

December 2018 Half Year Results

Key Points

- **Operations** – decision made to re-start Savannah in July and milling commenced in December
- **Cash flow from operating activities** - \$3.3 million outflow for Savannah site maintenance costs (after consolidating \$0.8 million of costs incurred at the Gum Creek Project) and corporate costs
- **Cash flow from investing activities** - \$22.4 million net outflow including Savannah pre-production costs (\$31.7 million), Group exploration and evaluation costs (\$4.1 million) and net Lanfranchi sale proceeds (\$13.2 million)
- **Reported net profit after tax** - \$21.6 million (including \$0.8 million loss by Horizon Gold Limited)
- **Net current assets** - \$27.2 million
- **Net assets** - \$121.3 million
- **Hedge Book** - \$19.8 million “in-the-money”

Key Metrics

Description (Units in A\$ million unless otherwise stated)	Dec Half 2018	Dec Half 2017	Dec Half 2016
Group nickel sales (dmt)	-	-	886t
A\$ average spot nickel price	n/a	n/a	\$5.57/lb
Total net revenue (nickel division)	\$0.2	\$0.3	\$8.2
Cost of sales before depreciation and amortisation (D&A)	-	-	(\$8.7)
Underlying Nickel Division EBITDA	\$0.2	\$0.3	(\$0.5)
Depreciation and amortisation (D&A)	(\$0.5)	(\$0.3)	(\$0.4)
Care and maintenance costs	(\$0.7)	(\$3.5)	(\$5.8)
Loss before tax and impairment	(\$3.5)	(\$5.3)	(\$9.9)
Impairment reversal/(losses) before tax	\$19.2	-	\$9.2
Income tax benefit/(expense)	\$5.9	-	-
Reported net profit (loss) after tax	\$21.6	(\$5.3)	(\$0.7)
Cash inflow/(outflow) from operating activities before tax	(\$3.3)	(\$5.3)	(\$4.1)
Cash inflow/(outflow) from investing activities	(\$22.4)	(\$2.6)	(\$2.0)
Cash and cash equivalents (<i>Consolidated Group</i>)	\$22.1^{1 2}	\$12.3 ^{1 2}	\$27.0
Cash and cash equivalents (<i>Panoramic Group only</i>)	\$17.9²	\$3.9 ²	\$13.4
	31 Dec 2018	31 Dec 2017	30 June 2017
Current Assets	\$49.9	\$12.9	\$21.4
Non-Current Asset	\$168.3	\$128.5	\$124.8
Total Assets	\$218.2	\$141.4	\$146.2
Current Liabilities	\$22.7	\$3.3	\$4.3
Non-Current Liabilities	\$74.2	\$29.5	\$29.8
Total Liabilities	\$96.9	\$32.8	\$34.1
Net Assets	\$121.3	\$108.6	\$112.1

¹ includes Horizon Gold's 31 December 2018 cash balance of \$4.1 million (31 December 2017: 8.4 million)

² excludes the restricted \$1.3 million cash-backing the drawn amount on the Company's performance bond facility (treated as a non-current asset)

Commentary

Reported net profit after tax

The Company reported a net profit after tax of \$21.6 million for the first half of FY2019, up on the previous corresponding half-year net loss of \$5.3 million. The principal reason for the increase was a \$19.2 million non-cash impairment reversal to the carrying value of the Savannah Project as a consequence of the re-commencement of operations during the period. In addition, the Company recognised a \$1.3 million gain on the sale of the Lanfranchi Project, following completion in December 2018.

Care and maintenance costs of \$0.7 million were ~80% lower than the previous period, as a result of the sale of the Lanfranchi Project and the tapering off of care and maintenance activities at Savannah following the decision to re-start the Project in July 2018. These site costs at the Savannah Project commenced being capitalised as pre-production costs from August 2018.

The Panoramic Group recognised a \$5.9 million income tax benefit resulting from the unrealised fair value movement of derivative financial instruments, to offset the deferred liability for the equivalent value.

Cash Flow

Net cash from operating activities resulted in an outflow of \$3.3 million after project care and maintenance costs (includes the \$0.8 million incurred by Horizon Gold Limited) and corporate costs.

Net cash out-flow from investing activities of \$22.4 million included \$31.7 million on Savannah pre-production costs, \$4.1 million on exploration and evaluation expenditure across the Group's projects (\$2.5 million at Gum Creek) and offset from \$13.2 million (after costs) received from the sale of the Lanfranchi Project to an Australian subsidiary of US Texas-based Black Mountain Metals LLC. The remaining \$1.6 million yet to be received from the Lanfranchi sale expected during 2021, has been recognised as a non-current asset.

