

## NICKEL

## PRODUCTION REPORT

# Panoramic Resources Limited | PAN

## BUY

Analyst | Hayden Bairstow  
613 8660 7210  
hayden.bairstow@stonebridgegroup.com.au

ASX code | PAN

Last price | \$2.74

Fully diluted shares | 208.7M

Market cap | A\$571.8M

52 week hi/low | \$2.99 / \$0.70

12 month price target<sup>1</sup> | \$3.10

Valuation | \$3.10

Valuation methodology | DCF

EV/Reserve | A\$2.01/lb

EV/Resource | A\$0.85/lb

## Group production in line with guidance

PAN owns and operates the Savannah and Lanfranchi underground nickel mines in Western Australia. Group production in the 4QFY09 was in line with guidance with a strong performance from Savannah offsetting a weak result at Lanfranchi. Cash costs were higher than forecast at Lanfranchi but better than expected at Savannah. We have made some adjustments to our longer term cost assumptions at both projects, although the net impact on our valuation has been minimal. PAN has reiterated its CY10 production guidance of 18-19kt of nickel and we have left our production estimates largely unchanged. We are reiterating our BUY recommendation on PAN and have left our \$3.10/share price target unchanged post the 4QFY09 production result.

- **Savannah production ahead of forecasts** – Savannah produced 2.2kt of nickel in concentrate in the 4QFY09 and 8.1kt for the full-year. Production was slightly higher than we had forecast due to a higher milled head grade. The higher head grade resulted in cash costs coming in much better than expected. We have lowered our cost assumptions at Savannah to reflect the positive 4QFY09 result.
- **Lanfranchi production slightly below** – A lower head grade resulted in Lanfranchi reporting production below expectations. The soft head grade also resulted in cash costs coming in higher than forecast. We have made some modest changes to our cost assumptions for Lanfranchi to reflect the higher costs seen in the 4QFY09.
- **Net cash position improves again** – The solid production result from both Savannah and Lanfranchi, modest nickel hedging and improved operating costs on a company wide basis has enabled PAN to grow its net cash position over the past three months. At the end of June 2009 PAN had \$67M in cash plus \$26M in receivables compared to cash and receivables of \$66M at the end of March.
- **Hedge book to boost FY10 earnings** – PAN currently has 2.4kt of nickel forwards that expire in FY10. The forwards have an average price of US\$12.15/lb which compares to our nickel price forecast of US\$6.92/lb. Our estimates suggest that the nickel hedges should boost FY10 revenue by more than 15% or \$37M. PAN also has around US\$125M in currency protection. The currency hedging protects any movements above an average US\$/A\$ exchange rate of 0.77.
- **Medium and long term growth strategy** – PAN is targeting organic growth through near mine exploration success at Lanfranchi and Savannah while longer-term potential lies in the Northern Ore Zone and regional tenements at Savannah and the northern dome and low grade ore bodies at Lanfranchi. PAN has also outlined a three tier preferential acquisition strategy. Tier 1 targets nickel, PGM, copper and gold projects, Tier 2 targets zinc, lead and bulk commodities while Tier 3 targets energy and industrial minerals.

Share price performance | PAN



Year end June	2008A	2009F	2010F	2011F
Revenue - A\$M	232.4	239.8	274.7	261.1
EBITDA - A\$M	116.7	88.6	124.5	102.7
NPAT - A\$M	53.3	4.8	52.8	40.5
Free Cash Flow - A\$M	30.4	(30.5)	64.3	45.6
EPS - cents	27.3	10.7	25.3	19.4
EPS - % chg	(40.2)	(60.7)	135.5	(23.2)
PER - x	10.0	25.5	10.8	14.1
DPS - cents	12.0	4.0	7.0	6.0
Dividend Yield - %	4.4	1.5	2.6	2.2
Franking - %	100.0	100.0	100.0	100.0

