

December 2016 Half Year Results

Key Points

- **Net Revenue** - \$8.2 million
- **Cash flow from operating activities** - \$4.1 million outflow after care and maintenance costs and corporate costs
- **Underlying Nickel Division EBITDA** - loss of \$0.5 million, up 97% on the previous corresponding half-year
- **Impairment reversal** - \$9.2 million uplift of the Gum Creek asset values prior to Horizon Gold IPO
- **Reported net loss after tax** - \$0.7 million
- **Net current assets** - \$23.7 million, up 11% from 30 June 2016
- **Net assets** - \$115.5 million

Key Metrics

Description (Units in A\$ million unless otherwise stated)	Dec Half 2016	Dec Half 2015	Dec Half 2014
Group nickel production (dmt)	-	6,045t	10,003t
Group nickel sales (dmt)	886t	5,799t	10,050t
A\$ average spot nickel price	\$5.57/lb	\$6.27/lb	\$8.74/lb
Total net revenue	\$8.2	\$50.3	\$105.9
Cost of sales before depreciation and amortisation (D&A)	(\$8.7)	(\$67.2)	(\$84.2)
Underlying Nickel Division EBITDA	(\$0.5)	(\$16.9)	\$21.7
Depreciation and amortisation (D&A)	(\$0.4)	(\$36.9)	(\$30.4)
Care and maintenance costs	(\$5.8)	(\$0.5)	-
Loss before tax and impairment	(\$9.9)	(\$62.0)	(\$20.5)
Impairment reversal/(losses) before tax	\$9.2	(\$84.6)	\$14.4
Income tax benefit/(expense)	-	\$9.8	\$1.3
Reported net loss after tax	(\$0.7)	(\$138.7)	(\$4.8)
Cash inflow/(outflow) from operating activities before tax	(\$4.1)	(\$32.2)	\$27.1
Cash inflow/(outflow) from investing activities	(\$2.0)	\$5.2	(\$20.7)
Cash and cash equivalents (<i>Consolidated Group</i>)	\$27.0 ^{1 2}	\$24.9	\$61.8
Cash and cash equivalents (<i>Panoramic Group only</i>)	\$13.4 ²	\$24.9	\$61.8
	31 Dec 2016	30 June 2016	30 June 2015
Current Assets	\$28.0	\$29.0	\$97.6
Non-Current Asset	\$122.2	\$111.6	\$231.6
Total Assets	\$150.2	\$140.6	\$329.2
Current Liabilities	\$4.3	\$7.6	\$46.9
Non-Current Liabilities	\$30.4	\$30.9	\$42.4
Total Liabilities	\$34.7	\$38.5	\$89.3
Net Assets	\$115.5	\$102.1	\$239.9

¹ includes Horizon Gold's 31 December 2016 cash balance of \$13.6 million

² excludes the \$1.8 million cash-backing the drawn amount on the Company's performance bond facility (treated as a non-current asset)

Commentary

Underlying Earnings

The Nickel Division reported an underlying earnings loss before interest, tax, depreciation and amortisation (EBITDA loss) of \$0.5 million for the first half of FY2017, up 97% over the previous corresponding half-year.

The reduction in net revenue (\$8.2 million) and cost of sales (\$8.7 million) reflected the suspension of production at the Savannah and Lanfranchi projects. Included in cost of sales was \$1.7 million in one-off employee termination and redundancy costs.

Care and maintenance costs of \$5.8 million were up significantly over the period due to the transitioning of the Savannah Project onto full care and maintenance.

Gum Creek Gold Project

In June 2016, the Board agreed to divest the Gum Creek Gold Project by vending Panoramic Gold Pty Ltd ("Pan Gold"), the entity which owns the project, into a new publically listed company. In October 2016, the Company entered into an agreement with Horizon Gold Limited ("Horizon Gold") and Pan Gold to sell Pan Gold to Horizon Gold, subject to the \$15 million initial public offering ("IPO") of Horizon Gold. In consideration for the sale, the Company was issued 39.03 million shares in Horizon Gold valued at \$15.62 million on the day of the listing (21 December 2016). These shares represent a 51% interest in Horizon Gold and are restricted from trading on the ASX until 21 December 2018.

In recognition of the Company's majority 51% investment in 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. This non-AIFRS de-consolidated Pro-forma balance sheet is also shown in Appendix B.