At 31 December 2018, the Panoramic Group (excluding Horizon Gold) had a closing cash balance of \$19.2 million, comprising \$17.9 million of available cash and restricted \$1.3 million cash-backing the drawn amount on the Company's performance bond facility.

Aggregate movements in the Panoramic Group's cash balance over the half-year are shown in Figure 1. The closing cash balance includes the \$1.3 million cash-backing the drawn amount against the Company's performance bond facility. The cash balances and cash movements of the Horizon Group have been excluded from the analysis.

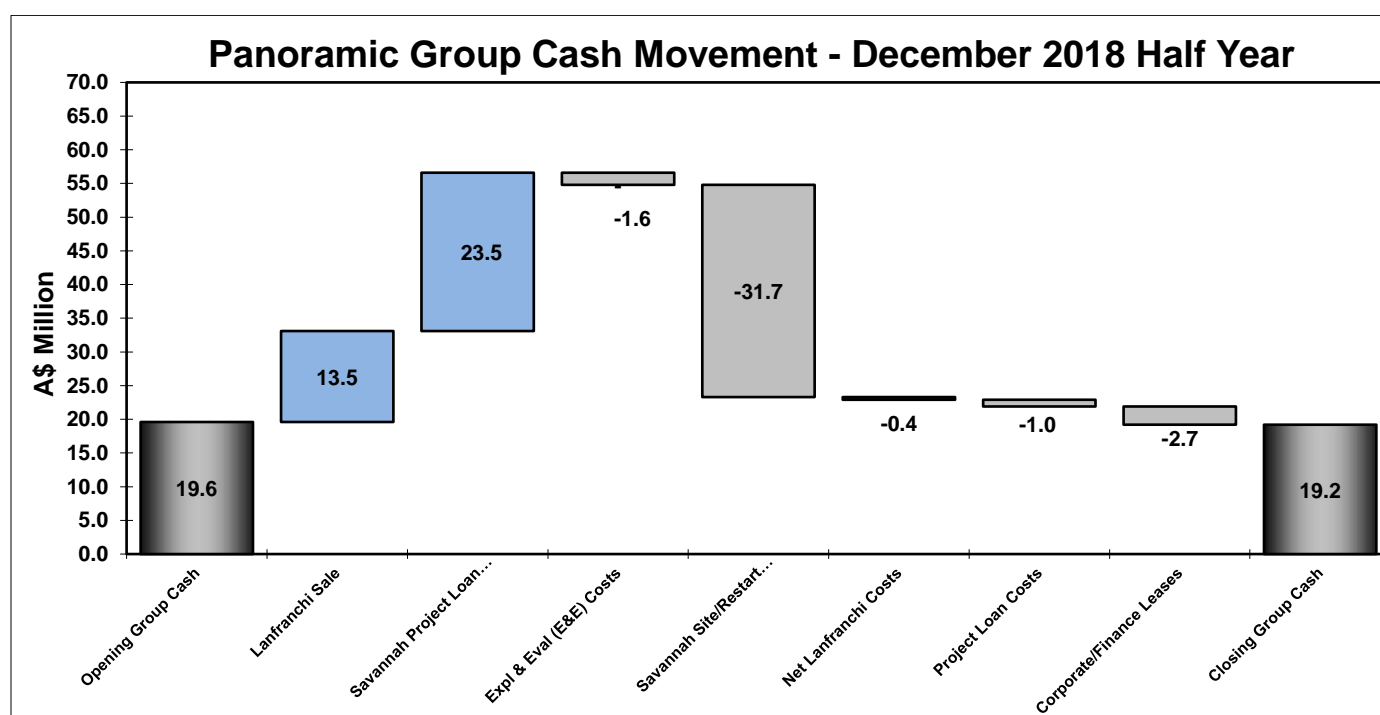


Figure 1

Savannah Project

In July 2018, the Company announced that it had made the decision to restart operations at the Savannah Project.

Panoramic executed the Savannah Facility Agreement (SFA) with Macquarie Bank Limited for an up to \$40 million project loan, including executing an ISDA Master Agreement to undertake mandatory and discretionary commodity and foreign exchange hedging. The mandatory hedge program required under the SFA was completed in July 2018, consisting of 7,000t of nickel and 3,000t of copper.

In the second half of 2018, refurbishment activities that had already commenced on the Savannah process plant were expanded to include the re-establishment of the existing underground mine and other surface infrastructure, including the accommodation camp and administration buildings. Underground operations recommenced in the December 2018 quarter and the re-commissioning of the process plant commenced in December 2018 following the completion of refurbishment activities.

Production ramp-up in December 2018 was slower than forecast from a number of factors, as described in the Company's December 2018 quarterly report.

