# News Release

26 February 2016

PANORAMIC RESOURCES LTD

VISION | COMMITMENT | RESULTS

ASX:PAN

# December 2015 Half Year Results

## Key Points

- Net Revenue of $50.4 million, reflecting the sharp fall in the nickel price and suspension of production at Lanfranchi
- Cash outflow from operating activities of $32.2 million after corporate costs and greenfield exploration
- Underlying Nickel Division EBITDA loss of $16.8 million, down 177% on the previous corresponding half-year
- Impairment losses of $89.3 million (*$84.6 million expensed*) - Savannah ($32.0 million), Lanfranchi ($15.5 million) and Gidgee ($41.8 million)
- Other asset write-downs of $6.6 million – inventory ($4.7 million) and exploration ($1.9 million)
- Reported net loss after tax of $138.7 million – net deferred tax asset not recognised
- Net current assets of $29.1 million, down 43% from 30 June 2015

## Key Metrics

| Description (Units in A$ million unless otherwise stated) | Dec Half 2015 | Dec Half 2014 | Dec Half 2013 |
|---|---|---|---|
| Group nickel production (dmt) | **6,045t** | 10,003t | 10,803t |
| Group nickel sales (dmt) | **5,799t** | 10,050t | 10,740t |
| A$ average spot nickel price | **$6.27/lb** | $8.74/lb | $6.84/lb |
| Total net revenue | **$50.4** | $105.9 | $98.5 |
| Cost of sales before depreciation and amortisation (D&A) | **($67.2)** | ($84.2) | ($80.5) |
| ***Underlying Nickel Division EBITDA*** | **($16.8)** | **$21.7** | **$18.0** |
| Depreciation and amortisation (D&A) | **($36.9)** | ($30.4) | ($29.3) |
| Loss before tax and impairment | **($62.0)** | ($20.5) | ($17.8) |
| Impairment loss before tax | **($84.6)**[1] | $14.4 | ($13.1) |
| Income tax benefit/(expense) | **$9.8** | $1.3 | $7.6 |
| ***Reported net loss after tax*** | **($138.7)** | **($4.8)** | **($23.3)** |
| Cash inflow/(outflow) from operating activities before tax | **($32.2)** | $27.1 | $12.6 |
| Cash inflow/(outflow) from investing activities | **$5.2** | ($20.7) | ($13.6) |
| Cash and cash equivalents | **$24.9** | $61.8 | $34.4 |
| Payable Nickel Cash Cost, including royalties (A$/lb) | **$5.52** | $5.89 | $5.47 |
| C1 Cash Cost (Ni in concentrate)[2] (A$/lb) | **$3.43** | $3.66 | $3.38 |
| | **31 Dec 2015** | **30 June 2015** | **30 June 2014** |
| Current Assets | **$55.5** | $97.6 | $116.2 |
| Non-Current Asset | **$109.6** | $231.6 | $257.4 |
| ***Total Assets*** | **$165.1** | $329.2 | $373.6 |
| Current Liabilities | **$26.4** | $46.9 | $43.0 |
| Non-Current Liabilities | **$42.8** | $42.4 | $54.5 |
| ***Total Liabilities*** | **$69.2** | $89.3 | $97.5 |
| ***Net Assets*** | **$95.9** | $239.9 | $276.1 |

[1] non-cash impairment losses at (1); Savannah Project for $32.0 million before tax; (2) the Lanfranchi Project for $10.8 million before tax (an additional $4.7 million before tax was also recognised in the asset revaluation reserve); and (3) the Gidgee Project for $41.8 million before tax

[2] excluding smelter payability deductions and royalties

# Commentary

## Underlying Earnings

The Nickel Division reported an underlying earnings loss before interest, tax, depreciation and amortisation (EBITDA loss) of $16.8 million for the first half of FY2016, down 177% over the previous corresponding half-year. On a stand-alone basis, the EBITDA margin (before redundancy costs) at the Savannah Project was $1.0 million.

The reduction in net revenue to $50.4 million reflected both the suspension, in August 2015, of production at the Lanfranchi Project and the sharp drop in realised nickel prices. The weakening US$ nickel price (*Figure 1*) impacted sales revenue and resulted in negative final quotational pricing (QP) adjustments of $9.7 million required under the terms of the sales contracts.

Cost of sales before depreciation and amortisation of $67.2 million was 20% lower than the previous half-year due to the 40% reduction in Group production, but offset by employee termination and redundancy costs of $8.6 million incurred as a result of the Lanfranchi Project being put onto care and maintenance in November 2015.