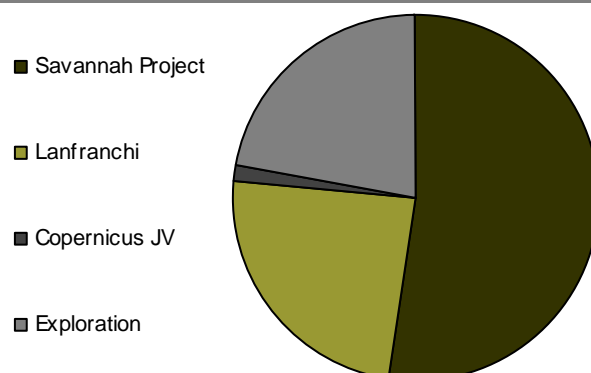
Notes: 1. Price target is equivalent to DCF valuation.

Year end June	2008A	2009F	2010F	2011F
<b>PROFIT &amp; LOSS SUMMARY (A\$M)</b>				
<b>Sales revenue</b>	<b>232.4</b>	<b>239.8</b>	<b>274.7</b>	<b>261.1</b>
Other revenue	6.0	3.9	4.3	6.4
Operating Costs	(107.8)	(141.7)	(146.8)	(157.0)
Exploration Expense	(2.3)	(6.0)	(1.6)	(1.6)
Corporate & Admin	(11.7)	(7.4)	(6.0)	(6.1)
<b>EBITDA</b>	<b>116.7</b>	<b>88.6</b>	<b>124.5</b>	<b>102.7</b>
Depreciation	(40.4)	(56.5)	(48.6)	(44.4)
<b>EBIT</b>	<b>76.3</b>	<b>32.1</b>	<b>75.9</b>	<b>58.3</b>
Interest Expense	(1.4)	(0.6)	(0.5)	(0.4)
<b>Pre-tax profit</b>	<b>74.9</b>	<b>31.5</b>	<b>75.4</b>	<b>57.9</b>
Tax expense	(18.1)	(9.1)	(22.6)	(17.4)
<b>Net income</b>	<b>56.8</b>	<b>22.4</b>	<b>52.8</b>	<b>40.5</b>
Abnormals	(3.5)	(17.6)	0.0	0.0
<b>NPAT</b>	<b>53.3</b>	<b>4.8</b>	<b>52.8</b>	<b>40.5</b>
<b>CASHFLOW SUMMARY (A\$M)</b>				
NPAT	53.3	22.4	52.8	40.5
Int, Tax, Expl Expensed	21.7	15.7	24.7	19.4
Int, Tax, Expl Incurred	(28.5)	(37.7)	(31.1)	(26.0)
Depreciation/Amortisation	40.4	56.5	48.6	44.4
Working Capital (Inc)/Dec	(0.9)	(14.9)	0.1	0.3
Other	3.6	(7.6)	0.0	0.0
<b>Operating Cash Flow</b>	<b>89.7</b>	<b>34.3</b>	<b>95.1</b>	<b>78.7</b>
Capex(net of asset sales)	(55.6)	(64.8)	(30.8)	(33.1)
Disposals/(Acquisitions)	(3.7)	0.0	0.0	0.0
Other investing cash flows	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>30.4</b>	<b>(30.5)</b>	<b>64.3</b>	<b>45.6</b>
Dividends	(36.1)	(11.6)	(12.2)	(14.3)
New Equity	3.6	0.1	0.0	3.7
Debt Drawdown/(Repay)	(6.6)	(1.9)	(0.6)	(0.7)
<b>Net Cash Inc/(Dec)</b>	<b>(8.7)</b>	<b>(43.9)</b>	<b>51.5</b>	<b>34.3</b>
FX impact on cash	0.0	0.0	0.0	0.0
Cash at End Period	110.9	67.0	118.5	152.8
<b>Net Cash/(Debt)</b>	<b>102.5</b>	<b>60.5</b>	<b>112.6</b>	<b>147.6</b>
<b>BALANCE SHEET (A\$M)</b>				
Cash	110.9	67.0	118.5	152.8
Receivables	17.2	24.0	27.5	26.1
Inventories	11.2	12.0	13.7	13.1
Other current assets	28.8	7.2	8.2	7.8
<b>Total current assets</b>	<b>168.1</b>	<b>110.2</b>	<b>167.9</b>	<b>199.8</b>
Plant & equipment	135.9	144.3	126.4	115.1
Expl, eval & development	13.1	14.7	21.1	27.5
Other non-current assets	15.1	11.0	8.6	7.8
<b>Total non-current assets</b>	<b>164.1</b>	<b>170.0</b>	<b>156.1</b>	<b>150.5</b>
<b>Total assets</b>	<b>332.1</b>	<b>280.1</b>	<b>324.0</b>	<b>350.2</b>
Payables	31.3	19.2	22.0	20.9
Short-term debt	6.4	0.9	1.2	1.1
Other current liabilities	26.1	5.6	5.6	5.6
<b>Total current liabilities</b>	<b>63.8</b>	<b>25.7</b>	<b>28.8</b>	<b>27.6</b>
Long-term debt	2.0	3.5	4.8	4.3
Other non-current liabilities	34.6	5.3	6.2	2.2
<b>Non-current liabilities</b>	<b>36.6</b>	<b>8.8</b>	<b>11.0</b>	<b>6.5</b>
<b>Total liabilities</b>	<b>100.4</b>	<b>34.5</b>	<b>39.8</b>	<b>34.1</b>
<b>NET ASSETS</b>	<b>231.7</b>	<b>245.7</b>	<b>284.2</b>	<b>316.1</b>
Contributed equity	78.4	78.5	78.5	82.2
Retained profits	153.3	167.2	205.7	233.9
Minority interests	0.0	0.0	0.0	0.0
<b>EQUITY</b>	<b>231.7</b>	<b>245.7</b>	<b>284.2</b>	<b>316.1</b>

