

## FY2018 Full Year Results

### Key Points

- **Revenue** - \$1.3 million
- **Cash flow from operating activities** - \$6.9 million outflow after care and maintenance costs and corporate costs
- **Loss before tax and impairment** - \$9.5 million, 32% decrease from FY2017
- **Net impairment losses/reversal** - \$38.5 million adjustment on asset carrying values (exc. Savannah)
- **Reported net loss after tax** - \$48.0 million
- **Net current assets** - \$35.1 million
- **Net assets** - \$85.9 million

### Key Metrics

Description (Units in A\$ million unless otherwise stated)	FY2018	FY2017	FY2016
Group nickel production (dmt)	-	-	10,864t
Group nickel sales (dmt)	-	929t	10,367t
A\$ average spot nickel price	-	\$5.57/lb	\$5.82/lb
Net revenue	<b>\$1.3</b>	\$9.0	\$92.1
Cost of sales before depreciation and amortisation (D&A)	-	(\$9.0)	(\$102.9)
<b>Underlying Nickel Division EBITDA</b>	<b>\$1.3</b>	-	<b>(\$10.8)</b>
Depreciation and amortisation (D&A)	<b>(\$0.4)</b>	(\$0.7)	(\$50.7)
Care and maintenance costs (exc. D&A)	<b>(\$5.2)</b>	(\$7.1)	(\$1.0)
Loss before tax and impairment	<b>(\$9.5)</b>	(\$13.9)	(\$73.4)
Net impairment/write-off reversal/(losses) before tax	<b>(\$38.5)</b>	\$9.2	(\$81.4)
Income tax benefit	-	-	\$10.4
<b>Reported net loss after tax</b>	<b>(\$48.0)</b>	<b>(\$4.7)</b>	<b>(\$144.4)</b>
Cash inflow/(outflow) from operating activities before tax	<b>(\$6.9)</b>	(\$7.9)	(\$42.8)
Cash inflow/(outflow) from investing activities	<b>(\$7.3)</b>	(\$4.2)	\$1.7
Cash and cash equivalents ( <i>Consolidated Group</i> )	<b>\$25.4<sup>1 2</sup></b>	\$20.6 <sup>1</sup>	\$19.4
Cash and cash equivalents ( <i>Panoramic Group only</i> )	<b>\$18.3<sup>2</sup></b>	\$8.9 <sup>2</sup>	\$19.4
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Current Assets	<b>\$43.3</b>	\$21.4	\$29.0
Non-Current Asset	<b>\$77.6</b>	\$124.8	\$111.6
<b>Total Assets</b>	<b>\$120.9</b>	\$146.2	\$140.6
Current Liabilities	<b>\$8.2</b>	\$4.3	\$7.6
Non-Current Liabilities	<b>\$26.8</b>	\$29.8	\$30.9
<b>Total Liabilities</b>	<b>\$35.0</b>	\$34.1	\$38.5
<b>Net Assets</b>	<b>\$85.9</b>	\$112.1	\$102.1

<sup>1</sup> includes Horizon Gold's 30 June 2018 cash balance of \$7.1 million (30 June 2017: \$11.7 million)

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

## Commentary

### Reported Loss after tax

The Panoramic Group has reported an impairment driven after tax loss of \$48.0 million for FY2018. Excluding net impairment losses and write-offs totaling \$38.5 million, the loss before tax and impairment was \$9.5 million, which was 32% lower than the net loss incurred in FY2017.

The lower loss came from a reduction in the care and maintenance costs at the nickel operations (\$5.2 million) which were \$1.9 million less than in the previous period.

### Revenue

The Nickel Division did not generate sales revenue from Savannah or Lanfranchi, both of which remained on care and maintenance during the financial year. Other revenue of \$1.3 million comprised (1) rental income from the leasing out of the Lanfranchi accommodation village (\$0.8 million) and interest income (\$0.5 million).

### Impairment Loss/Reversal

The principal driver of the reported after tax loss was the booking of a net, non-cash \$38.5 million impairment against the asset carrying values at Lanfranchi, Thunder Bay North PGE Project and the Gum Creek Gold Project (via the Company's 51% controlling interest in Horizon Gold Limited ("Horizon")).

Excluding Savannah, detailed valuations were undertaken for each project (using external consultants where appropriate) on all asset classes as to their appropriate economic recoverable value at 30 June 2018. The higher value of two valuation methods was used to determine fair value, being "value-in-use" (VIU) and "fair value less cost to dispose" (FVLCD).

