

## ASX ANNOUNCEMENT

6 April 2021

# Restart of Savannah Nickel Operation

### KEY POINTS

- The Panoramic Board has approved the restart of the Savannah Nickel Operation
- Follows a 12-month process of review and implementation of operational strategies to improve and de-risk the project
- A 12-year mine life with an average annual production target<sup>1</sup> of 9,072t nickel, 4,683t copper and 676t cobalt in concentrate
  - Average site All-in Costs (AIC)<sup>2</sup> of A\$6.36/lb payable nickel, net of copper and cobalt by-product credits and royalty payments
- Attractive base case financial outcomes<sup>2</sup> at a base case nickel price A\$9.63/lb (US\$7.28/lb) including total pre-tax cash flow estimated at A\$610M and NPV<sub>8</sub> of A\$353M
- A loan facility of up to US\$45M (A\$58.9M) secured from Trafigura comprising a five-year US\$30M offtake loan prepayment facility and a US\$15M revolving credit loan facility repayable in 18 months, the advance under which is subject to the satisfaction of certain conditions precedent:
  - Loan facility term and repayment schedule aligns with a new nickel and copper concentrate offtake from February 2023 to February 2028
  - No mandatory hedging requirement, low interest rates, covenant-light and secured against the assets of Savannah Nickel Mines Pty Ltd and PAN Transport Pty Ltd
  - Fully covers estimated maximum capital drawdown of approximately A\$41M with all major infrastructure in place
- Underground mining and development at Savannah North scheduled to recommence in August 2021:
  - Letter of Intent for four-year mining services agreement signed with leading underground mining contractor Barmingo which includes a new mining fleet
- Ore processing scheduled to begin in November 2021 with first concentrate shipment targeted for December 2021:
  - Letter of Intent signed with Primero to operate and maintain the Savannah processing plant for three years; with strong incentives to improve recoveries beyond budget

Panoramic Resources Limited (ASX: PAN) (“**Panoramic**” or the “**Company**”) is pleased to advise that its Board has elected to restart the Savannah Nickel Operation, located in the Kimberley region of Western Australia. The decision follows a rigorous assessment process and is the culmination of 12 months of activities designed to reduce operating and financial risk for the operation as well as improving expected profitability.

<sup>1</sup> Refer to the announcement “*Updated Savannah Ore Reserve and Mine Plan*” dated 31 July 2020. All material assumptions underpinning the production targets, which are referred to in the original announcement, continue to apply and have not materially changed.

<sup>2</sup> All-in costs (AIC) are inclusive of all site and transport operating costs, capital costs, royalties, and net of by-product credits, but exclusive of corporate, funding and exploration costs. Calculated using Base Case pricing of (US\$16,055/t Ni, US\$8,750/t Cu, US\$50,692/t Co) and AUD:USD rate of 0.76

Savannah, with more than A\$100M already invested, has been maintained since the suspension of operations in April 2020 with a view towards operational readiness and project optimisation. This includes the recent completion of the FAR#3 ventilation raise, underground capital development on four mining levels at Savannah North and ancillary capital works on surface and underground infrastructure, which are currently being completed.

Commenting on the restart of Savannah, Panoramic Managing Director and CEO Victor Rajasooriar said:

*“It is pleasing to see that Savannah, one of the most advanced nickel sulphide development asset in Australia, is forecast to come into production as the battery thematic continues to grow worldwide.*

*“We learnt many lessons in the lead up to the temporary suspension of operations at Savannah in April 2020, amid the onset of the COVID-19 pandemic. Since that time, we have recapitalised the business and undertaken a range of planning and site-based initiatives to put the operation in a much stronger position for restart. This process of optimisation combined with the improved outlook for Savannah’s high-quality nickel, copper and cobalt products, has given the Board confidence in approving the restart with a target of first shipment from Wyndham Port by the end of 2021.*

