

NICKEL

SITE VISIT REVIEW

Panoramic Resources Limited | PAN

BUY

Rising production with exploration upside

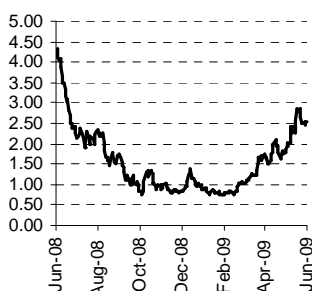
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PAN owns and operates two underground nickel mines in Western Australia. We recently attended a site visit to both operations. Savannah and Lanfranchi are operating in line with expectations and are on track to meet FY09 production guidance of 17-18kt contained nickel. Production is expected to rise 15% in FY10 due to increased output at Lanfranchi and PAN owning 100% of the project for the full-year. Exploration success at Savannah has extended the mine life to nine years while Lanfranchi has at least six years remaining. A solid hedging strategy has left PAN well placed to take advantage of the recent strength in the nickel price and we are reiterating our BUY recommendation on the stock and set a price target of \$3.00/share.

ASX code | PAN
Last price | \$2.52
Fully diluted shares | 208.7M
Market cap | A\$525.9M
52 week hi/low | \$4.71 / \$0.70
12 month price target¹ | \$3.00
Valuation | \$3.00
Valuation methodology | DCF
EV/Reserve | A\$1.88/lb
EV/Resource | A\$0.80/lb

- **Savannah site visit** – The site visit to Savannah highlighted a project that is performing solidly. The underground operation is performing in line with expectations and production should be maintained at current levels of 8.0ktpa contained nickel for the foreseeable future.
- **Deeps expansion potential** – Drilling at Savannah has proved fruitful for PAN. The company released a major resource upgrade for the project in June 2009 which we believe will underpin a nine year mine life. Recent results have also confirmed the deposit remains open at depth.
- **Lanfranchi site visit** – Lanfranchi is entering a purple patch with production at the large Deacon deposit ramping up. Deacon is expected to provide around 75% of all ore mined at Lanfranchi for the remaining life of the project.
- **Lanfranchi exploration upside** – The discovery of the Deacon deposit in late 2006 highlights the exploration potential that remains at Lanfranchi. PAN has already identified down plunge of Helmut South, the western limb of the Deacon deposit and the Winner/Schmitz zone and priority areas for further drilling.
- **Copernicus JV** – Mining operations at Copernicus were suspended in November 2008 due to the collapse of the nickel price. Ore from the open pit was going to “fill the mill” at Savannah however the JV partners have indicated that higher nickel prices will need to prevail in order for mining to re-commence.
- **Earnings outlook** – PAN should report a modest NPAT of \$6.0M for FY09, as a strong 2HFY09 result more than offsets the \$8.6M net loss reported in the 1HFY09. Earnings should peak in FY10 as PAN’s in the money hedge book is wound down.
- **Financial position** – PAN’s hedge book has enabled the company to weather the significant decline in nickel prices seen over the past nine months. At the end of March the company had cash and receivables totalling \$66M, no debt and a hedge book that was well in the money.

Share price performance | PAN



Year end June	2008A	2009F	2010F	2011F
Revenue - A\$M	232.4	234.9	276.3	257.3
EBITDA - A\$M	116.7	88.8	126.9	103.3
NPAT - A\$M	53.3	6.0	53.4	41.1
Free Cash Flow - A\$M	30.4	(23.1)	66.0	46.2
EPS - cents	27.3	11.3	25.6	19.7
EPS - % chg	(40.2)	(58.7)	126.7	(23.1)
PER - x	9.2	22.3	9.8	12.8
DPS - cents	12.0	3.0	6.0	6.0
Dividend Yield - %	4.8	1.2	2.4	2.4
Franking - %	100.0	100.0	100.0	100.0

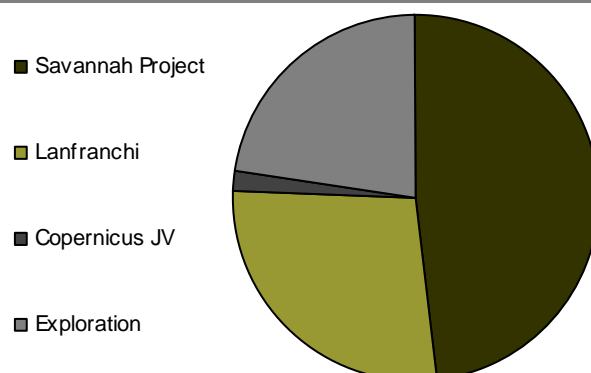
Notes: 1. Price target is equivalent to DCF valuation.

Year end June	2008A	2009F	2010F	2011F
PROFIT & LOSS SUMMARY (A\$M)				
Sales revenue	232.4	234.9	276.3	257.3
Other revenue	6.0	3.9	4.6	7.0
Operating Costs	(107.8)	(136.6)	(146.4)	(153.2)
Exploration Expense	(2.3)	(6.0)	(1.6)	(1.6)
Corporate & Admin	(11.7)	(7.4)	(6.0)	(6.1)
EBITDA	116.7	88.8	126.9	103.3
Depreciation	(40.4)	(55.1)	(50.3)	(44.4)
EBIT	76.3	33.7	76.6	58.9
Interest Expense	(1.4)	(0.5)	(0.3)	(0.2)
Pre-tax profit	74.9	33.1	76.3	58.7
Tax expense	(18.1)	(9.6)	(22.9)	(17.6)
Net income	56.8	23.6	53.4	41.1
Abnormals	(3.5)	(17.6)	0.0	0.0
NPAT	53.3	6.0	53.4	41.1
CASHFLOW SUMMARY (A\$M)				
NPAT	53.3	23.6	53.4	41.1
Int, Tax, Expl Expensed	21.7	16.2	24.8	19.5
Int, Tax, Expl Incurred	(28.5)	(35.4)	(31.2)	(26.0)
Depreciation/Amortisation	40.4	55.1	50.3	44.4
Working Capital (Inc)/Dec	(0.9)	(14.4)	(0.3)	0.5
Other	3.6	(4.5)	0.0	0.0
Operating Cash Flow	89.7	40.5	97.0	79.4
Capex(net of asset sales)	(55.6)	(63.6)	(30.9)	(33.1)
Disposals/(Acquisitions)	(3.7)	0.0	0.0	0.0
Other investing cash flows	0.0	0.0	0.0	0.0
Free Cash Flow	30.4	(23.1)	66.0	46.2
Dividends	(36.1)	(11.6)	(8.2)	(14.3)
New Equity	3.6	0.1	0.0	3.8
Debt Drawdown/(Repay)	(6.6)	(4.2)	(0.6)	(0.7)
Net Cash Inc/(Dec)	(8.7)	(38.8)	57.3	35.0
FX impact on cash	0.0	0.0	0.0	0.0
Cash at End Period	110.9	72.1	129.3	164.4
Net Cash/(Debt)	102.5	67.9	125.8	161.5
BALANCE SHEET (A\$M)				
Cash	110.9	72.1	129.3	164.4
Receivables	17.2	23.5	27.6	25.7
Inventories	11.2	11.7	13.8	12.9
Other current assets	28.8	7.0	8.3	7.7
Total current assets	168.1	114.4	179.1	210.7
Plant & equipment	135.9	144.4	125.0	113.8
Expl, eval & development	13.1	14.7	21.1	27.5
Other non-current assets	15.1	11.0	8.7	5.1
Total non-current assets	164.1	170.0	154.8	146.4
Total assets	332.1	284.4	333.9	357.1
Payables	31.3	18.8	22.1	20.6
Short-term debt	6.4	0.9	0.7	0.6
Other current liabilities	26.1	8.4	8.4	8.4
Total current liabilities	63.8	28.1	31.3	29.6
Long-term debt	2.0	3.5	3.0	2.4
Other non-current liabilities	34.6	4.0	9.6	2.5
Non-current liabilities	36.6	7.5	12.6	4.9
Total liabilities	100.4	35.5	43.8	34.5
NET ASSETS	231.7	248.9	290.0	322.6
Contributed equity	78.4	78.5	78.5	82.3
Retained profits	153.3	170.4	211.5	240.3
Minority interests	0.0	0.0	0.0	0.0
EQUITY	231.7	248.9	290.0	322.6

