

14 November 2019

Update on Savannah Project and IGO Offer

Panoramic Resources Limited (ASX: PAN) (“Panoramic” or the “Company”) provides the following update on operations at its wholly-owned Savannah nickel-copper-cobalt sulphide mine and the unsolicited, conditional off-market takeover bid announced by Independence Group NL (ASX: IGO) (“IGO”) on 4 November 2019 (“Offer”).

Operational Update

The Panoramic Board believes the Savannah Project, including the Savannah North orebody, is a quality, strategic asset. Over the life of mine, the majority of revenue will be generated from the nickel concentrate produced from Savannah North with significant revenue also coming from the copper and cobalt by-product credits. The Company believes the nickel market has a positive outlook in both the short-term, with tightening nickel supplies and in the medium-term, with the expected growth in demand for battery metals.

The twin declines accessing Savannah North are well advanced with development now within approximately 15 metres of the orebody. Mining of development ore is scheduled to begin later this month, with stoping ore to be produced from the March 2020 quarter. This is expected to provide additional mill feed blend to the plant. The Savannah North raise bore is also on track for completion in the June 2020 quarter and the two internal ventilation raises are being developed.

Subsequently, after a below-budget operational performance during the September 2019 quarter, outcomes for the month of October also underperformed, due to:

- Underperformance of the underground paste filling system impacting on the stoping sequence;
- Lower nickel grade due to hanging wall failure and paste dilution in two stopes; and
- Continuing equipment availability issues.

Although initiatives to improve mining rates are being implemented, Panoramic’s current expectation is that short-term operational performance may remain below previous forecasts, particularly during the next four months, but also into the June 2020 quarter whilst it transitions away from mining the Savannah remnant orebody and into the Savannah North orebody.

Panoramic’s new Managing Director and CEO, Mr Victor Rajasooriar, has immediately commenced an operational review of Savannah (“Operational Review”) with the following key objectives:

- stabilising and improving short-term operational performance;
- ensuring the foundations are in place to meet or exceed the production and cost targets of the October 2017 Feasibility Study (*refer to the Company’s ASX announcement of 27 October 2017*);
- optimising Savannah North development plans; and
- identifying and evaluating options to enhance productivity and profitability.

Directors

BRIAN PHILLIPS

Non-Executive Chairman

VICTOR RAJASOORAR

Managing Director & CEO

PETER SULLIVAN

Non-Executive Director

NICHOLAS CERNOTTA

Non-Executive Director

REBECCA HAYWARD

Non-Executive Director

GILLIAN SWABY

Non-Executive Director

TREVOR ETON

CFO / Company Secretary

Mr Rajasooriar is a mining engineer with extensive project development and operational experience, built over more than 25 years in the mining industry. He is ideally qualified to lead the Operational Review, with the full support of the Panoramic Board, management team, key contractors and consultants. The outcomes of this work will be provided to all shareholders as soon as possible within the next three weeks.

Following the events outlined above, Panoramic advises that the FY2020 production guidance previously announced on 3 September 2019 will not be met. An updated production guidance will be provided upon the completion of the Operational Review.

Funding Update

As a consequence of the below budget production and reduced revenue, the Board believes there is the need to raise additional funds to maintain an appropriate working capital position and provide enhanced financial flexibility.

The Company is assessing a range of potential funding options, having regard to the terms of its existing Savannah Facility Agreement with Macquarie Bank and to the conditions to the Offer, which are considered below. Panoramic remains on an ongoing dialogue with Macquarie Bank.

The final structure, terms (including size and price) and timing of any funding proposal will be determined by the Board in consultation with management and its advisers in conjunction with completion of the Operational Review.

However, at present, the Board anticipates that the most equitable approach to meeting any short-term funding requirement is likely to involve an entitlement offer of ordinary shares.

Further updates will be provided to all shareholders as assessment of the funding options progress.

Update on IGO Offer Conditions and Next Steps

The Board also provides the following update in relation to the conditions to the Offer detailed in Section 12.8 of IGO's Bidder's Statement.

Having regard to the matters set out above, Panoramic considers it likely that the following additional conditions to the Offer have been or are likely to be breached:

- the condition in clause 12.8(h) of IGO's Bidder's Statement (changes to guidance) has been breached as a result of the notification provided in this announcement that production guidance for FY2020 will not be met;
- the condition in clause 12.8(i) of IGO's Bidder's Statement (Savannah Financing Agreement) is likely to be breached, as it is likely to be necessary to obtain further consents or waivers from Macquarie Bank; and
- the condition in clause 12.8(o) of IGO's Bidder's Statement, in particular paragraph E(ii) of that condition, is likely to be breached as a result of the notification provided in this announcement that production guidance for FY2020 will not be met, although this will ultimately depend on the commodity prices realised on concentrate shipments made by the Company prior to the end of the Offer period.

In addition, if, as foreshadowed above, the Company determines to undertake an entitlement offer to provide funding, the condition in clause 12.8(f)(4) of IGO's Bidder's Statement (issue of shares) will also be breached.

As previously advised, it is open to IGO to rely on any breach of these conditions to terminate its Offer, or to waive any breach. Our expectation is that IGO will inform the market as to its intentions in relation to the Offer.

Shareholders continue to be advised to TAKE NO ACTION in relation to the Offer or any document received from IGO until they receive the Target's Statement and the Panoramic Board's formal recommendation.

The Board will provide a formal recommendation on the Offer in its Target's Statement, which will allow all shareholders to make an informed decision. The Target's Statement will be released within 15 days of the Bidder's Statement being sent to Panoramic shareholders. Shareholders will have ample time after receiving the Target's Statement to determine their preferred course of action.

In the meantime, the Board is committed to continuing to act in the best interests of all Panoramic shareholders and will explore all options as it prepares its response to the Offer and its recommendation to shareholders.

Information on the Offer can be found on the Panoramic website and a shareholder information line has been established which shareholders are directed to contact with any inquiries. The Panoramic shareholder information line is open from 9:00am to 5:00pm AEDT and can be contacted on the following telephone numbers:

- 1300 362 398; or
- +61 2 8355 1004

For further information contact:
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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. 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 re-commissioning 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, which is in the process of being sold to Benton Resources for C\$9 million. Following the ASX listing of Horizon Gold Limited (ASX Code: HRN) ("Horizon") in December 2016, the Company's interest in gold is an indirect investment in the Gum Creek Gold Project located near Wiluna through its 51% shareholding in Horizon.

At 30 September 2019, Panoramic had \$20.2 million in available and restricted cash (\$180k). The Company has a \$20 million project financing facility with Macquarie Bank which was restructured in September 2019 (previously a \$40 million facility).

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.