*“By engaging a contractor for both the underground mining and processing at Savannah, we are significantly reducing the human resourcing risk in a tightened labour market, which proved to be one of the key challenges encountered at Savannah during 2018 and 2019. Barmingo and Primero are leading contractors in their respective fields and have a reputation for delivering safe and productive services. Through their significant combined expertise, we expect that this new operating model will capitalise on the high-quality nature of the Savannah resource to generate significant value for our shareholders.*

*“The restart decision is expected to create 320 positions that will largely be filled by the contracted service provider workforce, with Panoramic maintaining a relatively low direct employee headcount of around 40. Strict COVID-19 protocols will continue to be in place for our Kimberley workforce as required by government guidelines.*

*“The new offtake agreement and loan financing facilities with Trafigura are a critical piece of the restart. The financing package avoids any dilutive equity raising by providing what we expect to be sufficient working capital to support a smooth ramp-up. The offtake agreement with Trafigura follows a competitive tender process and has terms which overall are more attractive than our current contract which is scheduled to expire in February 2023. Production from Savannah is now committed until February 2028, or for about half of the current 12-year mine life.*

*“Finally, I would like to thank our staff, contractors, local stakeholders and shareholders for being patient as we de-risked the project over the past 12 months, enabling Savannah to now be well positioned for future success.”*

## **Restart Financing and New Offtake Agreement**

To support the restart, the Company has entered into a new five-year nickel and copper concentrate offtake agreement for the period February 2023 to February 2028 with Trafigura Group Pte Ltd (**Trafigura**), aligning with the expiry of the existing offtake agreement with Jinchuan.

The Trafigura offtake agreement was concluded following a competitive tender process and reflects terms and payabilities which are in line with, or more favourable than, the existing offtake agreement.

Trafigura has also agreed to provide a US\$45M secured loan financing facility which, combined with revenue projections, is expected to fully cover the costs of the restart. Panoramic has a current cash balance of approximately A\$27M and no debt.

The funding comprises a US\$30M five-year Prepayment Loan Facility (**PLF**) and a US\$15M Revolving Credit Loan Facility (**RCF**). The PLF has a five-year term from drawdown with interest-only repayments required in the first 12 months. Debt repayments begin in the second year and are sculpted to align with project cash flows.

The RCF has an 18-month term and has the option (at the Company's election) to be repayable by way of a final bullet repayment of US\$15M at the end of the facility term. Both facilities use the 3-month LIBOR as a base interest rate plus a favorable interest margin.

There is no mandatory hedging requirement with either loan facility. Both facilities are secured by the Savannah project assets (including mining and exploration leases), the assets of the other applicable operating subsidiary PAN Transport Pty Ltd and the shareholding held by Panoramic in Savannah Nickel Mines Pty Ltd. Ongoing covenants are typical for a facility of this nature. The proceeds from the facility can be used for project related expenditure and corporate purposes.

First draw down under the PLF is anticipated to occur in the September 2021 quarter and is subject to the satisfaction of a number of conditions precedent, including but not limited to the execution and registration of security documents, which have not as yet been satisfied. These conditions precedent are anticipated to be completed within the coming weeks.

## **Revised Operating Strategy**

Following the suspension of operations at Savannah in April 2020, multiple work programs have been completed to advance the site to a more de-risked position for future operations. This has included:

- Completion of the FAR#3 ventilation raise to allow full-scale operations at Savannah North
- Additional underground development to open up four new mining levels at Savannah North
- Updating the process schedule based on additional metallurgical testwork
- Evaluating owner-operate and contractor-operated mining and processing models
- Additional ancillary surface and underground capital works (ongoing until June 2021)

This investment has further optimised the future operating pathway for Savannah from the July 2020 Life of Mine Plan by bringing forward underground ore development from Savannah North and creating a surface ore stockpile to reduce processing risk.

Underground mining is planned to commence in August 2021 and ore will initially be sourced from both the Savannah and the Savannah North deposits. By October 2021, more than 50% of underground ore is scheduled to be consistently sourced from Savannah North, rising to more than 60% by mid-2022 and continuing to increase as the Savannah remnants are depleted.

Ore processing is set to restart in November 2021, allowing ore stockpiles to build for around three months (100,000t) to de-risk ore supply issues. First concentrate shipment from the Wyndham Port is targeted for December 2021.