Year end June	2008A	2009F	2010F	2011F
RATIOS AND MULTIPLES				
Income				
Revenue growth %	(21.1)	0.1	17.6	(5.9)
EBITDA growth %	(42.8)	(23.9)	42.9	(18.6)
EBITDA margin %	50.2	37.8	45.9	40.1
EBIT margin %	32.8	14.3	27.7	22.9
Effective Tax rate %	24.1	28.9	30.0	30.0
Net interest cover x	55.0	62.1	259.3	242.3
Balance Sheet				
ROA %	17.1	8.3	16.0	11.5
ROE %	24.5	9.5	18.4	12.7
Net debt/equity %	(44.2)	(27.3)	(43.4)	(50.1)
Net debt/(debt+equity) %	(79.4)	(37.5)	(76.6)	(100.3)
Shares Outstanding				
Basic M	187.6	204.0	204.0	205.7
Other M	7.5	4.7	4.7	3.0
Fully diluted M	195.1	208.7	208.7	208.7
Valuation metrics				
Market cap M	492	526	526	526
Net debt (cash) \$M	(103)	(68)	(126)	(161)
Options \$M	19	12	12	8
Enterprise value \$M	408	470	412	372
EV/EBITDA x	3.5	5.3	3.2	3.6
EPS c	27.3	11.3	25.6	19.7
P/E x	9.2	22.3	9.8	12.8
FCF / Share c	16.2	(11.3)	32.4	22.5
Price / FCF x	15.5	na	7.8	11.2
Dividend Yield %	4.8	1.2	2.4	2.4
Franking %	100.0	100.0	100.0	100.0

VALUATION		
NPV by project	(A\$M)	A\$/share
Savannah Project	263.5	1.26
Lanfranchi	148.9	0.71
Copernicus JV	7.7	0.04
Exploration	115.0	0.55
Investments	0.1	0.00
Forwards	49.2	0.24
Corporate	(27.5)	(0.13)
Unpaid capital	8.3	0.04
Receivables	15.0	0.07
Cash	50.6	0.24
Debt	(4.3)	(0.02)
NPV @ 8%	626.3	3.00

NPV BY PROJECT



Year end June 2008A 2009F 2010F 2011F

PRODUCTION SUMMARY

Nickel Production (kt)					
Savannah Project	7.6	7.8	8.0	7.9	
Lanfranchi	5.4	9.2	11.7	12.2	
Copernicus JV	0.0	0.0	0.0	0.0	
Total	13.0	17.0	19.6	20.1	
Copper Production (kt)					
Savannah Project	4.1	4.0	3.9	3.9	
Lanfranchi	0.3	0.5	0.6	0.6	
Copernicus JV	0.0	0.0	0.0	0.0	
Total	4.3	4.5	4.5	4.5	
Cobalt Production (kt)					
Savannah Project	0.4	0.4	0.5	0.5	
Lanfranchi	0.1	0.1	0.2	0.2	
Copernicus JV	0.0	0.0	0.0	0.0	
Total	0.5	0.6	0.7	0.7	

CASH COSTS (A\$/LB)

Savannah Project	7.76	8.32	7.88	8.03
Lanfranchi	9.53	7.63	7.78	7.97
Copernicus JV	na	na	na	na

COMMODITY PRICE ASSUMPTIONS

Year end June	2008A	2009F	2010F	2011F	Long-term
Nickel (US\$/lb)	12.92	6.02	6.72	6.77	7.00
Copper (US\$/lb)	3.53	2.23	2.22	2.23	2.00
Cobalt (US\$/lb)	37.08	18.75	15.13	18.62	21.00
US\$/A\$ FX	0.90	0.75	0.74	0.70	0.70

BOARD OF DIRECTORS

Christopher de Guingand	Non-Executive Chairman
Peter Harold	Managing Director
Christopher Langdon	Non-Executive Director
John Rowe	Non-Executive Director
Brian Phillips	Non-Executive Director

SUBSTANTIAL SHAREHOLDERS

Shareholder	Shares (M)	(%)
M&G Investment Management	28.7	14.1%
Barclays Global Investors	17.2	8.4%
Brilliant Mining	12.0	5.9%
Top 20	159.7	78.3%

RESERVES AND RESOURCES

Reserves			
Project	Mt	Ni %	Kt
Savannah Upper Zone	2.9	1.30%	37.9
Total Savannah	2.9	1.30%	37.9
Lanfranchi			
Deacon	2.5	2.52%	63.1
Helmut South	0.1	2.34%	3.2
Lanfranchi	0.1	3.03%	2.7
Schmitz	0.1	2.64%	2.3
Winner	0.1	3.77%	2.0
Total Lanfranchi	2.9	2.56%	73.3
Copernicus			
Copernicus	0.3	0.98%	2.6
Total	6.1	1.88%	113.8
Resources			
Project	Mt	Ni %	Kt
Savannah			
Savannah Upper Zone	3.0	1.63%	48.6
Savannah Lower Zone	3.4	1.48%	50.1
Total Savannah	6.4	1.55%	98.7
Lanfranchi			
Cruikshank	2.2	1.23%	26.6
Deacon	2.3	2.95%	68.5
Gigantus	1.0	1.34%	13.4
Helmut South	0.3	2.80%	7.1
John	0.6	1.07%	6.5
Lanfranchi	0.1	5.51%	4.9
Martin	0.1	3.80%	1.9
McCormish	1.0	1.47%	14.9
Schmitz	0.1	4.42%	3.8
Winner	0.1	5.73%	4.7
Remnants	0.5	2.39%	10.9
Total Lanfranchi	8.1	2.01%	163.2
Copernicus			
Copernicus	0.5	2.01%	6.4
Total	15.0	1.79%	268.3

1 Investment case and valuation

INVESTMENT CASE

Owns two underground nickel mines in Western Australia

PAN offers excellent exposure to the nickel price through its two 100% owned underground nickel mines in Western Australia. The Savannah mine is currently producing around 8.0ktpa of nickel in concentrate and has a mine life of nine years. The Lanfranchi mine is currently producing around 11.0-12.0ktpa of nickel in ore and has a mine life of six years.

