

Corporate and Operational Update

Key Points

- **Savannah** - decision made to preserve the value of the remaining Savannah orebody and to move the operation onto care and maintenance
- **Savannah North** - the Scoping Study demonstrates that Savannah North could be developed into a long life, medium cost operation producing on average 9,500t Ni, 5,300t Cu and 700t Co in concentrate per annum
- **Exploration** - exploration is underway to test the highly prospective Dave Hill and Wilson Intrusions south of the Savannah mine and further drilling on Savannah North is planned for this calendar year
- **People** - due to the operational restructuring, a significant portion of the loyal workforce at Savannah and in the Perth office will regrettably be made redundant over the coming months. This is unfortunate, however unavoidable, given the current US\$ nickel price environment.

Savannah to move onto Care and Maintenance

The continuing decline in the US\$ nickel price to levels not anticipated by the Company or the market in general (*Figure 1*) and the uncertain outlook for the nickel price (and copper and cobalt) over the foreseeable future has necessitated a review of activities at Savannah and in the Perth Office.

Figure 1 – US\$ Nickel Price since July 2002



This review has included:

- consideration of a number of operating options;
- assessment of the risks of each operating option; and
- discussions with our offtake customer regarding the current nickel price and the impact on our respective businesses.

Taking all of the above into consideration, the Board believes it is in the best interests of shareholders to place Savannah onto care and maintenance over the coming months and thereby preserve the remaining Resource. It is envisaged the operations can restart when the nickel price returns to a sustainable level where the mining of the Savannah orebody, mostly likely in conjunction with the development of Savannah North, provides an acceptable return to shareholders.

- **Operating Plan** - the mine will move immediately to suspend all capital development and wind down mining and processing of ore from both Savannah and Copernicus, in a staged process, over the next few months. It is envisaged full care and maintenance will be achieved during April with the last shipment of concentrate occurring during that month. If the US\$ nickel price does improve significantly from current levels over the coming months, the Company has the option to review this decision.
- **Workforce** - regrettably, the decision to move onto care and maintenance will result in a significant percentage of the workforce being made redundant over the course of the coming months with approximately 50 employees being made redundant today. The Company would like to take the opportunity to thank all Panoramic employees for their commitment and dedication, especially those that will be made redundant as a result of the operational changes being implemented. The team at Savannah and in Perth has made an enormous contribution to the success of the Company since mining commenced at Savannah in 2003.
- **Stakeholders** - Panoramic is also conscious of the impact this decision will have on suppliers and other stakeholders. Again we thank the various stakeholders who have supported the project since its inception.
- **Customer** - the Extended Concentrate Sales Agreement dated 26 March 2010 ("Agreement") between Savannah Nickel Mines ("SNM"), a wholly owned subsidiary of Panoramic, and Sino Nickel Pty Ltd ("Sino") terminates once SNM makes a decision to suspend operations at Savannah indefinitely. If operations resume prior to 31 March 2020, the Agreement is then deemed to have been suspended by mutual agreement and no breach of the Agreement within the period of suspension may be relied upon by either party.

Sino has a back to back arrangement with the Jinchuan Group of China, the ultimate consumers of Savannah concentrate. Both Sino and Jinchuan are aware of our intentions and remain supportive of the Savannah Project and the Company.

Savannah North Scoping Study

On a positive note, the results of the Savannah North Scoping Study (*refer to the Company's ASX announcement dated 27 January 2016*) demonstrates that there is potential to add significant mine life at Savannah through the development of Savannah North. The key physicals from the Savannah North Scoping Study are summarised in Table 1.

Table 1 – Savannah North - Resource and Production Summary

Operating Metric	Result
Mineral Resource	6.88Mt @ 1.59%Ni, 0.77% Cu, 0.11% Co containing 109,600t Ni, 52,900t Cu, 7,800t Co
Mining Inventory	6.07Mt @ 1.26% Ni, 0.64% Cu, 0.09% Co containing 76,500t Ni, 38,600t Cu, 5,300t Co
Mine Life	7.75 years
Life-of-mine production (metal in concentrate)	66,200t Ni, 36,700t Cu, 5,000t Co
Annual production (metal in concentrate)	9,500tpa Ni, 5,300tpa Cu, 700t Co at full production

All material assumptions underpinning the production target, and forecast financial information derived from the production target, in the Company's ASX announcement dated 27 January 2016, continue to apply and have not materially changed.