*Figure 1*

## Impairment Losses

As flagged in the Company's December 2015 quarterly report, the Company has undertaken a review of the recoverable values of the Group's nickel and gold assets at 31 December 2015. The following non-cash impairment losses totaling $89.3 million were booked which had a significant impact on the December 2015 half-year result:

- *Nickel Division* – in response to the sharp fall in the US$ nickel price since August 2015 and the uncertainty around the timing of a price recovery, impairment charges of $32.0 million and $15.5 million were made against the asset carrying values of the Savannah and Lanfranchi projects respectively. Of the total impairment loss of $47.5 million in the Nickel Division, $42.8 million was recognised in the consolidated income statement; and
- *Gidgee Gold Project* – an impairment charge of $41.8 million was made against the carrying values of the Gidgee Project assets. For reporting purposes at 31 December 2015, the assets and liabilities of the project were re-classified as being held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

## 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 $4.7 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 $34.9 million was taken off balance sheet due to the current weakness and uncertain outlook in the nickel price.

## Cash Flow

Net cash from operating activities saw an outflow of $32.2 million after working capital movements, corporate costs and greenfield exploration. The net cash drawdown was due to a combination of:

- the reduction in sales revenue due to the lower US$ nickel price and the significant drop in production at Lanfranchi as a result of the decision not to mine remaining ore at the Deacon orebody due to the risks of further seismic activity; and
- the working capital requirements (creditors, contractor and equipment termination costs, inventory management costs) to put the Lanfranchi Project onto immediate care and maintenance, together with employee redundancy costs.

Net cash from investing activities was a positive inflow of $5.2 million after $15.7 million in proceeds from the sale of Metals X Limited ("Metals X") shares. As announced on 31 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 31 December 2015, the Company had liquid assets of $27.9 million, comprising $24.9 million in cash, $0.4 million in trade receivables and $2.6 million of other receivables.

Aggregate movements in the Company's cash balance over the half-year are shown in Figure 2.