Savannah is a medium scale, medium grade underground operation that utilises long-hole open stoping to mine around 700ktpa. The project has a processing plant that produces a high quality bulk concentrate containing nickel, copper and cobalt with low impurities. All concentrate produced at Savannah is sold to Jinchuan in China via an offtake agreement.

The Lanfranchi project is a narrow but high grade mine similar to other mines in the Kambalda region. The Deacon deposit is the mine's primary source of ore, with other deposits also providing modest production. All ore mined at Lanfranchi is trucked to BHP's Kambalda Nickel Concentrator under a life of mine offtake agreement.

Reiterating BUY recommendation, price target \$3.00/share

PAN generates strong cash flow from its two operating projects. The company has historically utilised nickel hedging to protect itself during times of low nickel prices. This strategy has enabled the company to remain healthy despite the significant deterioration in the nickel price over the past nine months. The company is now well positioned to take advantage of rising nickel prices and we are reiterating our BUY recommendation on the stock and set a price target of \$3.00/share

HEDGE BOOK

Hedge book \$42.8M in the money

At the end of March 2009 PAN had 3.0kt of forwards, 404t of nickel put options and 606t of nickel call options. The put and call options expire in the current quarter. There are 2.4kt of nickel forwards with an average price of US\$26,780/t that expire during FY10 plus 600t @ US\$15,100/t that expire in FT11. Following the recent strength in the nickel price we would expect PAN to lock in additional nickel hedging in the near future.

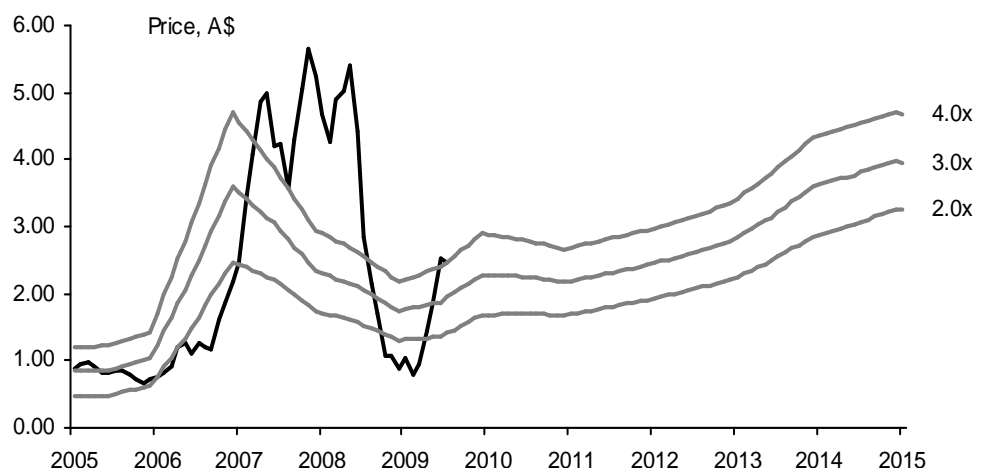
In addition to the nickel hedging PAN also utilises currency hedging. The currency hedging provides around US\$70M of protection above an A\$/US\$ exchange rate of 0.7254. Additional currency hedging is expected to be purchased in line with any additional nickel hedging. PAN's nickel and FX hedge book is currently \$42.8M in the money on a post tax basis.

VALUATION

Combination of sum of the parts and DCF

We use a combination of sum of the parts and discounted cash flow methodology to value PAN. Our valuation for Savannah, Lanfranchi and Copernicus is based on a DCF of our development scenarios for each project. We also value PAN's resources not in our production assumptions at 5.0% of in-ground value. In addition to the DCF valuation we have also included a post tax mark to market valuation of PAN's hedge book, taken into account PAN's net cash position and corporate overhead costs and applied modest values to the group's other exploration assets.

PAN EV/EBITDA contours



Source: Stonebridge Group

Stock looks cheap on forward
EV/EBITDA multiples

The chart above translates our forward earnings estimates for PAN, which includes production from Savannah, Lanfranchi and Copernicus into EV/EBITDA multiples. The gradual rise in the contours reflects the cash flow positive nature of the operations. We note that our \$3.00/share valuation implies forward EV/EBITDA multiples of 4.1X and 4.6X for FY10 and FY11 respectively

SENSITIVITY ANALYSIS

Sensitive to A\$ nickel prices
with some hedge protection

PAN offers excellent leverage to Australian Dollar nickel prices through its 100% owned Savannah and Lanfranchi nickel mines. Savannah is expected to produce around 8.0ktpa for the next nine years while Lanfranchi is expected to produce around 11.0-12.0ktpa of nickel in ore for the next six years.

The table below outlines PAN's sensitivity to movements in both our US\$ nickel price and A\$/US\$ exchange rate assumptions (effectively movements in our A\$ nickel price assumptions). The changes in our NPV for PAN reflect only the Savannah, Lanfranchi and Copernicus projects and the hedge book. Our in ground value assumption for PAN's remaining resources has been left unchanged for this exercise.

PAN sensitivity analysis

	A\$/US\$	0.60	0.70	0.80	0.90	1.00
Ni US\$/lb						
5.00		2.53	1.76	1.18	0.73	0.37
6.00		3.38	2.47	1.79	1.26	0.83
7.00		4.24	3.00	2.40	1.78	1.29
8.00		5.09	3.90	3.01	2.31	1.76
9.00		5.94	4.61	3.62	2.84	2.22

Source: Stonebridge Group

PEER GROUP ANALYSIS

Cheap relative to its peer
group

Our peer group for PAN consists of three other ASX listed nickel producers with operations in Western Australia. MCR's North and South Kambalda operations and IGO's Long mine are similar to PAN's Lanfranchi project. We note that IGO also has a 30% interest in the Tropicana Gold JV which somewhat distorts its multiples. WSA's Flying Fox and Spotted Quoll mines are world class and accounts for the company's higher multiples.