The Scoping Study is based on mining Savannah North via conventional long-hole open stoping with paste fill, processing the ore through the existing Savannah plant to produce a bulk nickel/copper/cobalt concentrate. The Scoping Study demonstrates a relatively low initial capital investment of \$42 million to achieve full production (on a stand-alone basis), due to the existing mine, processing plant and supporting infrastructure of the Savannah operation. Forecast average C1 cash costs (nickel-in-concentrate after by-product credits) are in the lower end of the industry cost curve at US\$2.20/lb Ni over the life of the project. Table 2 summarises the financial outcomes of the Scoping Study at various US\$ nickel prices and a flat US\$:A\$ 0.70 exchange rate.

Table 2 – Savannah North - Financial summary for a range of US\$ nickel prices (US\$:A\$ = 0.70)

Financial Metric	Units	US\$5.00/lb	US\$6.00/lb	US\$7.00/lb	US\$8.00/lb
Revenue	A\$M	892	1,032	1,179	1,319
Initial Capital (Pre-production and ramp-up)	A\$M	42	42	42	42
LOM Capital (inclusive of initial capital)	A\$M	137	137	137	137
Operating costs plus royalties	A\$M	700	708	715	722
Pre-tax cashflow	A\$M	54	187	327	460
Pre-tax NPV (11% discount rate)	A\$M	6	80	158	232
IRR	%	14	47	82	118
C1 cash cost (Ni in concentrate basis)	A\$/lb Ni	3.14	3.14	3.14	3.14
	US\$/lb	2.20	2.20	2.20	2.20
Payable Ni cash costs	A\$/lb Ni	5.19	5.26	5.29	5.36
	US\$/lb	3.63	3.68	3.70	3.75

Cautionary Statement

The Scoping Study referred to in this announcement is based on low-level technical and economic assessments, and is insufficient to support the estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

As part of the Scoping Study, Panoramic identified the following enhancement opportunities which could add significant additional value to the Project:

- **Future Resource growth** – less than 30% of the potential 2km mineralisation footprint has been tested by drilling to date;
- **Mining Inventory upgrade** – potential to convert further Resources into Mining Inventory by optimising the mine plan;
- **Optimised mine plan** – opportunity to lower unit costs, increase production rates and/or improve mined grades by optimising mining methods, stope shapes and cut-off grades;
- **Improved mine scheduling** – opportunities to bring forward zones of high grade mineralisation and defer some development to a “just-in-time” schedule;
- **Increased production rates** – potential to increase production rates through refinement of mining methods, further additions to the Mining Inventory, and shaft versus decline haulage;
- **Optimisation of plant throughput and recoveries** – a number of continuous improvement opportunities have been identified to improve metallurgical performance of Savannah ore that are expected to be directly applicable to the Savannah North mineralisation;
- **Alternative products** – assess the amenability of Savannah North mineralisation to be processed into separate nickel and copper concentrates, co-processing of Panoramic's Panton PGM mineralisation to produce a PGM-rich bulk concentrate, and matte production via mini-smelting technology (e.g. top submerged lance); and
- **Power** – the Scoping Study is based on utilising the existing diesel fired power station. If an alternative fuel source such as gas is available, power costs could be reduced.

Panoramic is targeting the completion of a Feasibility Study on Savannah North during the December 2016 quarter.

The Future for Savannah

The discovery of Savannah North has highlighted both the prospectivity of the Savannah North Intrusion and the potential to find other sources of mineralisation at Savannah and with only around 30% of the potential strike length of the Savannah North system tested, there is significant upside to increase the Resource and potential mine life.

The Savannah North Scoping Study demonstrates the potential to extend the mine life of Savannah by at least eight years, with an estimated modest capital investment of around \$42 million. Estimated annual metal production rates are also very attractive and these combined with the relatively low estimated cash costs, could drive strong cashflows assuming commodity prices recover to levels consistent with long-run industry forecasts.