Year end June	2008A	2009F	2010F	2011F
<b>RATIOS AND MULTIPLES</b>				
<b>Income</b>				
Revenue growth   %	(21.1)	2.2	14.5	(4.1)
EBITDA growth   %	(42.8)	(24.1)	40.6	(17.5)
EBITDA margin   %	50.2	36.9	45.3	39.3
EBIT margin   %	32.8	13.4	27.6	22.3
Effective Tax rate   %	24.1	28.8	30.0	30.0
Net interest cover   x	55.0	54.6	159.5	137.6
<b>Balance Sheet</b>				
ROA   %	17.1	8.0	16.3	11.6
ROE   %	24.5	9.1	18.6	12.8
Net debt/equity   %	(44.2)	(24.6)	(39.6)	(46.7)
Net debt/(debt+equity)   %	(79.4)	(32.7)	(65.6)	(87.5)
<b>Shares Outstanding</b>				
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
<b>Valuation metrics</b>				
Market cap   M	534	572	572	572
Net debt (cash)   \$M	(103)	(61)	(113)	(148)
Options   \$M	20	13	13	8
Enterprise value   \$M	452	524	472	432
<b>EV/EBITDA   x</b>	<b>3.9</b>	<b>5.9</b>	<b>3.8</b>	<b>4.2</b>
EPS   c	27.3	10.7	25.3	19.4
P/E   x	10.0	25.5	10.8	14.1
FCF / Share   c	16.2	(14.9)	31.5	22.2
<b>Price / FCF   x</b>	<b>16.9</b>	<b>na</b>	<b>8.7</b>	<b>12.4</b>
Dividend Yield   %	4.4	1.5	2.6	2.2
Franking   %	100.0	100.0	100.0	100.0

<b>VALUATION</b>		
NPV by project	(A\$M)	A\$/share
Savannah Project	284.4	1.36
Lanfranchi	130.4	0.62
Copernicus JV	7.7	0.04
Exploration	121.5	0.58
Investments	0.1	0.00
Forwards	35.6	0.17
Corporate	(27.0)	(0.13)
Unpaid capital	8.2	0.04
Receivables	26.0	0.12
Cash	67.0	0.32
Debt	(6.5)	(0.03)
<b>NPV @ 8%</b>	<b>647.4</b>	<b>3.10</b>