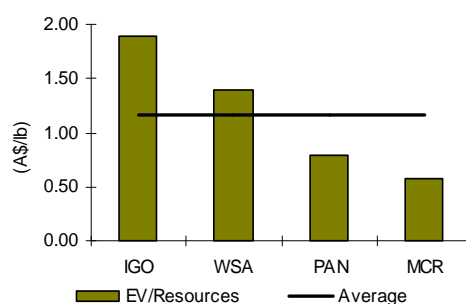
Australian Nickel Producers

Company	Code	Price	Market Cap (A\$M)	Project	Production (kt)
Western Areas NL	WSA	\$5.19	\$933	Forrestania	13.2
Panoramic Resources Limited	PAN	\$2.52	\$526	Savannah/Lanfranchi	19.6
Independence Group NL	IGO	\$3.98	\$453	Long	8.6
Mincor Resources NL	MCR	\$1.50	\$301	Nth/Sth Kambalda	15.9

Source: Stonebridge Group

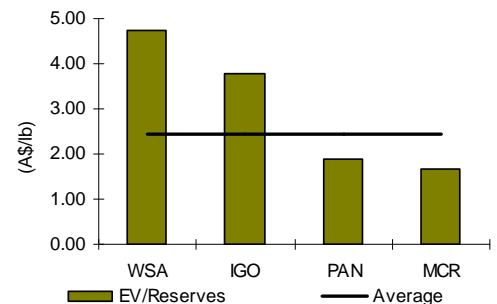
The charts below outline both EV/Reserve and EV/Resource multiples for PAN's selected peer group. PAN is currently trading below the average for both reserves and resources. We note that IGO's multiples are inflated due to the company also owning a 30% interest in the Tropicana Gold Joint Venture. WSA's multiples are generally higher due to the high grade nature of its world class deposits, which can demand higher multiples.

EV/Resource Peer Group Comparison



Source: Stonebridge Group

EV/Reserve Peer Group Comparison



Source: Stonebridge Group

2 Company overview

BACKGROUND

Operates two underground nickel mines in Western Australia

Panoramic Resources Limited (PAN) owns and operates two nickel mines in Western Australia. The company's founding project is the Savannah mine in the eastern Kimberley region of Western Australia. The Savannah project was previously known as the Sally Malay project and currently produces around 8.0ktpa of nickel in concentrate via an underground mine. PAN's second project is the Lanfranchi nickel mine near Kambalda. Lanfranchi is currently producing around 11.0-12.0ktpa of nickel in ore from underground.

Listed on the ASX on 12 September 2001

The company was incorporated in February 2001 as Sally Malay Mining Limited for the purpose of acquiring and developing its namesake Savannah (Sally Malay) Project. PAN listed on the ASX on 12 September 2001 following an IPO that raised \$3M @ \$0.20/share. A feasibility study on the Savannah project, funded by a \$3M loan from Macquarie Bank, was completed in August 2002 and construction of the \$65M project began in late 2003.

A \$46M project finance facility with Macquarie Bank and Standard Bank provided most of the funding needed to bring the project into production, with the remaining funds met through equity placements and a US\$5M loan from Jinchuan, PAN's offtake partner.

In 2003 PAN entered into an agreement with Thunderlarra Exploration Limited (THX) to acquire a 60% interest in the Copernicus Joint Venture by completing a feasibility study on the project. The feasibility study was completed in June 2007 however depressed nickel prices resulted in the project being suspended in late 2008.

Recently moved to 100% ownership of Lanfranchi

PAN acquired its interest in the Lanfranchi project in a joint venture with Donegal Resources from WMC Resources Limited (WMR) in November 2004 for \$26M. At the time of the acquisition, Lanfranchi boasted resources of 73kt Ni. PAN recommenced mining at Lanfranchi in January 2005 and reached full production in June 2006. In early 2009 PAN acquired the remaining 25% interest in the Lanfranchi project for 12.0M shares (~\$20M).

PAN project locations



Source: PAN

SUMMARY OF PROJECTS

Savannah project boasts nearly 100kt of nickel in resource

The Savannah project is located in the Kimberley region of Western Australia. The Savannah deposit originally outcropped at surface which enabled PAN to mine the deposit via an open pit, although all ore is now sourced from underground. The deposit is large but moderate grade, containing nearly 100kt of nickel in resource. The project produces a high quality low impurity bulk concentrate containing nickel, copper and cobalt. All concentrate produced at Savannah is shipped to China under an offtake agreement with Jinchuan from Wyndham.

The Lanfranchi project is located near Kambalda, south of Kalgoorlie in Western Australia. Like the majority of Kambalda nickel deposits, Lanfranchi consists of a number of narrow but high grade sulphide nickel deposits. All ore mined at Lanfranchi is trucked to BHP Billiton Limited's (BHP) Kambalda Nickel Concentrator (KNC) under a life of mine off take agreement.

**Copernicus operation
suspended in late 2008**

The Copernicus project is located around 50km south of PAN's Savannah project. An open pit development commenced in 2008 however the joint venture ceased mining in late 2008 after spending around \$20M on mine infrastructure and pre-stripping the pit due to depressed nickel prices. Copernicus is lower grade than Savannah and also contains higher impurities such as MgO.

PAN's exploration projects include the Cowan JV south of the Lanfranchi operation and the Norrland Nickel JV in Sweden. The Cowan JV consists of 520km² of tenements where PAN has 100% of the nickel rights. PAN is earning a 70% interest in the Norrland Nickel JV by spending \$1.5M on exploration over a 12 month period.

CAPITAL AND SHAREHOLDER STRUCTURE

Simple capital structure

PAN's capital structure is relatively straightforward. The company has 204.0M ordinary shares on issue and 4.7M unlisted options. All the ordinary shares are tradable on the ASX. There are 1.7M employee options that expire on 31 December 2010 with an exercise price of \$2.20 and 3.0M options that expire on 31 December 2012 with an exercise price of \$1.50. The exercise of all the unlisted options would raise PAN \$8.3M in cash.

**Solid institutional
shareholder base**

The company boasts a solid shareholder base with the Top 20 shareholders accounting for more than 70% of the group's issued capital. There are a number of substantial shareholders that hold over 5.0% including M&G Investment Management, Barclay's Capital and Brilliant Mining.

BOARD AND MANAGEMENT

Christopher de Guingand – Non-Executive Chairman – Christopher de Guingand has significant experience in the mining industry having held a number of executive roles within a various mining companies. His experience is focused on finance and marketing.

