



## 2016 AGM Chairman's Address

Welcome to the fifteenth Annual General Meeting of your Company.

The second half of 2015 and the first half of 2016 was a particularly difficult time for Panoramic and indeed the global nickel industry. Slowing economic growth rates in China, weak nickel demand and a slow, and in many cases no response by nickel producers to curtail production, resulted in increased nickel stocks and a very weak nickel price.

After commencing a retreat in mid-2105, the nickel price fell to around US\$3.50 per pound in February 2016, a level not seen since 2003, and a level at which it was estimated some 60% of the world's producers were operating at, or below, cash break-even. This rapid and deep fall surprised us, the rest of the global nickel industry and the world's leading commodity forecasters.

In the last quarter of 2015, with the nickel price continuing to fall and following a seismic event at Lanfranchi, it was decided to cease production from Deacon and not mine the lower grade Jury-Metcalf orebody. We completed the decline access to a position where we could drill out the Lower Schmitz high grade zone to Resource category before placing the mine on care and maintenance in October 2015. We then assessed the impact of a period of lower than anticipated nickel prices on our Savannah operation and decided in early 2016 to place Savannah onto care and maintenance to preserve shareholder value. The financial impact of these decisions was significant, resulting in a substantial loss being booked in FY2016 due to a combination of reduced sales revenue, negative QP adjustments, accelerated creditor payments, employee redundancy costs and asset write-downs.

Following the decision to place both operations on care and maintenance we undertook a one for three rights issue in April 2016 to provide working capital during a period of no production. The rights issue was well supported by existing shareholders who took up ~75% of the issue, with our major shareholder, Zeta Resources, who had underwritten the offer, taking up the balance. Unfortunately, some 350 employees were made redundant with the closure of the mines. We have, however, retained key management with the necessary operating skills and experience to sustain the core business, complete feasibility work and continue exploration, while holding our two nickel mining assets on care and maintenance.

Despite the suspension of our mining operations, many of the goals we had set ourselves for the 2016 financial year were achieved, namely:

FY2016 Goals	Performance
Safety – No Lost Time Injuries	✓ Lost Time Injury Frequency rate dropped to zero in the March 2016 quarter
Resources – add 150,000 tonnes of nickel	✓ Savannah North Resource now contains 175,100 tonnes nickel, 74,400 tonnes copper and 12,700 tonnes cobalt ✓ Maiden Resource Lower Schmitz of 6,700 tonnes nickel
Costs – continue to reduce costs across the business	✓ Payable cash costs reduced at Savannah ✓ Executive salaries reduced by 10%, directors fees by 35%
Gold – monetise our gold assets	✓ Mt Henry sold for 15.225 million shares in Metals X and realised net proceeds of \$17.8 million on the sale of these shares ✓ Decision to IPO the Gum Creek Gold Project and prospectus lodged
PGM – advance our two projects	✓ Rio continued to explore at Thunder Bay North ✓ Improved metallurgical recoveries and concentrate grades from Panton testwork
Growth – increase our nickel reserves	✓ Positive Scoping Study on Savannah North released in January 2016 suggests that the Project could have a +8 year mine life

Since June 2016, the nickel price has made a strong recovery back to US\$5 per pound, in part due to the new government of the Philippines audit of the country's mining industry, resulting in the suspension of production from approximately 10% of their nickel laterite mines. In addition, LME stockpiles which were at historic highs of 470,000 tonnes, or three months' of world consumption, have fallen to around 370,000 tonnes, while demand for 300 series stainless steel which contains approximately 8% nickel has also risen strongly. These are all seen as positive developments as stronger demand together with the continued reduction in LME and other reported global stocks are the catalysts needed for a sustained nickel price recovery. The result of the recent US Presidential election appears to have triggered an interesting new confidence in the US that could lead to renewed commitment to update and replace aging US infrastructure across both private and public assets. There have been strong price increases in bulk commodities including iron ore and coal, as well as the bellwether industrial commodity – copper and all the other base metals. In short, there is light at the end of the tunnel.

And now for the future....there are better times ahead for Panoramic.

Despite the suspension of operations at the Savannah mine, drilling and feasibility work on the Savannah North project has continued. The updated Savannah plus Savannah North Resource as at 31 August 2016 is fantastic - 226,000 tonnes of nickel, 104,700 tonnes of copper, and 15,300 tonnes of cobalt, placing Savannah among the best endowed sulphide nickel projects in the country. The results of the soon to be completed feasibility study will define the A\$ nickel price that will support restarting the Savannah mine and the development of Savannah North. Reducing the major cost inputs of energy, personnel, logistics and consumables, as well as increasing productivity are seen as significant opportunities at Savannah. The Concentrate Sales Agreement with Jinchuan for Savannah concentrate remains in place until early 2020. Discussions regarding offtake arrangements for Savannah North concentrate post 2020 will commence shortly.

The strategy for the future of your Company remains as previously expressed:

- restart Savannah and develop Savannah North;
- extend our operating presence in the Kimberley, with the potential to develop our Panton PGM project utilising the Savannah infrastructure;
- study other resources located close to Savannah which may be economic to develop using the Savannah facilities and potentially create a "Kimberley Hub" for the production of base metals and PGMs;
- study the options for Lanfranchi – restart operations, additional exploration, other;
- monetise our Gum Creek asset via the successful IPO of Horizon Gold; and
- continue to grow our resource and reserve base through exploration success and/or strategic acquisitions.

Since the end of the financial year, the Company has prepared the Prospectus and documentation to support the IPO of our Gum Creek gold assets as Horizon Gold Limited, seeking to raise \$15 million before costs from a fully underwritten issue at \$0.40 per share. Panoramic shareholders were eligible for a pro-rata entitlement of Horizon shares before the public allocation, and Panoramic will retain a 51% interest in Horizon Gold. Once listed, technical and management services will be provided to Horizon Gold by Panoramic management.

Having experienced a tough 24 months of deteriorating metal prices, together with poor business confidence not helped by uncertain government policies globally, and less than consistent local political leadership, the recent resurgence in metal prices is encouraging and bodes well for the future of Panoramic.

Peter Harold and his management group have had to make some difficult and stressful decisions this year. Losing long-serving colleagues and suspending operating activities has been a necessary process in the tough nickel market. On your behalf, I thank them for securing our assets and placing Panoramic in a sound position to benefit from an eventual metal price recovery. I also thank our employees for their dedication and hard work and send best wishes to those that have left us.

**Brian Phillips**  
Chairman

## 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, and the Company has commenced to partially spin out the Project via an initial public offer (IPO) of a new listed entity, Horizon Gold Limited (proposed ASX Code: HRN). 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 September 2016, Panoramic had \$20 million in liquid assets 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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