**NPV BY PROJECT**



Year end June                      2008A    2009F    2010F    2011F

### PRODUCTION SUMMARY

<b>Nickel Production (kt)</b>					
Savannah Project	7.6	8.1	8.1	7.9	
Lanfranchi	5.4	9.4	10.8	12.2	
Copernicus JV	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>13.0</b>	<b>17.5</b>	<b>18.8</b>	<b>20.1</b>	
<b>Copper Production (kt)</b>					
Savannah Project	4.1	4.2	4.0	3.9	
Lanfranchi	0.3	0.5	0.5	0.5	
Copernicus JV	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>4.3</b>	<b>4.7</b>	<b>4.5</b>	<b>4.4</b>	
<b>Cobalt Production (kt)</b>					
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	
<b>Total</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	

### CASH COSTS (A\$/LB)

Savannah Project	7.76	7.98	7.64	7.79
Lanfranchi	9.53	7.81	8.21	8.27
Copernicus JV	na	na	na	na

### COMMODITY PRICE ASSUMPTIONS

Year end June	2008A	2009F	2010F	2011F	Long-term
Nickel (US\$/lb)	12.92	6.03	6.92	6.84	7.00
Copper (US\$/lb)	3.53	2.23	2.26	2.27	2.00
Cobalt (US\$/lb)	37.08	19.32	15.55	18.83	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	19.3	9.5%
Vanguard Precious Metals & Mining	16.7	8.2%
Barclays Capital	12.2	6.0%
Brilliant Mining	12.0	5.9%
<b>Top 20</b>	<b>143.2</b>	<b>70.2%</b>

### RESERVES AND RESOURCES

<b>Reserves</b>			
Project	Mt	Ni %	Kt
Savannah Upper Zone	2.9	1.30%	37.9
<b>Total Savannah</b>	<b>2.9</b>	<b>1.30%</b>	<b>37.9</b>
<b>Lanfranchi</b>			
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
<b>Total Lanfranchi</b>	<b>2.9</b>	<b>2.56%</b>	<b>73.3</b>
<b>Copernicus</b>			
Copernicus	0.3	0.98%	2.6
<b>Total</b>	<b>6.1</b>	<b>1.88%</b>	<b>113.8</b>
<b>Resources</b>			
Project	Mt	Ni %	Kt
<b>Savannah</b>			
Savannah Upper Zone	3.0	1.63%	48.6
Savannah Lower Zone	3.4	1.48%	50.1
<b>Total Savannah</b>	<b>6.4</b>	<b>1.55%</b>	<b>98.7</b>
<b>Lanfranchi</b>			
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
<b>Total Lanfranchi</b>	<b>8.1</b>	<b>2.01%</b>	<b>163.2</b>
<b>Copernicus</b>			
Copernicus	0.5	2.01%	6.4
<b>Total</b>	<b>15.0</b>	<b>1.79%</b>	<b>268.3</b>

# 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 11.0ktpa 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, and \$3.10/share price target**

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 twelve months. The 4QFY09 production result was in line with expectations with a solid performance at Savannah offsetting a slightly weaker result at Lanfranchi. We are reiterating our BUY recommendation on PAN and have left our \$3.10/share price target unchanged post the 4QFY09 result.