Peter Harold – Managing Director – Peter Harold is a process engineer with over 20 years corporate experience in the minerals industry specialising in financing, marketing, business development and general corporate activities. His past experience includes metals marketing roles for the Cawse nickel laterite project and the Silver Swan and Mt Keith nickel sulphide projects. Peter is also a Non-Executive Chairman of Alloy Resources Limited (AYR) and Territory Uranium Company Limited (TUC).

Christopher Langdon – Non-Executive Director – Christopher Langdon has over 23 years of corporate finance and management experience and has extensive experience in investment banking in Australia and overseas working for Wardley Australia Limited, James Capel & Co. and Samuel Montagu & Co. Christopher is also a Non-Executive Director of Fresh Foods Industries Holdings Limited.

John Rowe – Non-Executive Director – John Rowe is a geologist who has had extensive mining industry experience over a 36 year period. His experience includes senior roles with LionOre Australia and MPI Mines Limited. John is the Principal of John Rowe and Associates which provides geological and business development advice to the mining industry. John is also a Non-Executive Chairman of Catalpa Resources Limited (CAH).

Brian Phillips – Non-Executive Director – Brian Phillips is a mining engineer who has had extensive mining industry experience in operational and management roles in precious and base metals over a 40 year period. His past experience includes senior roles with Gold Fields Group, Metals Exploration Limited, North Kalgurlii Mines Limited, Gold Mines of Kalgoorlie Limited and MPI Mines Limited. Brian is also a Non-Executive Director/Chairman of Tawana Resources NL (TAW) and Indophil Resources NL (IRN).

Trevor Eton – Chief Financial Officer & Company Secretary – Trevor Eton is an accountant with over 24 years experience in corporate finance within the minerals industry. Prior to joining the Company in 2003, he was Company Secretary and Group Financial Controller of MPI Mines Limited for 10 years.

Chris Williams – General Manager Operations – Chris Williams is a mining engineer with over 24 years experience in the mining industry. His past experience includes Mine Superintendent of Harmony South Kal Mines and Underground Manager & Mining Manager of Herald Resources, Coolgardie and was previously Mining Manager of the Savannah Project, and then Operations Manager of the Lanfranchi Project.

Terry Strong – Operations Manager Savannah – Terry Strong is a Mining Engineer with over 16 years experience in the mining industry in Queensland and Western Australia, including 7 years of mine management experience. He has worked for Mount Isa Mines, Western Metals Zinc and Rio Tinto. Terry has previously held positions of Mining Manager at Western Metals Zinc and Manager Exploratory Decline at Argyle Diamond Mine.

Steve Kelleher – Group Process Manager Savannah – Steve Kelleher has over 25 years of experience in the mining industry in Australia and Papua New Guinea. He was involved in the construction and operation of the Porgera and Lihir pressure oxidation circuits and was the processing manager of Western Metals' Lennard Shelf and Mount Gordon operations.

Simon Jessop – Operations Manager Lanfranchi – Simon Jessop is a Mining Engineer with over 12 years experience in the mining industry. His past experience includes working for Byrnescut Mining Underground Contracting Company and previously held the positions of Project Manager at both Jubilee's Cosmos Operation and Goldfield's Agnew Operations.

John Hicks – Exploration Manager – John Hicks is a geologist with 29 yrs experience in the Australian mining and exploration industry, including operating as an independent geological consultant from 1998. His past experience includes roles with Hamersley Iron, Australian Consolidated Minerals, WMC and Mining Project Investors.

Wade Evans – Business Development Manager – Wade Evans is a geologist with over 16 years experience in the mineral industry in Australia, specialising in exploration and business development. His past roles include various business development roles with Placer Dome. Wade joined Panoramic as the Business Development Manager in 2006.

3 Savannah

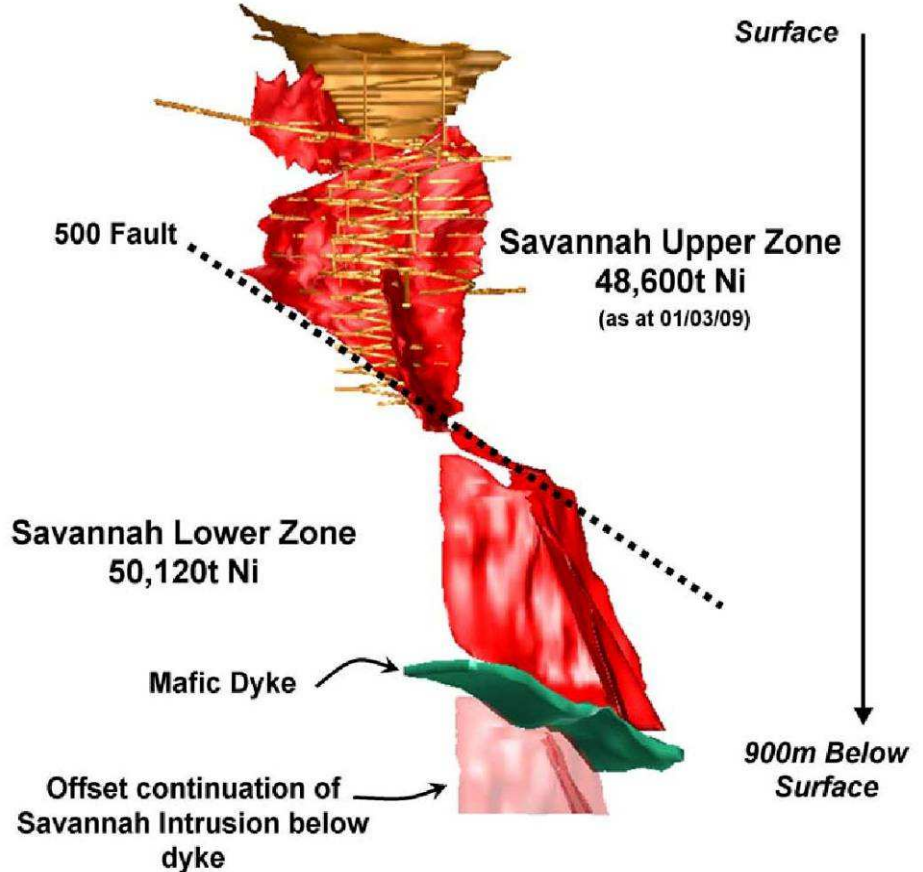
Located in eastern Kimberley region of Western Australia

PROJECT OVERVIEW

The Savannah Project is located 240km south of Kununarra in the eastern Kimberley region of Western Australia. The project consists of a large Ni/Cu/Co deposit was mined initially via an open pit but now sources ore from underground. Savannah produces a low impurity nickel concentrate on site which is trucked to Wyndham and shipped to Jinchuan in China via an offtake agreement that expires in March 2010.