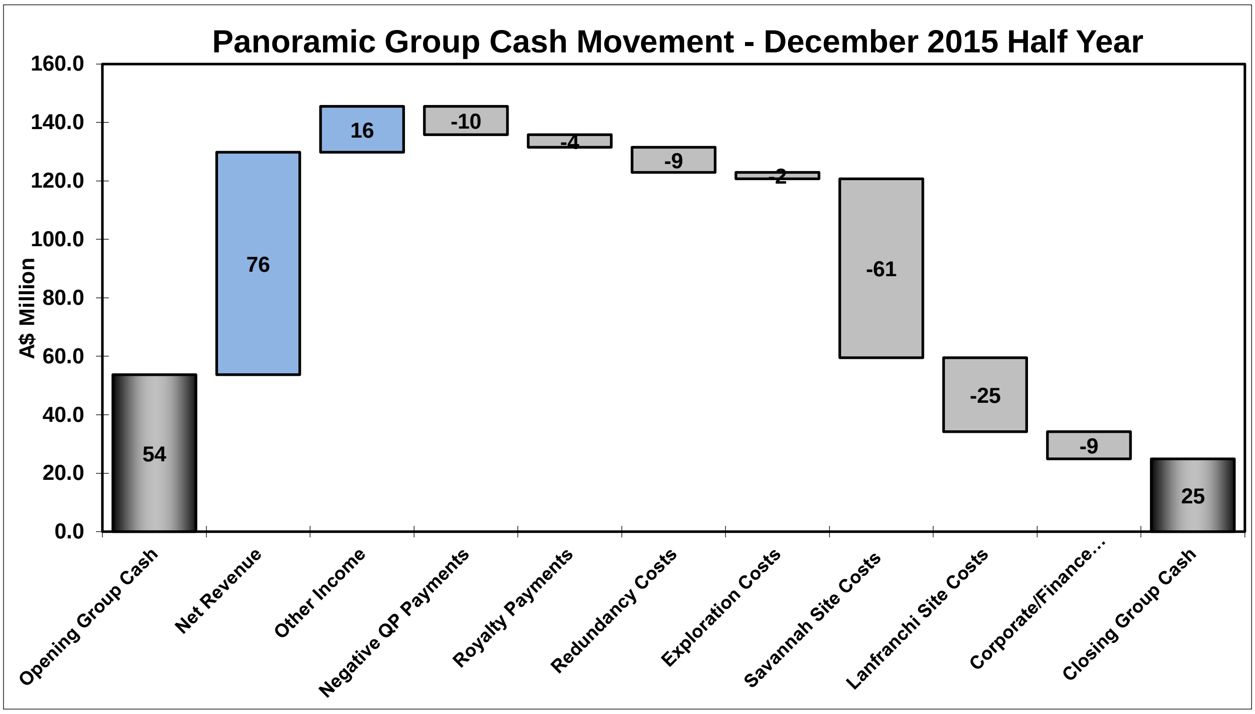


*Figure 2*

### Nickel Production

For the December 2015 half-year, the Savannah Project (including the contribution from the Copernicus Project) produced 71,308 dry metric tonnes of concentrate at an average nickel grade of 7.05% containing 5,026 tonnes of nickel, compared to the December 2014 half-year production of 56,428 dry metric tonnes of concentrate at an average grade of 7.30% containing 4,119 tonnes of nickel in concentrate. On 27 January 2016, the Company announced that the project is to be placed onto care and maintenance during the June 2016 quarter.

The Lanfranchi Project produced 43,692 dry metric tonnes of ore at an average nickel grade of 2.33% containing 1,019 tonnes of nickel, compared to the December 2014 half-year production of 256,709 dry metric tonnes of ore at an average nickel grade of 2.29% containing 5,884 tonnes of nickel. As a result of underground seismic activity in the vicinity of the Deacon orebody and the continuing weakness in the US$ nickel price, production from the Lanfranchi Project ceased in August 2015. In November 2015, the Lanfranchi Nickel Project was placed onto care and maintenance after the completion of an infill Resource drilling program on the Lower Schmitz orebody.

On a Group basis, the Nickel Division produced 6,045 dry metric tonnes of nickel in concentrate/ore, which was 40% down on the previous half-year of 10,003 dry metric tonnes of nickel in concentrate/ore.

## Company Update

The Company has earlier today released an update on (1) operations at Savannah; (2) the upcoming drill programs at Savannah North and; (3) the renewed focus on Gidgee (*refer to the Company's ASX announcement of 26 February 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.

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. 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% in the project 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 31 December 2015, Panoramic had $25 million in cash and no bank debt.

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.

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## Appendix A

### Summary of December 2015 Half-Year Results

| Description<br>(Units in A$ million unless otherwise stated) | Dec Half 2015 | Dec Half 2014 | Dec Half 2013 |
|---|---|---|---|
| **Financials** | | | |
| A$ average spot nickel price[1] | **$6.27/lb** | $8.74/lb | $6.84/lb |
| Total net revenue[2] | **$50.4** | $105.9 | $98.5 |
| Cost of sales before depreciation and amortisation | **($67.2)** | ($84.2) | ($80.5) |
| *Underlying Nickel Division EBITDA* | **($16.8)** | $21.7 | $18.0 |
| Depreciation and amortisation | **($36.9)** | ($30.4) | ($29.3) |
| Exploration and evaluation | **($2.2)** | ($5.0) | ($1.2) |
| Other net costs including corporate costs | **($6.1)** | ($6.8) | ($5.3) |
| *Profit/(loss) before tax and impairments/write-offs* | **($62.0)** | ($20.5) | ($17.8) |
| Impairment losses before tax | **($84.6)** | $14.4 | ($13.1) |
| Capitalised exploration and evaluation written-off | **($1.9)** | - | - |
| *Profit/(loss) before tax* | **($148.5)** | ($6.1) | ($30.9) |
| Tax benefit | **$9.8** | $1.3 | $7.6 |
| *Reported net loss after tax* | **($138.7)** | ($4.8) | ($23.3) |
| EPS (cents/share) | **(43.2c)** | (1.5c) | (8.3c) |
| **Cash Flow** | | | |
| Cash flow from operating activities before tax | **($32.2)** | $27.1 | $12.6 |
| Payments for property, plant, and equipment | **($1.8)** | ($8.3) | ($3.0) |
| Capitalised development costs | **($5.8)** | ($8.7) | ($8.4) |
| Exploration and evaluation expenditure (capital component) | **($3.3)** | ($5.7) | ($2.5) |
| Proceeds from sale of financial assets | **$15.7** | - | - |
| New equity, net of costs | **-** | - | $14.4 |
| Cash, term deposits and current receivables | **$27.9[3]** | $79.8[3] | $54.6 |
| **Physicals** | | | |
| Group nickel production (dmt) | **6,045t** | 10,003t | 10,803t |
| Group nickel sales (dmt) | **5,799t** | 10,050t | 10,740t |

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 ($24.9M), trade receivables ($0.4M) and other current receivables ($2.6M). At 31 December 2014: cash and term deposits ($61.8M), trade receivables ($14.0M) and other current receivables ($4.0M)