## VALUATION

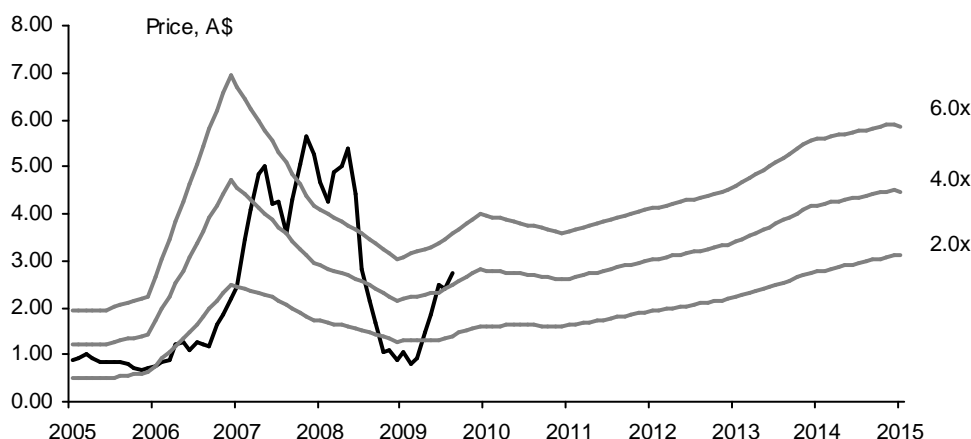
**Combination of sum of the parts and DCF**

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.

**Cheap on earnings multiples**

The chart below 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 \$3.10/share valuation implies forward EV/EBITDA multiples of 4.4X and 5.0X for FY10 and FY11 respectively.

### PAN EV/EBITDA contours



Source: Stonebridge Group

## HEDGE BOOK

At the end of June 2009 PAN had 3.0kt of nickel hedged. The hedges consist of 2.4kt of nickel forwards with an average price of US\$26,780/t that expire during FY10 plus 600t @ US\$15,268/t that expire in FY11. Following the recent strength in the nickel price we would expect PAN to lock in additional nickel hedging in the near future.

Hedge book \$43M in the money

In addition to the nickel hedging PAN also utilises currency hedging. The currency hedging provides around US\$65M of protection above an A\$/US\$ exchange rate of 0.7251 and US\$61M above 0.83. Additional currency hedging is expected to be purchased in line with any additional nickel hedging. PAN's nickel and FX hedge book is currently \$43M in the money.

### 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 11.0ktpa 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 assumptions for PAN's remaining resources have been included in this exercise.

#### PAN sensitivity analysis

	A\$/US\$	0.60	0.70	0.80	0.90	1.00
Ni US\$/lb						
6.00		3.63	2.51	1.79	1.18	0.69
7.00		4.58	3.10	2.47	1.77	1.21
8.00		5.53	4.10	3.08	2.36	1.74
9.00		6.48	4.90	3.83	2.95	2.26
10.00		7.43	5.70	4.51	3.55	2.78

Source: Stonebridge Group

### PEER GROUP ANALYSIS

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

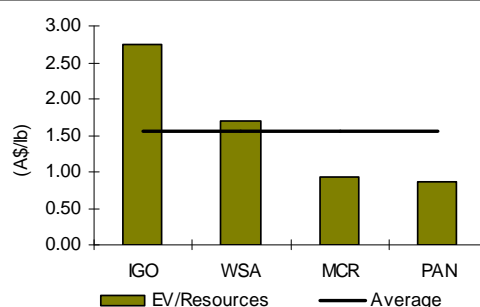
Company	Code	Price	Market Cap (A\$M)	Project	Production (kt)
Western Areas NL	WSA	\$6.26	\$1,125	Forrestania	15.7
Independence Group NL	IGO	\$5.35	\$611	Long	8.6
Panoramic Resources Limited	PAN	\$2.74	\$572	Savannah/Lanfranchi	18.8
Mincor Resources NL	MCR	\$2.05	\$413	Kambalda	14.1

Source: Stonebridge Group

Cheap relative to its peer group

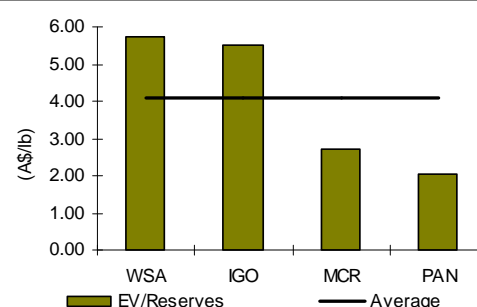
The charts below outline both EV/Reserve and EV/Resource multiples for PAN's selected peer group. PAN is currently trading below the average for both reserves and resources. We note that IGO's multiples are inflated due to the company also owning a 30% interest in the Tropicana Gold Joint Venture. WSA's 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 Savannah