Mineralisation at Savannah was discovered by Anglo American Limited in 1974. Anglo American evaluated the project on and off over a 14 year period before transferring the asset to Normandy Poseidon in 1989. Normandy continued to evaluate the deposit, including defining a resource before selling the asset to PAN in February 2001 for \$1.7M. We note that there are no royalties to be paid to third parties on production at Savannah (aside from the traditional owners), which is usually the case when a project changes ownership a number of times.

Savannah deposit overview



Source: PAN

OPERATIONAL OVERVIEW

The Savannah project consists of a medium scale underground mine and a 900-950ktpa nickel concentrator processing plant. Other major surface infrastructure includes a mine camp with a capacity around 300, a tailings storage dam, 12MW diesel fired power station, a paste fill plant and an open pit, which was the primary source of ore for the project for the first 18 months. The mining fleet at Savannah is owner-operated and the project currently employs 160 staff and 57 contractors.

Ore is mined from underground using long-hole open stoping for ore extraction. The ore body at Savannah is located within a layered mafic-ultramafic intrusion consisting of a single massive sulphide lens. The deposit is at least 250m long and up to 40m thick, which makes it amenable to mining via large open stopes. The deposit is subdivided by a fault at 100m, again at 500m and finally at 900m.

Diesel fired power station

Long-hole open stoping primary extraction method

**Mining currently above 500
fault**

All mining completed to date has been conducted above the 500m fault although resources have been defined down to the 900m fault. Recent drilling has identified mineralisation below the 900m fault, although a significant amount of drilling will be required before resources can be defined below the 900m level.

Ore extracted from the Savannah underground mine is delivered to the ROM pad ahead of processing. PAN utilises paste to fill mining voids in the underground mine. The Paste increases mining costs by around \$10/t but also increases reserve recovery and significantly improves the safety and operating conditions underground.

**Mine output is limiting factor
to project production**

Production from the mine is limited to 700-750ktpa due to the number of stoping areas that can be opened at any one time. The processing plant has a capacity of 900-950ktpa and consists of a single stage crusher, SAG mill, flotation, thickening and filtering stages that produce a bulk concentrate containing nickel, copper and cobalt. Post the cessation of the Copernicus pit, PAN has reverted to milling on a campaign basis with the mill operating for 15 out of 21 days.

The Savannah processing plant produces a bulk concentrate grading 7-8% Ni, 3-4% Cu and 0.4-0.8% Co. Despite being relatively low in contained nickel the concentrate is considered high quality as it has low impurities. (MgO<0.5%, As<10ppm). All concentrate produced at Savannah is trucked 240km to Wyndham for shipping.

**All concentrate sold to
Jinchuan in China**

PAN currently sells all concentrate to Jinchuan Group in China via an offtake agreement that expires in March 2010. Significantly, PAN is reimbursed for all ex-port shipping costs under the current offtake agreement which currently average around US\$40/t of concentrate. We expect that PAN and Jinchuan will look to extend the offtake agreement by a further five years.

RESERVES AND RESOURCES

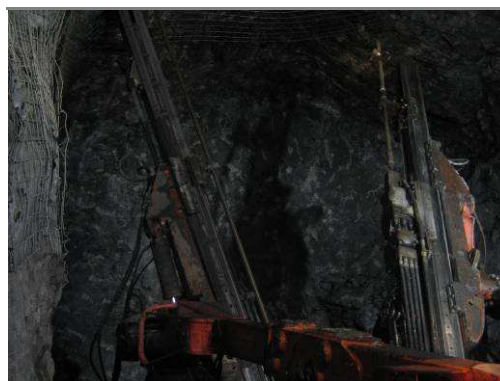
The Savannah project boasts significant reserves and resources. The company recently completed a resource definition drilling program in the Lower Zone of the Savannah deposit which enabled the Lower Zone resource to be upgraded by 142%. Total resources for the Savannah project now stand at 6.4Mt @ 1.55% containing 98.7kt of nickel.

Reserves have yet to be updated although we note that conversion of resource to reserve in the Upper Zone averaged over 95%. At the end of June 2008 the reserve at Savannah stood at 2.9Mt @ 1.29% Ni containing 37.9kt of nickel.

**Reserves and resources
underpin a nine year life**

Our mineable inventory assumption for the Savannah project assumes a 90% conversion of resources to reserves as seen in the upper areas of the mine. Our mineable inventory assumption of 6.3Mt @ 1.3% Ni should allow underground mining at Savannah to continue for a further nine years.

Underground Mining



Source: Stonebridge Group

Nickel Concentrator



Source: Stonebridge Group

PRODUCTION OUTLOOK

**Production profile is relatively
flat**

Our development scenario for the Savannah project assumes production continues at current levels for the next nine years. Mining is currently sourcing ore from the Upper Zone from two stopes with a third stope currently in development. The decline is expected to access ore below the 500 fault in late 2010.

The resource in the Lower Zone has lower grades for both nickel and copper, although we expect these grades will increase as drilling densities increase. We have assumed the head-grade remains roughly unchanged from the Upper Zone to the Lower Zone. Our minable inventory has an average head grade of 1.3% Ni for both the Upper and Lower Zones.

Slight cost increase as mining moves below the 500 fault

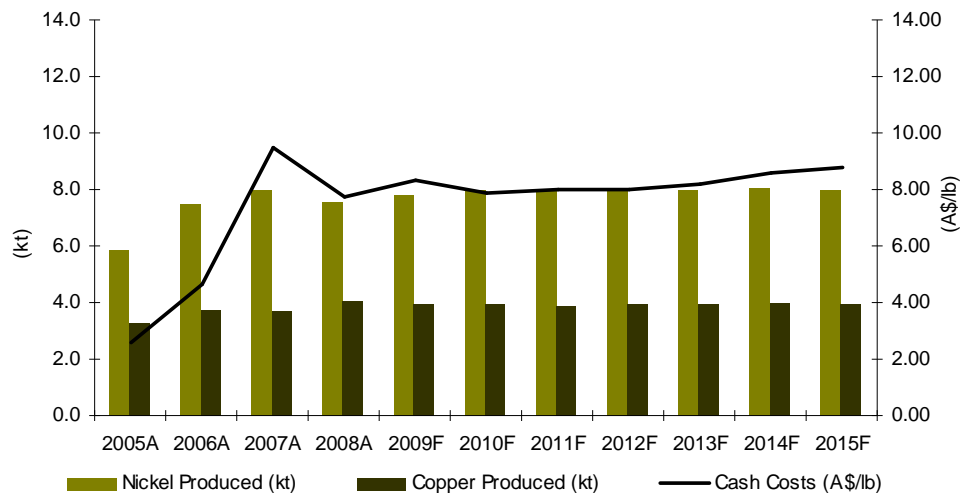
Operating costs are expected to be fairly similar in both the Upper and Lower Zones. Costs are expected to increase marginally as mining shifts below the 500 fault. Mine infrastructure is sufficient to complete the extraction of the Upper Zone although additional ventilation and cooling will need to be installed to complete the extraction of the Lower Zone. A 5m lift of the tailings dam will also need to be completed in the next twelve months, which will cost \$5.0M

Savannah production forecasts

Year end June	2008A	2009E	2010E	2011E	2012E	2013E
Nickel Produced (kt)	7.6	7.8	8.0	7.9	8.0	8.0
Cobalt Produced (kt)	0.4	0.4	0.5	0.5	0.5	0.5
Copper Produced (kt)	4.1	4.0	3.9	3.9	3.9	3.9
Cash Costs (A\$/lb)	7.76	8.32	7.88	8.03	7.98	8.18

Source: Stonebridge Group

Savannah production forecasts



Source: Stonebridge Group

Upside lies in regional discoveries...