Exploration

During the period, the Panoramic Group undertook drill testing of three under-explored layered mafic-ultramafic intrusions at Frog Hollow, Wilson/ Dave Hill and Sub-Chamber D. All three areas are located on (Sub-Chamber D) or near the Savannah Nickel Project. The aim of these drill programs was to determine the broad 3D architecture of the intrusions and, if they existed, the location of the more prospective ultramafic (high MgO) phases within each intrusion. As part of these programs, a drill-hole was also completed at Three Nuns. Although no new significant nickel sulphide mineralisation was intersected, the broader aim of the programs was achieved by gaining valuable knowledge on the architecture and character of each intrusion. Of particular importance was the identification of the potential of the Frog Hollow intrusion to host a significant titaniferous magnetite deposit (TMD) with all three Frog Hollow holes intersecting broad thicknesses containing magmatic titanomagnetite accumulations. Follow-up activity on these findings at Frog Hollow will be considered for inclusion in the Group's FY2020 exploration budget.

Investment in Horizon Gold

In recognition of the Company's majority 51% investment in Horizon Gold Limited ("Horizon Gold"), under *AASB 10 Consolidated Financial Statements*, the assets, liabilities, equity, income, expenses and cash flows of Horizon Gold are required to be consolidated in the financial statements of the Panoramic Group, after attributing the profit or loss and each component of other comprehensive income to the equity owners of the Company and to the 49% non-controlling interests.

For clarity, the Company has also included in the Directors' Report, a non-AIFRS balance sheet in which the Company's 51% shareholding in Horizon Gold has been "re-classified" as an "investment in subsidiary". In this Pro-forma balance sheet, the equity investment in Horizon Gold of 39.03 million shares is shown at fair value through profit and loss measured using the quoted share price of Horizon Gold at the end of the period, instead of consolidating the separate assets, liabilities and results of Horizon Gold as required under AASB10. The shares in Horizon Gold were restricted from trading on the ASX until 21 December 2018. This non-AIFRS de-consolidated Pro-forma balance sheet is also shown in Appendix B.

Outlook

Savannah Project

The Savannah Project commenced milling in December 2018, with the first shipment of bulk Savannah nickel/copper/cobalt concentrate departing Wyndham for Lianyungang, China on 13 February 2019 with 7,735wmt on board with a provisional value of A\$8.6 million.

While the ramp-up is well underway, the operation has faced some challenges, which have taken time to resolve and affected mine production. Due to the slower than forecast ramp-up in production, the Company and Macquarie Bank Limited are in discussions in relation to certain aspects of the \$40 million SFA.

Going forward, there will continue to be significant emphasis on increasing production from the Savannah orebody, while at the same time operations will remain focused on the development across to the Savannah North orebody and the raiseboring of the ventilation shaft. Both these activities are important to the timely ramp-up of production from Savannah North, which is scheduled for late CY2019.

During February 2019, the Group undertook the following hedging to protect against adverse movements in the A\$ nickel price:

- purchased for a premium cost of \$2.1 million, 2,437t of nickel put options at A\$16,500 per tonne (A\$7.48 per pound) for delivery April 2019 to September 2019; and
- sold forward 1,560t of nickel at an average weighted forward price of A\$17,847 per tonne (A\$8.10 per pound) for delivery October 2020 to September 2021.

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 pending a sustained recovery in the nickel price.

After delivering an updated feasibility study on the Savannah Project in October 2017, securing an offtake customer and putting in place project financing in July 2018, the Company made the decision to restart operations at Savannah with first concentrate shipped from Wyndham on 13 February 2019. The Lanfranchi Project was sold in December 2018 for a total cash consideration of \$15.1 million, providing additional financial support for the reopening of the Savannah Project.

Apart from the nickel, copper and cobalt inventory at Savannah the Company has a diversified resource base including platinum group metals (PGM) and gold. 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. Following the ASX listing of Horizon Gold Limited (ASX Code: HRN) in December 2016, the Company's interest in gold consists of an indirect investment in the Gum Creek Gold Project located near Wiluna through its 51% majority shareholding in Horizon.

At 31 December 2018, Panoramic had ~\$19 million in available and restricted cash. The Company also had \$16.5 million available to be drawn down against the \$40 million project financing facility with Macquarie Bank.