### 4QFY09 PRODUCTION RESULT

**Production slightly higher than forecast**

Savannah produced 2.2kt of nickel, 1.2kt of copper and 0.1kt of cobalt in concentrate in the 4QFY09. Production was slightly higher than forecast due to a significantly higher head grade, which offset a lower than expected mill throughput. Savannah milled 163.5kt with an average grade of 1.5% Ni in the 4QFY09, which compared to 174.2kt @ 1.24% Ni in the 3QFY09. Production for the full-year came in at 8.1kt nickel, 4.2kt copper and 0.4kt cobalt in concentrate.

**Cash costs benefited from a strong head grade**

Cash costs averaged A\$3.66/lb in the 4QFY09, nearly 20% better than we had forecast. The lower cash costs were attributable to the higher head grade. On a per tonne basis cash costs were 7% better than we had forecast. Campaign milling has been more successful than we had anticipated and we have lowered our cost assumptions at Savannah going forward to reflect the positive outcome.

### PRODUCTION OUTLOOK

**Forecasts largely unchanged post 4QFY09 result**

PAN has indicated that the higher nickel grade processed in the 4QFY09 should continue in the 1QFY10. We have made some modest adjustments to our FY10 production estimates to reflect this guidance and note that our FY10 production estimate has increased from 8.0kt to 8.1kt of nickel in concentrate as a result.

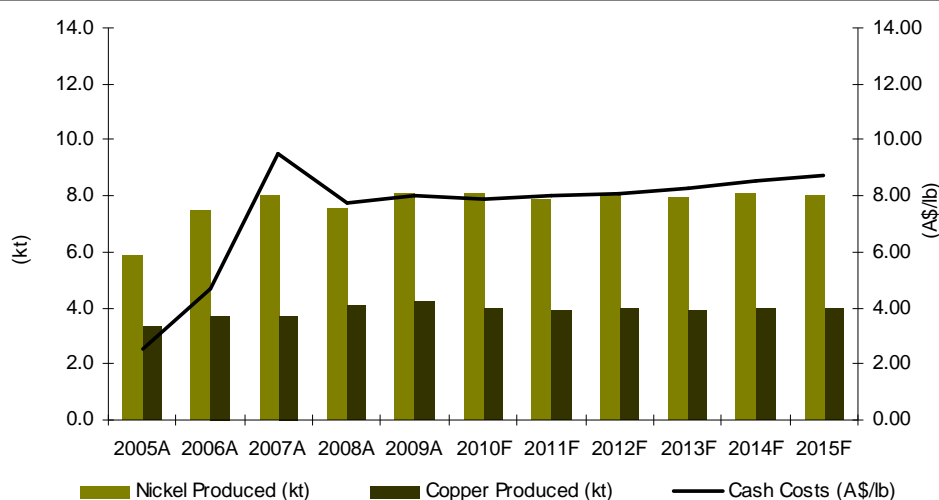
We have left the remainder of our production estimates for Savannah unchanged post the 4QFY09 result. Mining is currently being undertaken above the 500 fault. The decline is expected to breach the 500 fault in mid 2010 with mining commencing in late 2010. We have assumed mining costs increase slightly once mining shifts below the 500 fault.

### Savannah production forecasts

Year end June	2009A	2010F	2011F	2012F	2013F	2014F
Nickel Produced (kt)	8.1	8.1	7.9	8.0	8.0	8.1
Cobalt Produced (kt)	0.4	0.5	0.5	0.5	0.5	0.5
Copper Produced (kt)	4.2	4.0	3.9	3.9	3.9	4.0
Cash Costs (A\$/lb)	7.98	7.88	8.04	8.05	8.25	8.55

Source: Stonebridge Group

### Savannah production forecasts



Source: Stonebridge Group

### 3 Lanfranchi

#### 4QFY09 PRODUCTION RESULT

**Contained nickel below expectations**

Lanfranchi delivered 94.2kt of ore to BHP Billiton Limited's (BHP) Kambalda nickel concentrator with an average head grade of 2.61% Ni and 0.21% Cu during the 4QFY09. Ore deliveries were in line with our expectations although the nickel head grade was around 8% lower than we had forecast.