As a result of these valuations, the following impairment losses/reversal were booked to the consolidated income statement:

- Gum Creek (100%) - \$12.6 million impairment loss (for a 30 June net asset carrying value of \$12.7 million);
- Lanfranchi – \$7.3 million reversal of previous impairment charges (for a 30 June net asset carrying value of \$13.2 million); and
- Thunder Bay North - \$32.6 million impairment loss (for a 30 June net asset carrying value of \$4.0 million).

In addition, \$0.6 million of capitalised expenditure and evaluation was written-off following the surrender of exploration leases at Gum Creek.

### Gum Creek Gold Project

In October 2016, the Company entered into an agreement with Horizon and Panoramic Gold Pty Ltd (Pan Gold") to sell Pan Gold (the owner of the Gum Creek Project) to Horizon. In consideration for the sale, the Company was issued 39.03 million shares in Horizon following the \$15 million initial public offering ("IPO") of Horizon in December 2016. The value of these shares as at 30 June 2018 was approximately \$6 million. These shares represent a 51% controlling interest in Horizon and are restricted from trading on the ASX until 21 December 2018.

In recognition of the Company's majority 51% investment in Horizon, under *AASB 10 Consolidated Financial Statements*, the assets, liabilities, equity, income, expenses and cash flows of Horizon 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 Panoramic shareholders and to the 49% non-controlling interests in Horizon.

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 has been "re-classified" as an "investment in subsidiary". In this Pro-forma balance sheet, the equity investment in Horizon of 39.03 million shares is shown at fair value through the profit and loss account measured using the quoted share price of Horizon at 30 June 2018 (15.5 cents per share), instead of consolidating the separate assets, liabilities and results of Horizon as required under AASB10. This non-AIFRS de-consolidated Pro-forma balance sheet is also shown in Appendix B.

## Cash Flow

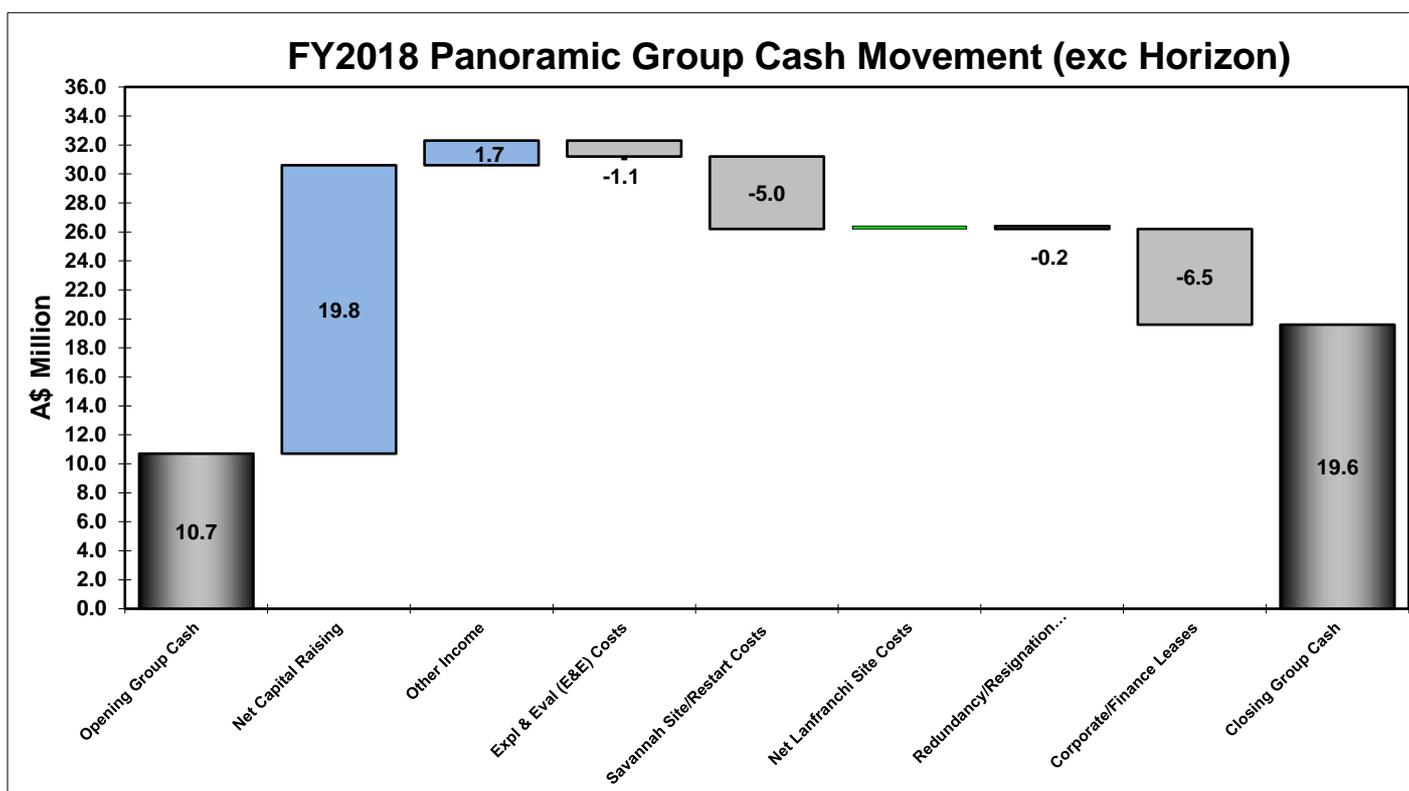
Net cash from operating activities resulted in an outflow of \$6.9 million after care and maintenance costs, corporate costs and one-off employee redundancy costs.