Impairment Loss Reversal

As part of the Horizon Gold IPO process, the Company reviewed the recoverable values of the Gum Creek Gold Project's assets. As a result of this review, an impairment reversal of \$9.2 million was booked against the previous \$41.8 million impairment charge made at 31 December 2015.

Nickel Sales

During the December 2016 half-year, the Savannah Project (including the contribution from the Copernicus Project) sold 10,227 dry metric tonnes of concentrate containing 886 tonnes of nickel. At 31 December 2016, approximately 480 dry metric tonnes of concentrate packed in two tonne bags was stockpiled in Wyndham waiting to be sold. This material was shipped in February.

Cash Flow

Net cash from operating activities resulted in an outflow of \$4.1 million after care and maintenance costs, corporate costs and one-off employee termination and redundancy costs.

Net cash out-flow from investing activities included \$2.7 million on exploration and evaluation expenditure at the Savannah North Project.

At 31 December 2016, the Panoramic Group (excluding Horizon Gold) had a closing cash balance of \$13.4 million. This balance excludes the \$1.8 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.

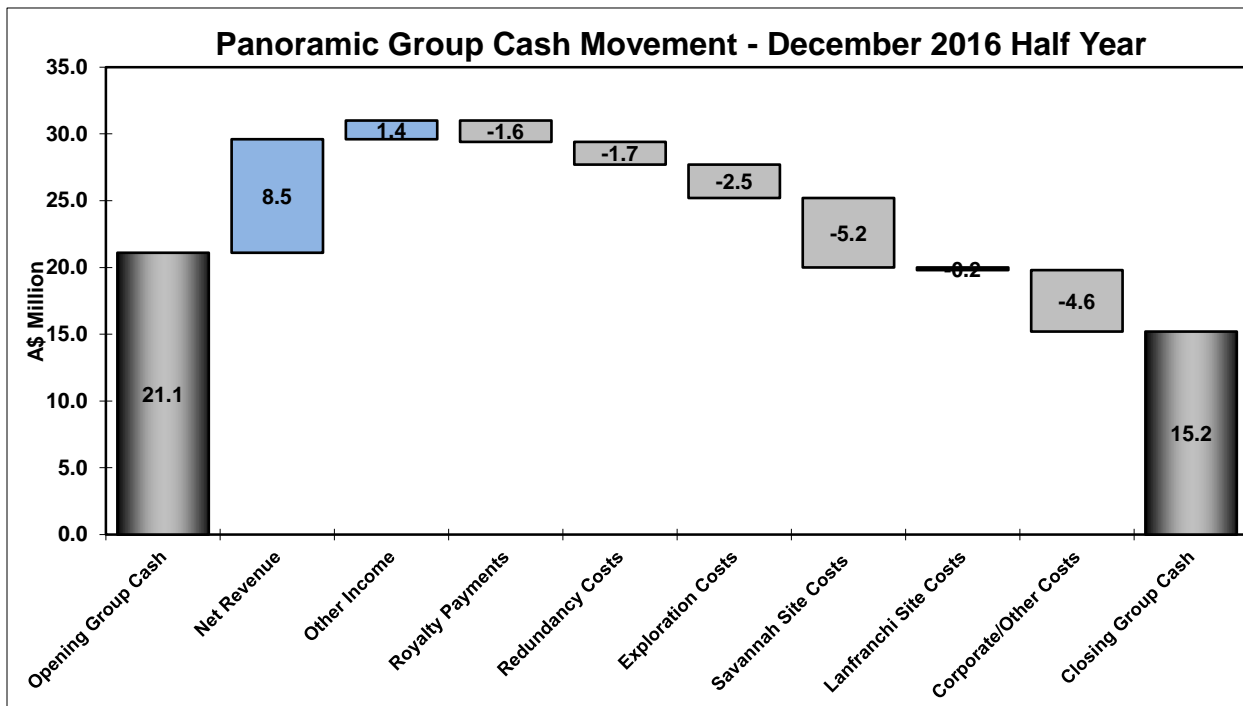


Figure 1:

Note: the opening and closing cash balances include the \$1.8million cash-backing the drawn amount against the Company's performance bond facility. The cash movements of the Horizon Group have been excluded from the analysis.

Outlook

On 20 February 2017, the Company released a market update on (1) the production ready Savannah Project, highlighting the results of the recent Savannah Project Feasibility Study on the combined Savannah and Savannah North ore bodies (*refer to the Company's ASX announcement of 2 February 2017*); (2) the nickel price optionality of the Lanfranchi Project and its exploration targets, and (3) the Company's portfolio of gold and PGM assets.