**Cash costs higher than expected due to lower head grade**

Cash costs averaged A\$5.44/lb in the 4QFY09 which was 12% higher than we had forecast. The higher cash costs were largely attributable to the lower than expected head grade although on a per tonne basis cash costs were 6% higher than we had forecast. Development of the Deacon deposit continued as planned and Lanfranchi has now mined more than 1.0Mt since PAN re-commenced operations in 2005.

In February 2009 PAN purchased the remaining 25% interest in the Lanfranchi project for 12.0M shares and 3.0M options with an exercise price of \$1.50/share. The acquisition was effective as at 1 November 2009 hence there is likely to be some adjustment to the 1HFY09 result.

#### PRODUCTION OUTLOOK

**Modest adjustments to production and cash cost estimates**

We have made some modest downward adjustments to our FY10 production estimates for Lanfranchi to reflect a lower head grade in the 1QFY10. Our production estimates for subsequent years remains unchanged. We have also increased our cost assumptions for Lanfranchi going forward to reflect the higher cost per tonne recorded in the 4QFY09.

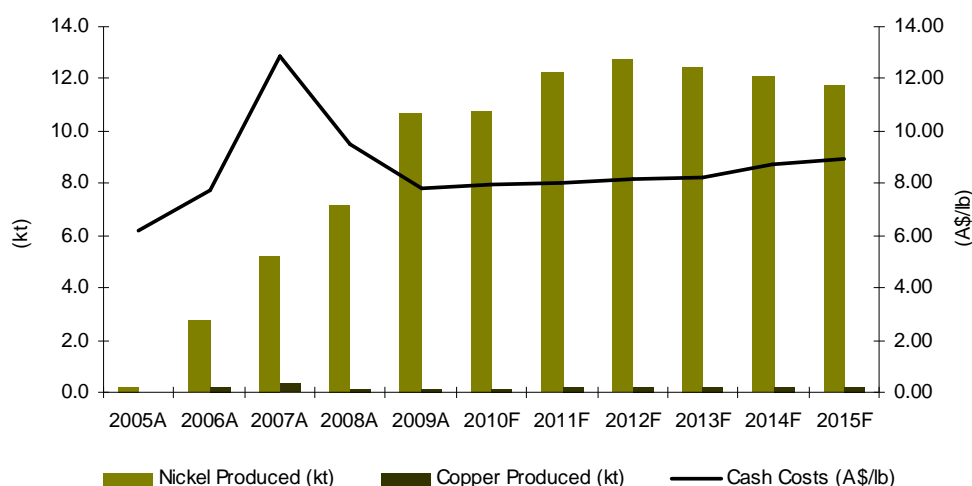
The Deacon deposit is the main source of ore at Lanfranchi. Deacon is expected to produce around 300-330ktpa for the next six years and the deposit underpins our six year mine life assumption for the project. Lanfranchi should provide a consistent 10-12ktpa over the six year mine life with remnant mining at Skinner, Edwin, Ham and Helmut providing modest contributions to total production over the period.

#### Lanfranchi production forecasts

Year end June	2009A	2010F	2011F	2012F	2013F	2014F
Nickel Produced (kt)	10.7	10.8	12.2	12.8	12.4	12.1
Copper Produced (kt)	0.2	0.2	0.2	0.2	0.2	0.2
Cash Costs (A\$/lb)	7.81	7.96	8.02	8.13	8.23	8.71

Source: Stonebridge Group

#### Lanfranchi production forecasts



Source: Stonebridge Group

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