 5,314) tonnes of copper and 476 (2015: 443) tonnes of cobalt. Contained nickel in concentrate was 13% higher than the previous year, resulting in a second consecutive annual production record at Savannah. Due to the low nickel price, the operation moved onto care and maintenance in May 2016.

Lanfranchi Nickel Project

Physicals		FY2016	FY2015
<i>(i) Produced</i>			
Ore Mined	(t)	43,692	468,491
Nickel Grade	(%)	2.33	2.26
Nickel in Ore	(t)	1,019	10,575
<i>(ii) Sold</i>			
Nickel in Ore	(t)	1,051	10,611

Lanfranchi also produced 82 (2015: 846) tonnes of copper. Production was significantly lower than FY2015 after underground seismic activity in the vicinity of the Deacon orebody halted production in August 2015. Further weakness in the nickel price resulted in the operation moving onto full care and maintenance in November 2015.

Production History

Figure 3 shows the nickel production history since the Company commenced operations at Savannah in August 2004 and then at Lanfranchi in September 2005.

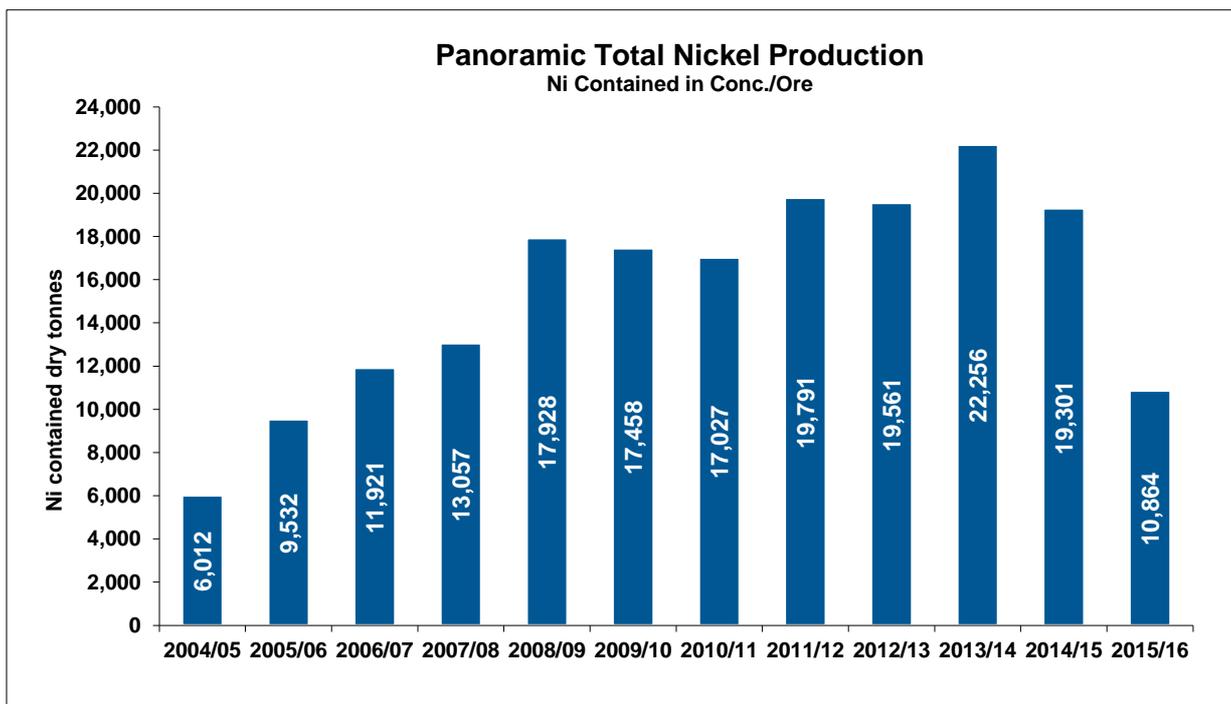


Figure 3

Company Update

Gum Creek Gold Project

To fast track exploration and development studies at the Gum Creek Gold Project, the Company has commenced a process to partially divest the project by way of an initial public offering (IPO) on the ASX. As at the date of this release, the indicative structure is to vend the Gum Creek Gold Project into a new listed entity for a consideration to the Company of \$15.6 million before costs in shares and to concurrently raise \$15 million of new equity via a priority entitlement to the Company's existing shareholders as part of the compliance listing of the new entity. The Company is working towards having the prospectus finalised in September with the listing completed early in the December 2016 quarter.

While it is the Company's intention to proceed with the IPO, there is no guarantee that this will occur and the success of the IPO is dependent on the prevailing market conditions.