## **Underground Mining LOI**

Leading underground mining contractor Barmenco, a subsidiary of the Perenti Group (ASX:PRN) has been awarded a four-year underground mining contract under a binding Letter of Intent and is scheduled to mobilise to site in July 2021.

The contract will be serviced by new underground mining equipment including the use of teleremote mining equipment which is expected to deliver both safety and productivity benefits. Based on Barmenco's previous working knowledge at Savannah, opportunities to increase ore production and reduce dilution have also been identified.

## Processing Plant LOI

Following an evaluation of an owner-operator model for the processing plant and a competitive contract tender process, the Company has signed a non-binding Letter of Intent, which envisages a three-year agreement with specialist mineral processing engineering group, Primero (which is owned by NRW Holdings (ASX:NRW)).

The non-binding Letter of Intent relates to all processing and maintenance work at the Savannah processing plant, which has been maintained in excellent condition during the suspension.

A number of opportunities for improved recoveries through enhanced operating practices and minor capital projects have been identified. The non-binding Letter of Intent with Primero has been structured to incentivise achieving higher than budget recoveries. Panoramic is working with Primero to complete a binding contract in the coming months.

## Key Operating Metrics

Following the completion of an updated Ore Reserve and Life of Mine Plan in July 2020 (refer to ASX announcement dated 31 July 2020), the financial model supporting the Savannah restart has been updated to reflect more up-to-date consensus commodity price and exchange rate assumptions, current industry cost inflation levels, the adoption of a contractor processing strategy and the completion of some early works.

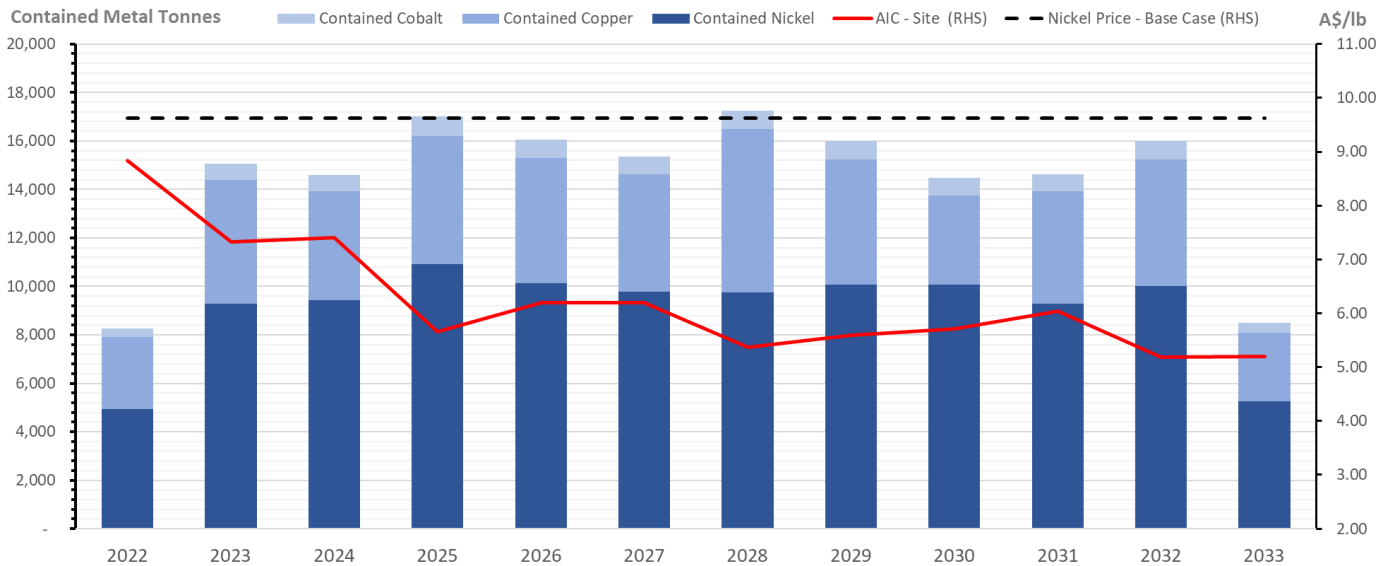
The price estimates used include a nickel price of A\$9.63/lb, a copper price of A\$5.25/lb, a cobalt price of A\$30.40/lb and an AUD:USD exchange rate of 0.76.