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 platinum group metals (PGM) and gold. The PGM Division consists of the Pantom 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.

Panoramic has been a consistent dividend payer and has paid out a total of \$114.3 million in fully franked dividends between 2008 and 2016. At 31 December 2016, Panoramic had \$15.2 million in cash (including \$1.8 million in 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 December 2016 Half-Year Results

Description (Units in A\$ million unless otherwise stated)	Dec Half 2016	Dec Half 2015	Dec Half 2014
Financials			
A\$ average spot nickel price ¹	\$5.57/lb	\$6.27/lb	\$8.74/lb
Total net revenue ²	\$8.2	\$50.3	\$105.9
Cost of sales before depreciation and amortisation	(\$8.7)	(\$67.2)	(\$84.2)
<i>Underlying Nickel Division EBITDA</i>	(\$0.5)	(\$16.9)	\$21.7
Depreciation and amortisation	(\$0.4)	(\$36.9)	(\$30.4)
Exploration and evaluation	(\$0.3)	(\$2.2)	(\$5.0)
Care and maintenance costs	(\$5.8)	(\$0.5)	-
Other net costs including corporate costs	(\$2.9)	(\$5.5)	(\$6.8)
<i>Profit/(loss) before tax and impairments/write-offs</i>	(\$9.9)	(\$62.0)	(\$20.5)
Impairment reversal/(losses) before tax	\$9.2	(\$84.6)	\$14.4
Capitalised exploration and evaluation written-off	-	(\$1.9)	-
<i>Profit/(loss) before tax</i>	(\$0.7)	(\$148.5)	(\$6.1)
Tax benefit	-	\$9.8	\$1.3
<i>Reported net loss after tax</i>	(\$0.7)	(\$138.7)	(\$4.8)
EPS (cents/share)	(0.1c)	(43.2c)	(1.5c)
Cash Flow			
Cash flow from operating activities before tax	(\$4.1)	(\$32.2)	\$27.1
Payments for property, plant, and equipment	(\$0.2)	(\$1.8)	(\$8.3)
Capitalised development costs	(\$0.1)	(\$5.8)	(\$8.7)
Exploration and evaluation expenditure (capital component)	(\$2.7)	(\$3.3)	(\$5.7)
Proceeds from sale of financial assets	-	\$15.7	-
New equity, net of costs (<i>Horizon Gold IPO</i>)	\$14.1	-	-
Cash and cash equivalents (<i>Consolidated Group</i>)	\$27.0 ^{3 4}	\$24.9	\$61.8
Cash and cash equivalents (<i>Panoramic Group only</i>)	\$13.4 ⁴	\$24.9	\$61.8
Physicals			
Group nickel production (dmt)	-	6,045t	10,003t
Group nickel sales (dmt)	886t	5,799t	10,050t

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 2016 cash balance of \$13.6 million

⁴ excludes the \$1.8 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 2016 (Pro-forma) ¹	Adjustments	31 Dec 2016 (AIFRS)
ASSETS			
Current assets			
Cash and cash equivalents	13,423	13,624	27,047
Trade and other receivables	1,049	(264)	785
Inventories	3	-	3
Prepayments	122	-	122
<i>Total current assets</i>	14,597	13,360	27,957
Non-current assets			
Available-for-sale financial assets	650	-	650
Investment in subsidiary	14,051	(14,051)	-
Property, plant and equipment	7,551	4,263	11,814
Exploration and evaluation	68,394	21,090	89,484
Development properties	17,095	-	17,095
Mine properties	1,403	-	1,403
Other non-current assets	1,803	-	1,803
<i>Total non-current assets</i>	110,947	11,302	122,249
Total assets	125,544	24,662	150,206
LIABILITIES			
Current liabilities			
Trade and other payables	2,063	281	2,344
Borrowings	752	-	752
Provisions	1,113	35	1,148
<i>Total current liabilities</i>	3,928	316	4,244
Non-current liabilities			
Borrowings	474	-	474
Provisions	20,466	9,467	29,933
<i>Total non-current liabilities</i>	20,940	9,467	30,407
Total liabilities	24,868	9,783	34,651
Net assets	100,676	14,879	115,555
EQUITY			
Contributed Equity	169,044	-	169,044
Reserves	41,259	627	41,886
Accumulated losses	(109,627)	77	(109,550)
Non-controlling interests	-	14,175	14,175
Total equity	100,676	14,879	115,555

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 AIFRS.