The plan is now to complete the Feasibility Study on Savannah North and undertake additional exploration activities to further test the strike length of Savannah North and potentially grow the Resource base. If the decision to develop Savannah North is made, it would most likely be in conjunction with the restart of mining and processing of the Savannah orebody when US\$ nickel prices are more favourable. The free cash flow generated from the Savannah orebody could then be used to finance all or part of the Savannah North capital investment.

Exploration Activities

Savannah North

The Savannah North Scoping Study (*refer to the Company's ASX announcement of 27 January 2016*) is based on the October 2015 Resource estimate of **6.88 million tonnes @ 1.59% Ni for 109,600t Ni** (*refer to the Company's ASX announcement of 1 October 2015*). In relation to the October 2015 Resource, it should be noted that:

- **less than 30%** of the potential 2km mineralisation footprint of Savannah North has been tested by Resource drilling;
- the most easterly hole of the 2015 Resource Drilling Program testing the eastern extent of the Upper Zone intersected **11.2m @ 2.14% Ni** in hole KUD1572 (*refer to the Company's ASX announcement of 1 October 2015*); and
- the deepest hole testing the Lower Zone intersected **25.95m @ 2.55% Ni** in hole KUD1562 (*refer to the Company's ASX announcement of 1 October 2015*).

The following drill programs to convert Resources from an Inferred to Indicated Category and to test up and down dip extensions are planned for 2016:

- *Program 1 – Savannah North Up-Dip to the East (High Priority)*

The Scoping Study has highlighted that the time and capital development required to access the first ore at Savannah North could be significantly reduced if the Savannah North Resource extends up-dip towards the existing Savannah mine levels. A program of up to 20 diamond holes comprising approximately 8,000m is planned to determine the proximity of the Savannah North mineralisation to the existing Savannah mine levels and, if successful, should also lead to an increase in the Resource.

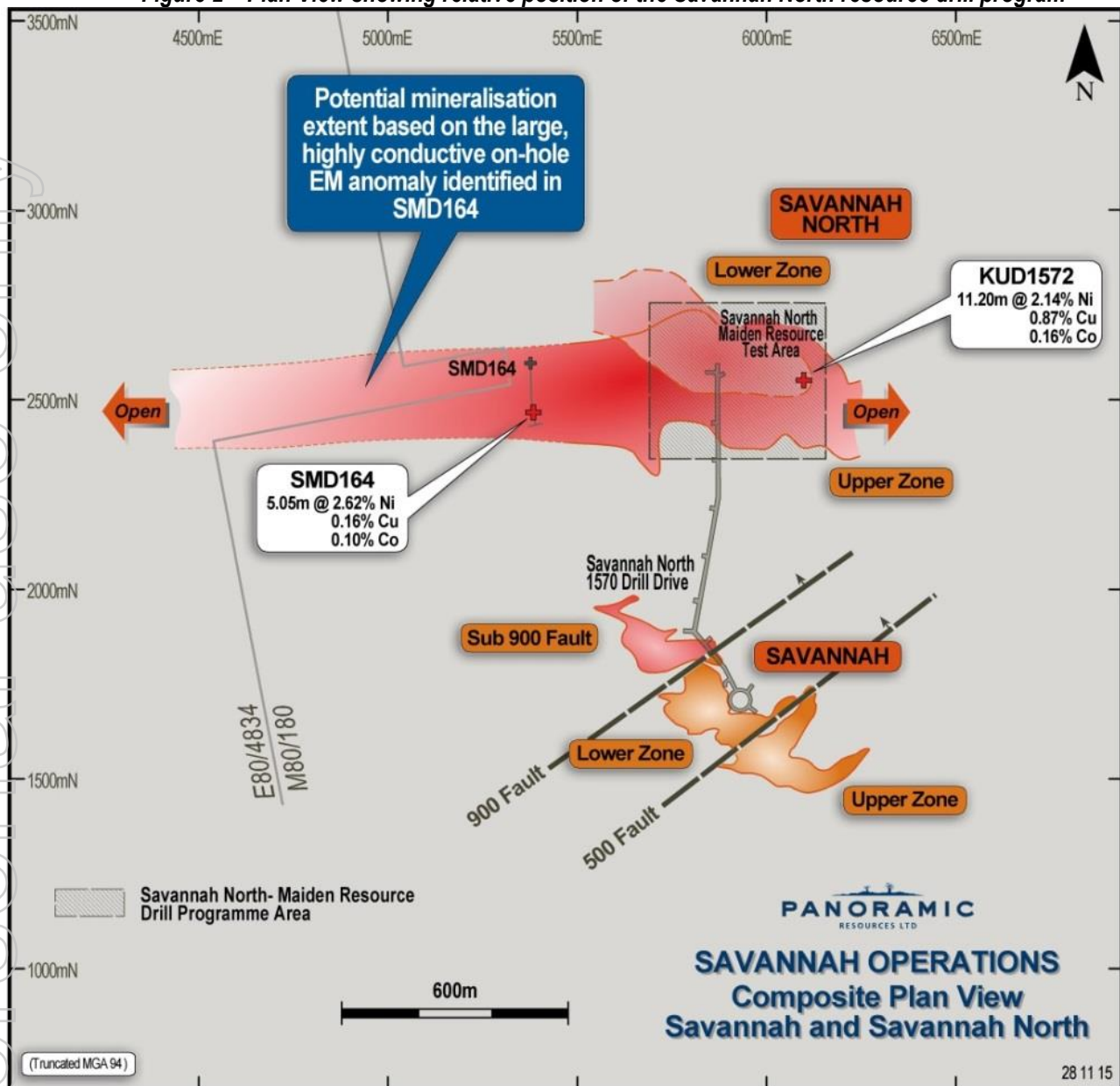
- *Program 2 – Lower Zone infill high grade Inferred area (High Priority)*