The outcomes support the productions targets and demonstrate attractive financial returns with a pre-tax cash flow of A\$610M and NPV<sub>8</sub> of A\$353M (Table 1). The Company believes potential upside exists in the commodity price assumptions based on the expected impact on nickel and copper markets of the growing electrification of vehicles and uptake of renewable energy in the medium-term.

**Table 1: Key Metrics for the Savannah Mine restart**

Key Metrics		April 2021 (Consensus Case)	April 2021 (Base Case)	April 2021 (Base Case + 20 % Ni Price)
Ore mined & treated	kt	10,628	10,628	10,628
Ni grade	%	1.23	1.23	1.23
Cu grade	%	0.54	0.54	0.54
Co grade	%	0.08	0.08	0.08
Mine Revenue (Ni + Cu + Co)	A\$M	2,386	2,369	2,753
Mine Costs (total capital and operating)	A\$M	1,717	1,718	1,735
Upfront capital costs	A\$M	41	41	41
Average AIC (payable Ni, net of byproduct credits)	A\$/lb	6.73	6.36	6.37
Pre-tax mine cashflow	A\$M	628	610	977
Life of Mine (LOM)	years	12	12	12
Average nickel production (contained in concentrate)	t	9,072	9,072	9,072
Average copper production (contained in concentrate)	t	4,683	4,683	4,683
Average cobalt production (contained in concentrate)	t	676	676	676
Pre-tax NPV <sub>8</sub>	A\$M	355	353	585
Nickel price	USD/t	16,976	16,055	19,266
Copper price	USD/t	7,629	8,750	8,750
Cobalt price	USD/t	45,947	50,692	50,692
FX: AUD:USD	aud:usd	0.76	0.76	0.76

**Figure1: Contained metal produced and cash costs (A\$/lb)**



## Investor/Media Conference Call

Panoramic Managing Director and CEO Victor Rajasooriar and CFO Grant Dyker will be hosting a conference call for investors and media to discuss the Savannah restart at 10am WST / 12pm EST today, Tuesday 6 April 2021. The conference call will include Q&A participation capacity.

Please note that attendees are required to pre-register for the call via the following link:

<https://s1.c-conf.com/diamondpass/10013395-5H4n33.html>

Attendees will receive dial-in details upon completion of the brief pre-registration. A recording of the call will also be available on Panoraminc's website (<https://panoramincresources.com>) later today and can be accessed at any time.

**This ASX release was authorised on behalf of the Panoraminc Board by:**

Victor Rajasooriar, Managing Director and CEO

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### About Panoramic:

Panoramic Resources Limited (**ASX: PAN**) is a Western Australian company which owns the Savannah Nickel Project in the East Kimberley. Panoramic successfully commissioned and operated the Project from 2004 until 2016 before the mine was placed on care and maintenance. Following the discovery of the Savannah North orebody, the mine was recommissioned in 2018 before operations were temporarily suspended in 2020.

Panoramic has completed an updated Mine Plan for Savannah which has outlined an attractive near-term nickel sulphide mine restart opportunity. Following the completion of a ventilation shaft for the Savannah North deposit, additional underground capital development and ancillary works, the Board of Panoramic approved the restart of Savannah in April 2021 with a target of first concentrate shipment by the end of 2021.

### Forward Looking Statements:

This announcement contains certain “forward-looking statements” and comments about future matters. Forward-looking statements can generally be identified by the use of forward-looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” “outlook”, “guidance” and other similar expressions within the meaning of securities laws of applicable. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. The forward-looking statements are based on information available to the Company as at the date of this announcement.

Except as required by law or regulation (including the ASX Listing Rules), the Company undertakes no obligation to supplement, revise or update forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or results or other factors affect the information contained in this announcement.