UPSIDE POTENTIAL

There is significant upside potential to our development scenario for the Savannah project in both mine life extensions and production upgrades. The Savannah mill is operating 70% capacity due to constraints of the underground mine, hence any new discoveries within 50km of the current operation could 'fill the mill'.

...or at Copernicus, which could provide open pit ore to the mill

The Copernicus deposit, which PAN has a 60% interest in joint venture with Thunderlarra Exploration Limited (THX) offers the most advanced source of additional ore for the Savannah mill. The joint venture has already spent \$20M on mine infrastructure and pre-stripping. Ore has been exposed at the base of the pit, although higher nickel prices will need to prevail for mining to re-commence. PAN has also identified a number of regional targets that will be drill tested in the next 2-3 years.

Near mine exploration also offers considerable upside potential. PAN has already defined mineralisation at the Northern Ore Zone. Historical drilling by Anglo American on the northern side of the intrusive also returned mineralized intersections and will be followed by drilling by PAN in the next 2-3 years.

4 Lanfranchi

PAN now owns 100% of Lanfranchi, located near Kambalda

PROJECT OVERVIEW

The Lanfranchi project is located 42km south of Kambalda in Western Australia. PAN historically had a 75% interest in the project through the Lanfranchi Joint Venture (LJV), which was formed in 2004 between PAN (75% interest) and Donegal Resources (25% interest) to acquire the Lanfranchi project and Tramways tenements from WMC Resources for \$26M. Donegal Resources sold its 25% stake in the joint venture to TSXV listed Brilliant Mining Corp in February 2006 for cash and shares worth around \$20M. In early 2009 PAN acquired Brilliant Mining's 25% interest in the Lanfranchi project for 12.0M shares (~\$20M)

Mineralisation at Lanfranchi was discovered in the 1970s, and mining commenced in 1976. WMC initially mined the Edwin and Ham deposits, with the bulk of the ore coming from Lanfranchi. The most profitable areas mined by WMC were the Skinner, Schmitz and Winner deposits.

Over 100kt of Ni has been mined at Lanfranchi since production commenced in 1976. All ore mined at Lanfranchi is trucked 42km to the Kambalda Nickel Concentrator, which is owned by BHP Billiton, under an off take agreement. BHP Billiton will purchase up to 350ktpa of ore from the Lanfranchi project and has first right of refusal on any additional production.

Lanfranchi deposits



Source: PAN

OPERATIONAL OVERVIEW

Mineralisation similar to all Kambalda style deposits

Mineralisation at Lanfranchi occurs as high-grade nickel sulphide ribbon like shoots at the base of lava channels. The shoots occupy channel structures developed in the underlying basalt footwall. There are ten distinct structures recognised at Lanfranchi, six of which have been mined historically. The most prominent structures are the Lanfranchi, Schmitz and Helmut channels.

Mining at Lanfranchi is undertaken using long-hole open stoping, underhand cut and fill and handheld air leg methods. The choice of mining method is driven by the size and complexity of the various ore bodies. Currently there are four separate deposits being mined at Lanfranchi. Deacon is the largest deposit and is amenable to open stope mining methods. Helmut South and Winner both utilise underhand cut and fill methods while the smaller Lanfranchi deposit is mined using handheld air leg.

PAN utilises paste fill at Lanfranchi to assist in ore extraction, minimise dilution and reduce ground stress risks. We note paste is critical for the underhand cut and fill mining methods being used at Helmut South and Winner. Paste fill adds around \$20/t to the mining cost at Lanfranchi. All mining activities are owner operated and the project currently employs around 160 staff and 55 contractors.

Ore mined is trucked to BHP's Kambalda Nickel Concentrator

All ore mined at Lanfranchi is trucked 42km to BHP Billiton's Kambalda Nickel Concentrator under an offtake agreement. The current offtake agreement allows for a minimum of 350ktpa of ore to be delivered to the concentrator with the first right of refusal for any additional ore. Lanfranchi currently supplies around 35-40% of ore delivered to the concentrator. The offtake agreement expires in February 2010 but has a nine year extension option.

Reserves and Resources underpin a six year life

RESERVES AND RESOURCES

Lanfranchi boasts significant reserves and resources. Reserves currently stand at 2.9Mt @ 2.56% Ni containing 73.3kt of nickel. The reserves are dominated by the Deacon deposit which accounts for 86% of the total, with the remainder made up of the Winner, Helmut South, Lanfranchi and Schmitz deposits.

Resources at Lanfranchi currently stand at 8.1Mt @ 2.01% Ni containing 163.2kt of nickel. Nearly 60% of the resources are located near mine infrastructure at Deacon, Winner, Helmut South, Lanfranchi, Edwin and Ham. The remaining resources are dominated by Cruickshank, Gigantus and McCormish all of which are shallower deposits with grades below 1.5% Ni.

We have included only the Deacon, Winner, Helmut South, Schmitz and Lanfranchi reserves and resources in our mineable inventory assumption for Lanfranchi. Our minable inventory of 3.1Mt @ 2.56% Ni includes all current reserves and half the remaining resources from the aforementioned deposits.