Net cash out-flow from investing activities of \$7.3 million included \$4.3 million on exploration and evaluation expenditure (including the cost of drilling programs at Gum Creek) and \$2.7 million on development/preproduction expenditure at Savannah.

Net cash in-flow from financing activities of \$19.0 million comprised the \$19.8 million net proceeds from the one for seven pro-rata, renounceable equity raising conducted in February 2018, less the \$0.8 million repayment of equipment finance leases.

At 30 June 2018, the Panoramic Group (excluding Horizon) had a closing cash balance of \$19.6 million. This balance includes the \$1.3 million cash-backing of the drawn amount on the Company's performance bond facility.

Aggregate movements in the Panoramic Group's cash balance over FY2018 are shown in Figure 1.



**Figure 1**

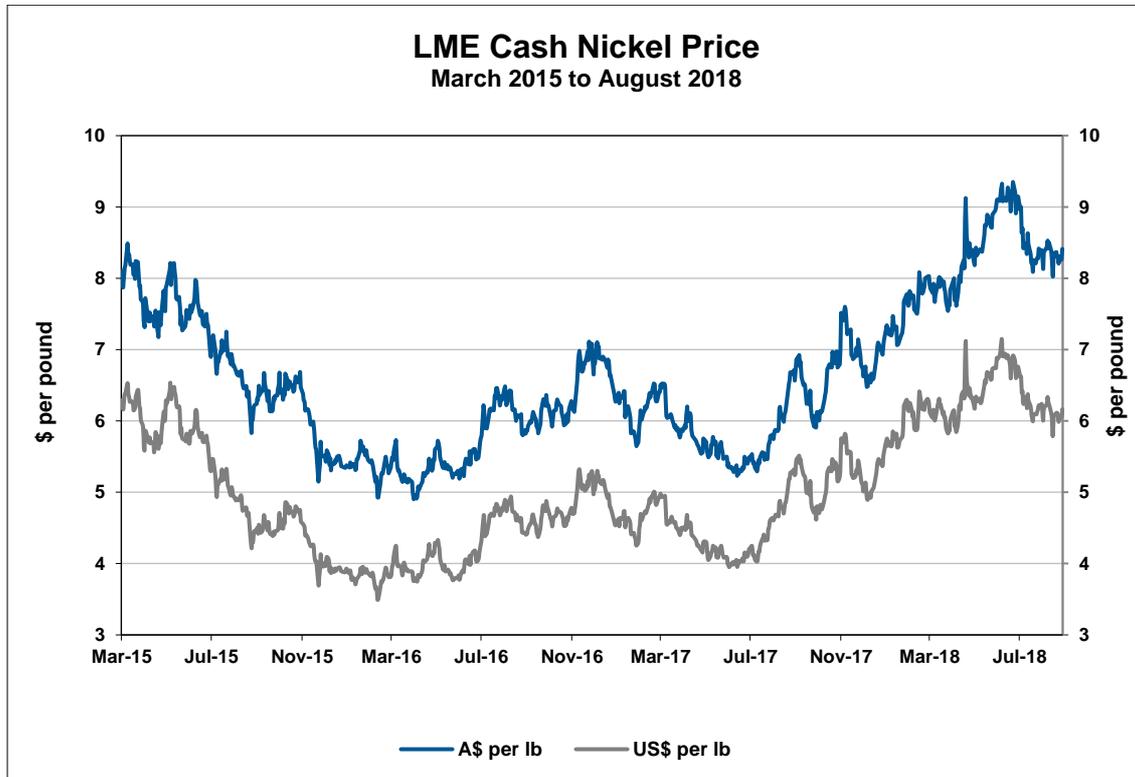
Note: the closing cash balance includes the amount (\$1.3 million) cash-backing the drawn amount against the Company's performance bond facility. The cash movements of the Horizon Group in FY2018 have been excluded from the analysis.