Major Upgrade to Savannah North Resource

On 24 August 2016, the Company announced a major upgrade to the Savannah North Resource. The 2016 upgraded Savannah North Resource estimate is **10.27 million tonnes at 1.70% Ni for 175,100t contained Ni** (refer to the Company's announcement of 24 August 2016 for drill-hole details, Competent Person Statement and 2012 JORC Tables). Importantly, 73% of the total contained nickel at Savannah North is classified as Indicated Resource.

The combined Savannah and Savannah North Resources now contain **226,400t Ni, 104,700t Cu and 15,300t Co** equivalent to **approximately 3.5 times more nickel than the original 2003 Savannah Resource**. The production to-date, the current reported Resources and the exploration potential highlight that Savannah remains a significant mineralised system.

Further surface drilling programs to test extensions to the Upper Zone mineralisation of the Savannah North Resource are due to commence in September 2016.

Savannah Restart Case Feasibility Study

The upgraded Savannah North Resource is an integral component of the Feasibility Study for a restart of the Savannah operation, based on the combined Savannah and Savannah North Resources. The combined Resource model has been handed over to Panoramic's internal mining engineering team to undertake design and scheduling work. **The study is scheduled for completion in December 2016.**

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 19,301t contained nickel in FY2015. The Lanfranchi and Savannah Projects were placed on care and maintenance in November 2015 and May 2016 respectively.

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 Gum Creek Gold Project located near Wiluna which the Company plans to partially spin out via an initial public offer (IPO) early in the December 2016 quarter. The PGM Division consists of the Panton Project, located 60km south of the Savannah Project and the Thunder Bay North Project in Northern Ontario, Canada, in which Rio Tinto is earning 70% by spending up to C\$20 million over five years.

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 2016, Panoramic had \$29 million in liquid assets and no bank debt.

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Appendix A

Summary of FY2016 Full-Year Results

Description (Units in A\$ million unless otherwise stated)	FY2016	FY2015	FY2014
Financials			
A\$ average spot nickel price ¹	A\$5.84/lb	A\$8.34/lb	A\$7.52/lb
Total net revenue ²	\$92.1	\$199.7	\$238.2
Cost of sales before depreciation and amortisation	(\$102.9)	(\$167.0)	(\$164.9)
<i>Underlying Nickel Division EBITDA</i>	(\$10.8)	\$32.7	\$73.3
Depreciation and amortisation	(\$50.7)	(\$62.1)	(\$59.7)
Exploration and evaluation	(\$2.4)	(\$12.9)	(\$3.2)
Other net costs including corporate costs	(\$9.5)	(\$12.2)	(\$8.4)
<i>Profit/(loss) before tax, impairments and write-offs</i>	(\$73.4)	(\$52.5)	\$2.0
Impairments / write-backs before tax	(\$79.5)	\$11.9	(\$13.1)
Capitalised exploration and evaluation written-off	(\$1.9)	-	-
<i>Profit/(loss) before tax</i>	(\$154.8)	(\$40.6)	(\$11.1)
Tax benefit	\$10.4	\$11.8	\$1.8
<i>Reported net loss after tax</i>	(\$144.4)	(\$28.8)	(\$9.3)
Dividends (cents/share)	-	1.0c	2.0c
EPS (cents/share)	(42.7c)	(9.0c)	(3.1c)
Cash Flow			
Cash flow from operating activities before tax	(\$42.8)	\$43.5	\$54.0
Payments for property, plant, and equipment	(\$1.9)	(\$7.2)	(\$4.1)
Capitalised development costs	(\$7.5)	(\$19.8)	(\$13.5)
Exploration and evaluation expenditure (capital component)	(\$5.6)	(\$15.1)	(\$8.1)
Proceeds from sale of financial assets	\$17.8	\$0.7	-
New equity, net of costs	10.1	-	\$15.1
Dividends paid to shareholders	-	(\$9.7)	-
Cash, term deposits, receivables and concentrate	\$28.7³	\$66.6 ³	\$102.7
Physicals			
Group nickel production (dmt)	10,864t	19,301t	22,256t
Group nickel sales (dmt)	10,367t	19,547t	22,387t

¹ LME US\$ nickel daily cash price converted to A\$ using the daily RBA US\$:A\$ Settlement Rate

² net of by-product credits, interest income, smelter/ concentrate treatment charges and profit/(losses) on commodity/foreign exchange hedges

³ comprising cash and term deposits (\$19.4M), receivables (\$0.8M) and concentrate (\$8.5M). At 30 June 2015: cash and term deposits (\$54.1M), receivables (\$11.2M) and concentrate (\$1.3M)