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 2018 Half-Year Results

Description (Units in A\$ million unless otherwise stated)	Dec Half 2018	Dec Half 2017	Dec Half 2016
Financials			
A\$ average spot nickel price ¹	n/a	n/a	\$5.57/lb ¹
Total revenue (nickel division)	\$0.2	\$0.3	\$8.2 ²
Cost of sales before depreciation and amortisation	-	-	(\$8.7)
<i>Underlying Nickel Division EBITDA</i>	\$0.2	\$0.3	(\$0.5)
Other income	\$1.8	\$0.3	\$0.3
Depreciation and amortisation	(\$0.5)	(\$0.3)	(\$0.4)
Exploration and evaluation	(\$0.5)	(\$0.3)	(\$0.3)
Care and maintenance costs	(\$0.7)	(\$3.5)	(\$5.8)
Other net costs including corporate costs	(\$3.8)	(\$1.8)	(\$3.2)
<i>Profit/(loss) before tax and impairments/write-offs</i>	(\$3.5)	(\$5.3)	(\$9.9)
Impairment reversals before tax	\$19.2	-	\$9.2
<i>Profit/(loss) before tax</i>	\$15.7	(\$5.3)	(\$0.7)
Tax benefit	\$5.9	-	-
<i>Reported net profit/(loss) after tax</i>	\$21.6	(\$5.3)	(\$0.7)
EPS (cents/share)	4.4c	(1.2c)	(0.1c)
Cash Flow			
Cash flow from operating activities before tax	(\$3.3)	(\$5.3)	(\$4.1)
Payments for property, plant, and equipment	(\$15.5)	-	(\$0.2)
Capitalised development costs	(\$16.2)	(\$0.4)	(\$0.1)
Exploration and evaluation expenditure (capital component)	(\$4.1)	(\$2.4)	(\$2.7)
Net Proceeds from sale of Lanfranchi	\$13.2	-	-
Borrowing proceeds	\$23.3	-	-
Borrowing costs/equipment lease repayments	(\$1.0)	(\$0.4)	(\$0.4)
New equity, net of costs (<i>Horizon Gold IPO</i>)	-	-	\$14.1
Cash and cash equivalents (<i>Consolidated Group</i>)	\$22.1 ^{3 4}	\$12.3 ³	\$27.0
Cash and cash equivalents (<i>Panoramic Group only</i>)	\$17.9 ⁴	\$3.9	\$13.4
Physicals			
Group nickel sales (dmt)	-	-	886t

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 includes Horizon Gold's 31 December 2018 cash balance of \$4.1 million (31 December 2017: \$8.4 million)

⁴ excludes the \$1.3 million cash-backing the drawn amount on the Company's performance bond facility (treated as a non-current asset)

Appendix B

Pro-forma Panoramic Consolidated Balance Sheet (51% equity interest in Horizon Gold re-classified as "Investment in Subsidiary")

Panoramic Group Consolidated Balance Sheet (A\$'000)	31 Dec 2018 (Pro-forma) ¹	Adjustments	31 Dec 2018 (AIFRS)
ASSETS			
Current assets			
Cash and cash equivalents	17,942	4,127	22,069
Trade and other receivables	18,435	84	18,519
Inventories	728	-	728
Derivative financial instruments	6,774	-	6,774
Prepayments	1,860	47	1,907
<i>Total current assets</i>	45,739	4,258	49,997
Non-current assets			
Financial assets at fair value	1,468	-	1,468
Investment in subsidiary	8,587	(8,587)	-
Property, plant and equipment	46,052	4,296	50,348
Exploration and evaluation	15,789	15,332	31,121
Development properties	61,182	-	61,182
Mine properties	30	-	30
Derivative financial instruments	21,202	-	21,202
Other non-current assets	1,303	-	1,303
Receivables	1,600	-	1,600
<i>Total non-current assets</i>	157,213	11,041	168,254
Total assets	202,952	15,299	218,251
LIABILITIES			
Current liabilities			
Trade and other payables	16,452	959	17,411
Borrowings	2,137	-	2,137
Derivative financial instruments	1,836	-	1,836
Provisions	1,370	-	1,370
<i>Total current liabilities</i>	21,795	959	22,754
Non-current liabilities			
Borrowings	40,559	-	40,559
Derivative financial instruments	6,351	-	6,351
Provisions	17,295	9,985	27,280
<i>Total non-current liabilities</i>	64,205	9,985	74,190
Total liabilities	86,000	10,944	96,944
Net assets	116,952	4,355	121,307
EQUITY			
Contributed Equity	188,860	-	188,860
Reserves	29,713	6,579	36,292
Accumulated losses	(101,621)	(8,564)	(110,185)
Non-controlling interests	-	6,340	6,340
Total equity	116,952	4,355	121,307

¹ The Pro-forma balance sheet presentation of the de-consolidated 51% equity interest in Horizon Gold is a non-AIFRS treatment of this investment. The adjustments to the Pro-forma balance sheet are to comply with Australian International Financial Reporting Standards (AIFRS).