## Company Update

### Savannah Project Restart

The Savannah Project had been placed onto indefinite care and maintenance in June 2016 as a result of the severe downturn in the nickel price in the preceding 12 months (Figure 2). The rationale at the time was to preserve the remaining accessible Savannah Resource and to progress on the completion of a Feasibility Study on the Savannah North deposit while waiting for a sustained recovery in the US\$ nickel price. This was a prudent decision, given that the US\$ nickel price traded below US\$5.00 a pound for the remainder of 2016 and for most of 2017.

In July 2017, the Company released the Savannah Project Feasibility Study Optimisation ("Optimisation Study") based on an improved mine plan, higher grade ore and lower input costs (refer to the Company's ASX announcement of 20 July 2017). The Optimisation Study represented the first revision to the original Savannah Project Feasibility Study released in February 2017 (refer to the Company's ASX announcement of 2 February 2017 for further details).



**Figure 2**

In October 2017, the Company released the results of an update (“Updated FS”) to the February 2017 Savannah Feasibility Study and the Optimisation Study. The Updated FS demonstrates a financially robust project with a long mine life, modest pre-production capital requirements and competitive cash operating costs. On the basis of the Updated FS, the Company sought to secure a new concentrate off-take agreement and project debt financing to underwrite the Project restart.

In July 2018, the Company announced the decision to restart operations at the Savannah Project (*refer to the Company’s ASX announcement of 16 July 2018*) on the basis of:

- an improved demand and price outlook for battery metals, including nickel, copper and cobalt;
- signing of a new four-year Concentrate Sales Agreement with Jinchuan Group Co. Ltd / Sino Nickel Pty Ltd;
- securing financing facilities from Macquarie Bank Limited for a project loan of up to \$40 million; and
- the completion of the mandatory nickel and copper hedging required under the financing arrangements.

The Company is now well advanced with pre-production activities and is targeting the first shipment of Savannah nickel-copper-cobalt concentrate to China early in the March quarter of 2019.

## Exploration

The Company is currently undertaking exploration drilling on the layered mafic-ultramafic intrusions at Frog Hollow, Wilson/Dave Hill complex and Sub-Chamber D, all of which are located at or near the Savannah Mine. The aim of the drilling is to determine the 3D architecture of the intrusions and, if they exist, the location of the more prospective ultramafic (high MgO rich) phases within each intrusion

Little or no exploration has been conducted on these intrusions and previous drilling by the Company demonstrated that both Dave Hill and Wilson host disseminated/blebby magmatic nickel-copper sulphide mineralisation (*refer to the Company’s ASX announcement of 28 April 2016 for further details*).

## 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 for up to A\$40 million in July 2018, the Company has made the decision to restart operations at Savannah.

Apart from the nickel, copper and cobalt inventory at Savannah and Lanfranchi 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 30 June 2018, Panoramic had \$19.6 million in available and restricted 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 FY2018 Full Year Results

