

30 January 2020

Updated FY20 Production Guidance

Summary

- Updated FY20 production guidance driven by expected mining contract equipment and personnel mobilisation timing, and further required mine scheduling changes in Savannah remnant ore.
- Savannah North remains on schedule for first stoped ore in the current quarter and ramp-up of ore volumes through calendar 2020.
- Panoramic assessing funding options including options that do not include raising additional equity capital, and potential change of control transaction discussions continue.

Panoramic Resources Limited (ASX: PAN, “Panoramic” or the “Company”) advises of an updated short-term production outlook for the Savannah Nickel Mine.

Total FY20 production is now expected to be 5.2 - 5.6kt contained nickel, 3.4 - 3.7kt contained copper and 280 - 320t contained cobalt. This compares with previous guidance of 7.0 - 7.5kt contained nickel, 4.5 - 5.0kt contained copper and 400 - 450t contained cobalt (see Panoramic ASX release dated 25 November 2019) and 1H FY20 actual production of approximately 2.38kt contained nickel, 1.55kt contained copper and 119t contained cobalt.

The revised FY20 outlook is predominantly attributable to lower 2H FY20 expectations driven by revised mining contract equipment mobilisation timing and forecast personnel ramp-up, and further revised scheduling for mining of Savannah remnant ores. Key drivers include:

- As part of the recent contract tender process that has seen Barmenco Limited (“Barmenco”) announced today as preferred underground contractor for Savannah (see Panoramic ASX release dated 30 January 2020), Panoramic has gained further insight into current underground equipment and labour markets, which are tighter than expected. As a result, the revised FY20 production guidance builds in a longer forecast mobilisation and personnel sourcing period for the new underground contractor and, accordingly, a more conservative ramp-up profile over the March and June 2020 quarters. The newer mining fleet to be supplied by Barmenco is expected to deliver enhanced equipment reliability. Together with Barmenco’s proven expertise and operating systems, this is expected to significantly increase operational efficiencies and drive production volumes in the medium and longer term.

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- High stress areas in the Savannah remnant ore body has required further changes to 2H FY20 mine scheduling. The decision has been taken to defer some high-grade stoping blocks impacted by hole squeezing from the current quarter into subsequent months and incorporate several smaller, lower grade stopes into the 3Q FY20 mine schedule.
- A short-term reduction in mined ore volumes over approximately the next four weeks due to the impact of lower underground refrigeration capacity following the recent failure of a chiller unit and the estimated repair timeframe.

At this stage, Panoramic anticipates no significant change beyond FY20 to the Savannah life-of-mine schedule detailed within the key outcomes of the recent Operational Review (see Panoramic ASX release dated 4 December 2019).

Key measures introduced at the Savannah Mine following the Operational Review are starting to positively influence on underlying operational performance measures. Paste fill volumes placed into stope voids during the month of January 2020 were at their highest level since the Savannah restart, reflective of a key focus of recent initiatives.

Savannah North Development Update

First stoped ore from Savannah North remains on target for the March 2020 quarter. Progressive ramp-up of stoped ore volumes from Savannah North is then expected through calendar 2020.

Key operational issues to date during the re-start of the Savannah Mine have predominantly been associated with remnant mining of the previously mined Savannah orebody. The progressive increase in the proportion of ore sourced from Savannah North within the Savannah mine plan (relative to diminishing quantities of mined remnant ore from the Savannah orebody) is expected to be a key driver of improved operational performance at the Savannah mine over the next 12 months.

As previously announced, Panoramic accessed first development ore from the new Savannah North deposit in November 2019. Ore development driving in the 1381 level continues and concurrent development is about to commence on the 1361 level providing a second independent source of ore from Savannah North. Pleasingly, development rates have increased significantly in recent weeks since the commencement of short-term development contractor, GBF Underground Mining, in late December 2019. Panoramic expects to have opened four ore headings in Savannah North by the end of February 2020, in preparation for commencement of stoping operations during March 2020.

A down-hole survey and detailed analysis of options have now been completed on the Savannah North raise bore. The survey results have identified that the zones of instability within the raise are confined to the lower 150m section and this more precise information is being used to inform detailed assessment by Panoramic and its independent geotechnical consultants of the most expedient and cost-effective solution for safely completing the raise. Pleasingly there has been a marked reduction in the observed rate of sloughing (rocks falling) from within the raise over the past three weeks, which indicates that instability in the zone of concern may be attenuating.

A detailed assessment of the strategies for completing the raise is being finalised and a decision will be made by mid-February on the strategies to be implemented. The preferred strategy involves developing an intermediate access, approximately 600m in length to intersect the stable section of the already excavated raise so that the remaining head can be reattached in order to complete reaming to surface. The new lateral access will thereafter provide flexibility to monitor the lower section of the raise and to implement stabilisation measures or potentially even replace a short section of the raise if deemed necessary at a future date.

Ongoing assessment of the Savannah North raise bore indicates that the initial estimate of approximately A\$5 million incremental additional capital and expected completion in the September 2020 quarter (as provided in Panoramic ASX release dated 6 January 2020) remain valid.

As previously announced, the flexibility afforded by the existing twin decline ventilation circuit to Savannah North is expected to provide enough ventilation capacity to largely compensate for any impact from the expected pushback in completion of the raise bore, provided that the new facility is commissioned ahead of the summer of 2020/21.

Panoramic is assessing the implications of the revision to FY20 production expectations, combined with the finalisation of the alternative Savannah North raise bore completion solution and the current level of LME nickel prices, for its forecast cash flow. In anticipation of a need for further additional short term funding, Panoramic is considering a range of funding options, including options that do not involve raising equity capital. These include proposals from parties that have previously expressed interest in providing funding to Panoramic, including supportive major shareholder Zeta Resources Limited. Additionally change of control transaction discussions continue. Panoramic cautions that there is no guarantee that any of these proposals or discussions will result in a concluded transaction(s).

Panoramic is in discussions with Macquarie Bank Limited around the effect of the revised production forecast and associated forecast cash flows on the covenants in relation to the \$20 million debt facility. It is anticipated that it will be necessary to seek waivers in relation to certain covenants to be calculated on 31 January 2020.

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

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