Preliminary Savannah North mine designs completed as part of the Scoping Study have highlighted the significant contribution delivered by the deeper levels of the high-grade Savannah North Lower Zone Resource. This zone is essentially constrained by a limited number of drill intersections. In order to de-risk the mine designs in this area, greater Resource confidence is required and a ten hole program comprising approximately 7,300m is planned to infill this area.

- *Program 3 – Upper Zone western extension*

Prior to ceasing the Savannah North Maiden Resource drill program in August 2015, it had been intended to infill (on a 100m by 100m spacing) the area between the western edge of the Maiden Resource test area (5700mE) and surface hole SMD164, a distance of ~300m (*Figure 2*). A significant portion of the existing Inferred and Unclassified mineralisation in this area could be converted to Indicated category and a 10 hole drill program comprising 5,800m is now planned. The program is also designed to provide a clearer picture of the shape and grade of the resource in this area, which in-turn could be applied to the unclassified mineralisation that has been modelled to extend for a further 1km to the west from SMD164. This knowledge should provide a better understanding of the full size potential of Savannah North.

Figure 2 – Plan View showing relative position of the Savannah North resource drill program



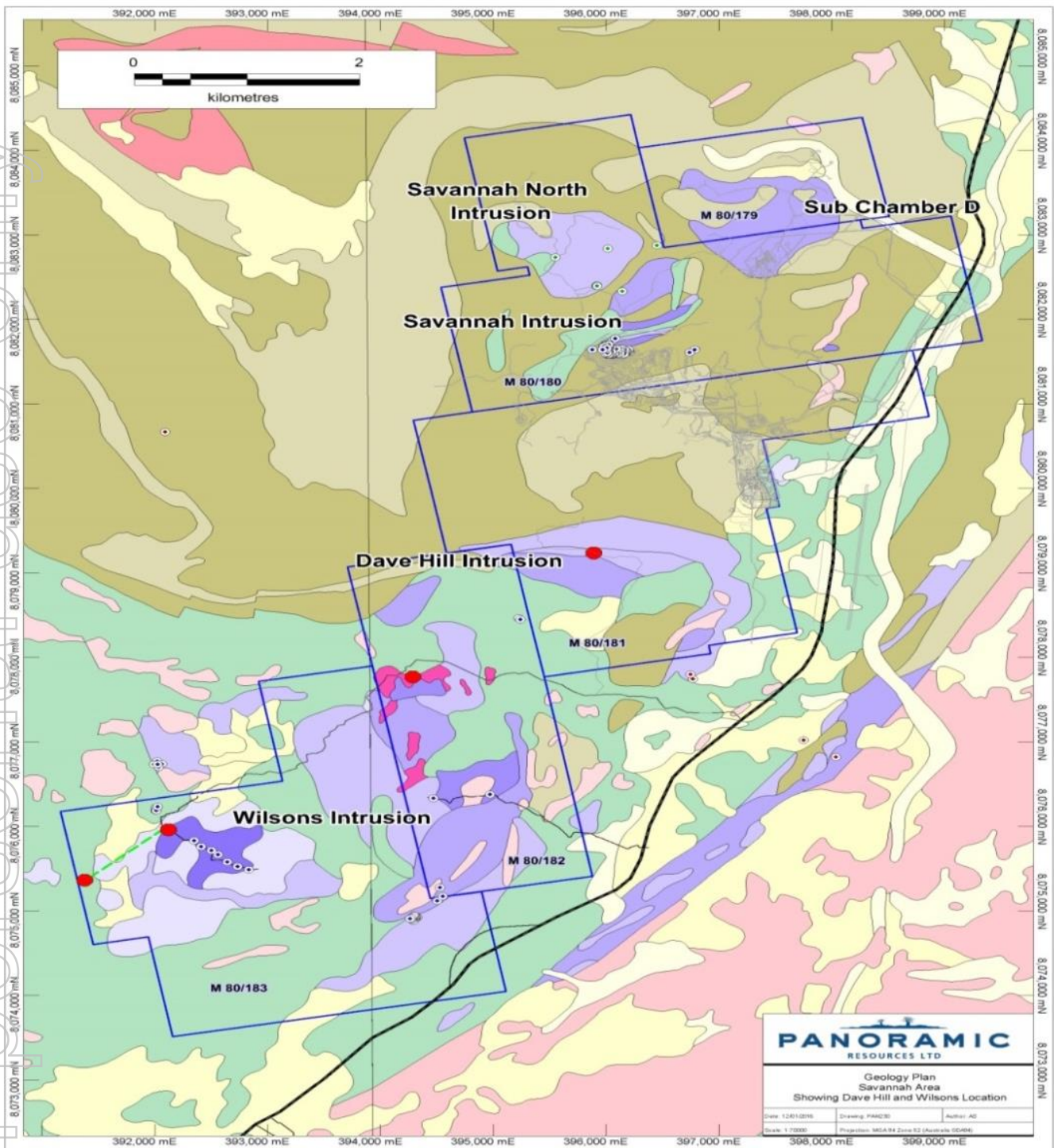
Dave Hill/Wilson Intrusions

The Dave Hill and Wilson Intrusions are high priority exploration targets located just to the south of the Savannah orebody. The exploration significance of these areas increased significantly following the discovery of Savannah North, when it was realised that rock types very similar to those that host Savannah North are also present at Dave Hill.

Panoramic tested the Dave Hill Intrusion with EM surveys some years ago without locating any priority drill targets however, the effective penetration of these surveys was restricted to less than 300m below surface. The only known drilling at Dave Hill is a series of shallow diamond holes (100-200m deep) completed by Anglo American during the 1970s and early 1980s. Reportedly, some of these holes did intersect weak disseminated mineralisation.

Panoramic is currently drilling two or three much deeper holes along the most prospective parts of the Dave Hill/Wilson Intrusions (Figure 3) and will run down hole EM surveys to test for the potential of the intrusions to host Savannah-style mineralisation. Panoramic has received a WA State Government Co-funding drilling grant of \$150,000 towards the cost of this program.

Figure 3 – Savannah Geology Plan showing the Dave Hill and Wilsons Intrusions



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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.

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 Gidgee Project located near Wiluna. The Company announced on 31 July 2015 the sale of its interest in the Mt Henry Project to Metals X Limited. 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% in the project 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 31 December 2015, Panoramic had \$25 million in 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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No New Information or Data

This announcement contains references to exploration results and Mineral Resource estimates, all of which have been cross referenced to previous market announcements made by the Company. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the Countries and States in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.