Description (Units in A\$ million unless otherwise stated)	FY 2018	FY2017	FY2016
<b>Financials</b>			
A\$ average spot nickel price <sup>1</sup>	-	\$5.57/lb	\$5.84/lb
Total net revenue <sup>2</sup>	<b>\$1.3</b>	\$9.0	\$92.1
Cost of sales before depreciation and amortisation	-	(\$9.0)	(\$102.9)
<i>Underlying Nickel Division EBITDA</i>	<b>\$1.3</b>	-	(\$10.8)
Depreciation and amortisation	<b>(\$0.4)</b>	(\$0.7)	(\$50.7)
Exploration and evaluation expensed	<b>(\$0.5)</b>	(\$0.5)	(\$2.4)
Care and maintenance costs (exc. D&A)	<b>(\$5.2)</b>	(\$7.1)	(\$1.0)
Other net costs including corporate costs	<b>(\$4.7)</b>	(\$5.6)	(\$8.5)
<i>Profit/(loss) before tax and impairments/write-offs</i>	<b>(\$9.5)</b>	(\$13.9)	(\$73.4)
Impairment reversal/(losses) before tax	<b>(\$37.9)</b>	\$9.2	(\$79.5)
Capitalised exploration and evaluation written-off	<b>(\$0.6)</b>	-	(\$1.9)
<i>Profit/(loss) before tax</i>	<b>(\$48.0)</b>	(\$4.7)	(\$154.8)
Tax benefit	-	-	\$10.4
<i>Reported net loss after tax</i>	<b>(\$48.0)</b>	(\$4.7)	(\$144.4)
EPS (cents/share)	<b>(10.7c)</b>	(1.0c)	(43.7c)
<b>Cash Flow</b>			
Cash flow from operating activities before tax	<b>(\$6.9)</b>	(\$7.9)	(\$42.8)
Payments for property, plant, and equipment	<b>(\$1.2)</b>	(\$0.2)	(\$1.9)
Capitalised development costs	<b>(\$2.7)</b>	(\$0.3)	(\$7.5)
Exploration and evaluation expenditure (capital component)	<b>(\$4.3)</b>	(\$5.0)	(\$5.6)
Proceeds from sale of financial assets	-	-	\$17.8
New equity, net of costs	<b>\$19.8</b>	\$14.1	\$10.1
Cash and cash equivalents ( <i>Consolidated Group</i> )	<b>\$25.4<sup>3 4</sup></b>	\$20.6 <sup>3 4</sup>	\$19.4
Cash and cash equivalents ( <i>Panoramic Group only</i> )	<b>\$18.3<sup>4</sup></b>	\$8.9	\$19.4
<b>Physicals</b>			
Group nickel production (dmt)	-	-	10,864t
Group nickel sales (dmt)	-	929t	10,367t

<sup>1</sup> LME US\$ nickel daily cash price converted to A\$ using the daily RBA US\$:A\$ Settlement Rate (FY2017: 1 July to 31 Dec 2016 only)

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

<sup>3</sup> includes Horizon's 30 June 2018 cash balance of \$7.1 million (30 June 2017: \$11.7 million)

<sup>4</sup> excludes the \$1.3 million cash-backing the drawn amount on the Company's performance bond facility (treated as a non-current asset) (2017: \$1.8 million)

## Appendix B

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

Panoramic Group Consolidated Balance Sheet (A\$'000)	30 June 2018 (Pro-forma) <sup>1</sup>	Adjustments	30 June 2018 (AIFRS)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	18,270	7,160	25,430
Trade and other receivables	400	21	421
Inventories	184	-	184
Prepayments	231	-	246
Assets classified as held for sale	17,002	-	17,002
<i>Total current assets</i>	<b>36,087</b>	<b>7,196</b>	<b>43,283</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	2,703	-	2,703
Investment in subsidiary	6,050	(6,050)	-
Property, plant and equipment	6,334	4,296	10,830
Exploration and evaluation	33,022	12,741	45,763
Development properties	17,222	-	17,222
Mine properties	27	-	27
Other non-current assets	1,303	-	1,303
<i>Total non-current assets</i>	<b>66,661</b>	<b>10,987</b>	<b>77,648</b>
<b>Total assets</b>	<b>102,748</b>	<b>18,183</b>	<b>120,931</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	3,192	572	3,764
Provisions	873	50	923
Liabilities directly associated with assets held for sale	3,502	-	3,502
<i>Total current liabilities</i>	<b>7,567</b>	<b>622</b>	<b>8,189</b>
<b>Non-current liabilities</b>			
Provisions	16,980	9,842	26,822
<i>Total non-current liabilities</i>	<b>16,980</b>	<b>9,842</b>	<b>26,822</b>
<b>Total liabilities</b>	<b>24,547</b>	<b>10,464</b>	<b>35,011</b>
<b>Net assets</b>	<b>78,201</b>	<b>7,719</b>	<b>85,920</b>
<b>EQUITY</b>			
Contributed Equity	188,860	-	188,860
Reserves	35,473	9,116	44,589
Accumulated losses	(146,132)	(8,137)	(154,269)
Non-controlling interests	-	6,740	6,740
<b>Total equity</b>	<b>78,201</b>	<b>7,719</b>	<b>85,920</b>

<sup>1</sup> The Pro-forma balance sheet presentation of the de-consolidated 51% equity interest in Horizon is a non-AIFRS treatment of this investment. The adjustments to the Pro-forma balance sheet are to comply with AIFRS.