Underground Mining

Ventilation Infrastructure



Source: Stonebridge Group

Source: Stonebridge Group

Production dominated by the Deacon deposit

PRODUCTION OUTLOOK

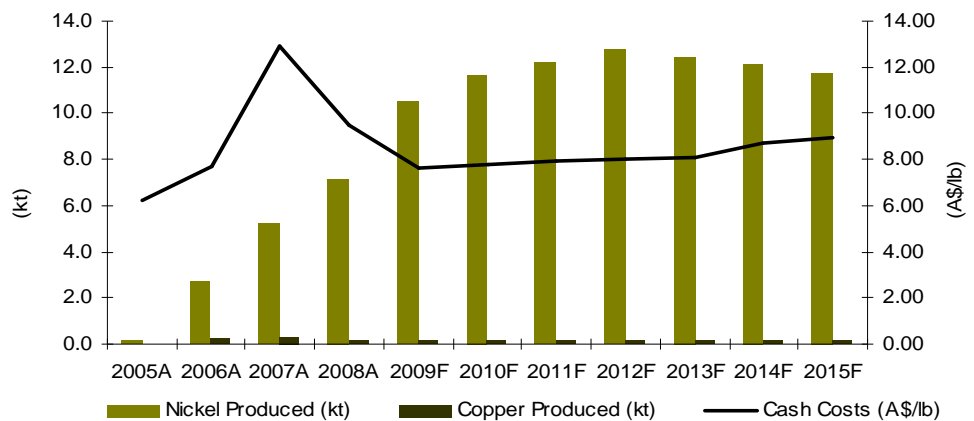
Mining at Lanfranchi is currently being undertaken at Winner, Helmut South, Lanfranchi and Deacon. Mining at Winner is expected to cease in the next six months with the slack taken up by Deacon. Deacon is expected to produce around 300-330ktpa for the next six years and the deposit underpins our six year mine life assumption for the project. Lanfranchi should provide a consistent 10-12ktpa over the six year mine life with remnant mining at Skinner, Edwin, Ham and Helmut providing modest contributions to total production over the period.

Lanfranchi production forecasts

Year end June	2008A	2009E	2010E	2011E	2012E	2013E
Nickel Produced (kt)	7.2	10.5	11.7	12.2	12.8	12.4
Copper Produced (kt)	0.1	0.2	0.2	0.2	0.2	0.2
Cash Costs (A\$/lb)	9.53	7.63	7.78	7.97	7.98	8.11

Source: Stonebridge Group

Lanfranchi production forecasts



Source: Stonebridge Group

UPSIDE POTENTIAL

Near mine exploration potential is excellent

There is significant upside potential at Lanfranchi through near mine exploration. The mineralisation channels that have been subject to mining are all open at depth. The most prospective areas are on the western limb of the Deacon deposit, down plunge of Helmut South, the zone between Winner and Schmitz and the zone between Helmut and Deacon. PAN has indicated that testing down plunge of Helmut South has the highest priority.

Near mine exploration

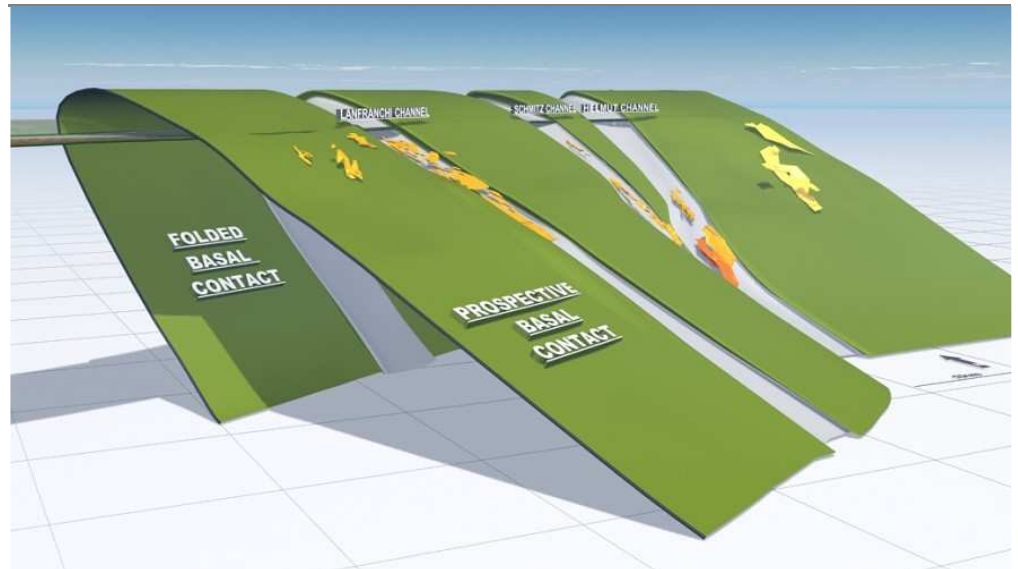


Source: PAN

Regional upside on northern basalt contact

PAN also believes that the basal contact is folded over the tramways dome and new mineralised zones could exist on the northern flank of the tramways dome. Previous drilling undertaken by PAN has already defined mineralisation on the northern side of the fault. Better intersections included 0.25m @ 9.27% Ni and 1.22m @ 6.98% Ni.

Northern Basalt Contact



Source: PAN

5 Other Assets

COPERNICUS JOINT VENTURE

Potential open pit feed for Savannah

The Copernicus Joint Venture is located 50km south of the Savannah project. PAN has a 60% interest in the JV with Thunderlarra Exploration Limited (THX) holding the remainder. A feasibility study was completed in June 2007 that indicated that a profitable open pit could be constructed at Copernicus, toll treating ore through PAN's Savannah mill on a campaign basis.

Mining at Copernicus commenced in July 2008 after a delay in gaining all statutory approvals for the project. Approximately \$20M was spent on mine infrastructure and the pre-strip, which was completed by late 2008. However due to a collapse in nickel prices, mining was suspended in November 2008. A small amount of Copernicus ore was delivered to the Savannah mill prior to mining operations being suspended.

Requires higher nickel prices

PAN has indicated that higher nickel prices could see mining at Copernicus resume and we note that with the Savannah mill currently operating at 75% of capacity the opportunity to process Copernicus ore at Savannah still exists. We note that PAN wrote off its share of project expenditure \$12.3M (pre-tax) at its 1HFY09 result. We have assumed mining at Copernicus resumes in mid 2013.

COWAN NICKEL PROJECT

Located near Lanfranchi

The Cowan Nickel Project is located in the Widgeemooltha-Higginsville-Chalice-Democrat region of the Eastern Goldfields of Western Australia. The project consists of three tenement packages totalling 520km². PAN has a 100% interest in the Cowan Nickel and Logan's Find tenements and a 60% interest in the Junction South tenements. The project was acquired from Liantown Resources Limited (LTR) in May 2008 for \$1.6M in cash. As part of the transaction PAN also agreed to purchase 2.5M shares in LTR.

The Cowan tenements are adjacent to Mincor Resources NL's (MCR) Miitel, Mariners, Wannaway and Redross mines. Junction South is located 10km south of the Lanfranchi project and Logan's Find is located 15km north west of Spargoville mine. Previous exploration on these tenements has focused largely on gold targets.

NORRLAND NICKEL JOINT VENTURE

Exploration in Sweden

PAN is earning a 70% interest in the Norrland Nickel Joint Venture by spending \$1.5M on exploration within 12 months. The project is located in the Vasterbotten district of Sweden, which is geologically similar to the Thompson Nickel Belt in Canada. The JV consists of a large tenement holding that has over 150km of prospective strike.

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