Panoramic Resources Limited

June Quarter – Cost Performance Comendable

Wilson HTM INVESTMENT GROUP

28 July 2009

$2.45

HOLD

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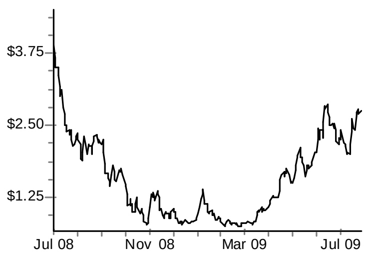
Price Performance



Security/Capital Details

ASX Code	PAN
Market Cap	$511 M
Issued Shares (dil)	208.7 M
Avg Mth T'over	28.60 M
12 Mth High – Low	$2.87 - $0.75

Key Data/Ratios – FY 2009

EBITDA / Sales	41.1%
EBIT / Sales	13.8%
Debt / Equity	1.8%
Interest Cover	53.6 x
ROE	10.4%
EPS Growth	-57.0%
DCF	$2.12
12 Mth Price Target	$2.23

Recommendation

Panoramic delivered an excellent cost performance in the June quarter at its Savannah mine. Mining, milling and administration costs all showed downward pressure, which together with the benefit of a higher head grade, resulted in a substantial fall in the payable cash cost from A$5.63/lb in the March quarter to A$3.66/lb in the June quarter. We have upgraded the outlook for FY2010 to reflect a continued high head grade in the Sep quarter and the flow on of absolute cost reductions which amounted to $2m qoq. However, we see upward pressure on costs as likely to return within 12-18 months. HOLD recommendation maintained. Target $2.27/sh.

Key Points

- PAN finished the year with a good cost performance at the Savannah mine. The payable cash cost fell from A$5.63/lb in the March quarter to A$3.66/lb in the June quarter. While mining, milling and administration costs all fell in absolute terms, the dramatic fall in the per-pound cost was significantly due to a higher head grade and higher production of nickel in concentrate. Nevertheless, the outcome was better than we had expected.
- Looking forward, the Savannah mine should be able to put in a repeat performance in the Sep quarter with mining expected to continue in the higher grade areas of the mine. For the Dec half, we are forecasting the payable cash cost to remain around this level on the basis that the Dec quarter sees the return of a more normal head grade.
- We have made some minor adjustments to our forecasts summarised as follows:

Reported NPAT A$m	FY2009	FY2010	FY2011
Previous	7	37	40
Revised	9	42	41
Change	+2	+5	+1

Source: WilsonHTM

- We note that the Dec half result included a $17.8m asset impairment charge which is included in the above forecast of reported NPAT for FY2009. Pre this significant item, the FY2009 NPAT is $27m.
- While we have flowed through some of the Savannah mine cost savings evident in the June quarterly to FY2010, we have not been inclined to aggressively lower costs beyond this year, given our view that with commodity prices likely to rise further at some point, mining industry pressures will again surface, which together with rising fuel costs, will ultimately put upward pressure on costs relative to the cost structure achieved in the June quarter.
- Our DCF valuation and target price have increased marginally ($2.17/share +$0.05/share) and $2.27/share (+$0.04/share).

BUY: Total return +10% or more over a 12 month period
HOLD: Total return expected to be between +10% to -10% over a 12-month period
SELL: Total return expected to be -10% or more over a 12 month period
TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

Year to June	NPAT (Rep) $M	NPAT (PSig) $M	EPS (PSig) c	EPS Growth %	PER x	CFPS c	P/CF x	DPS c	Div Yld %	Franking %
2008a	53.3	58.0	27.9	-35.3	8.8	46.1	5.3	12.0	4.9	100
2009e	7.4	25.0	12.0	-57.0	20.4	20.3	12.1	2.0	0.8	100
2010e	37.4	37.4	17.9	49.5	13.7	38.5	6.4	9.0	3.7	100
2011e	39.7	39.7	19.0	6.1	12.9	43.8	5.6	10.0	4.1	100

Production And Costs

- June quarter nickel production was up 10% on the March quarter measured on a 100% basis. For FY2009, nickel production was a record at 18.752kt contained, a 26% increase on FY2008, primarily due to increased production at the Lanfranchi mine, although Savannah contained nickel production also increased by 483 tonnes or 6.4% yoy.
- On a group basis the average payable cash cost of production was A$4.58/lb, a 17% reduction on the March quarter cost of A$5.52/lb. The capital development cost not included in these figures was A$0.77/lb in the June quarter, versus A$0.78/lb in the March quarter. Capitalised development costs represent capitalised mining costs for deposits in production. These costs do not include pre-production costs for deposits being developed for future mining.
- The cost improvement reflected beneficial operating improvements at the Savannah mine including campaign milling which reduced labour and power costs as well as reduced mining costs. However, on a per pound basis, the cost also benefited as a result of a much higher head grade (1.5% vs 1.23% Ni) and as a result higher production (2.213kt vs 1.847kt). The Savannah mine cost fell substantially from A$5.63/lb in the March quarter to A$3.66/lb in the June quarter. While on a per pound basis the June performance is likely to be repeatable in the Sep quarter due to a continued high head grade, once the head grade returns to more average levels, some upward creep in the per pound cost should be expected.
- The Lanfranchi mine payable cash cost in the June quarter was little changed from that of the March quarter (A$5.44/lb vs A$5.46/lb). Production was similar (2.774kt vs 2.702kt) and the head grade of ore mined marginally higher (2.64% vs 2.59% nickel).
- Aggregate site costs were $2m lower in the June quarter versus the Dec quarter.
- The outlook for FY2010 is for production of 18-19kt contained nickel, similar to FY2009.

Balance Sheet

- Cash on hand at quarter end was $67m. Interest bearing liabilities amounted to $6.5m (equipment lease finance).
- Over the 6 months since Dec 31st, net cash increased by $15m to $60.5m.

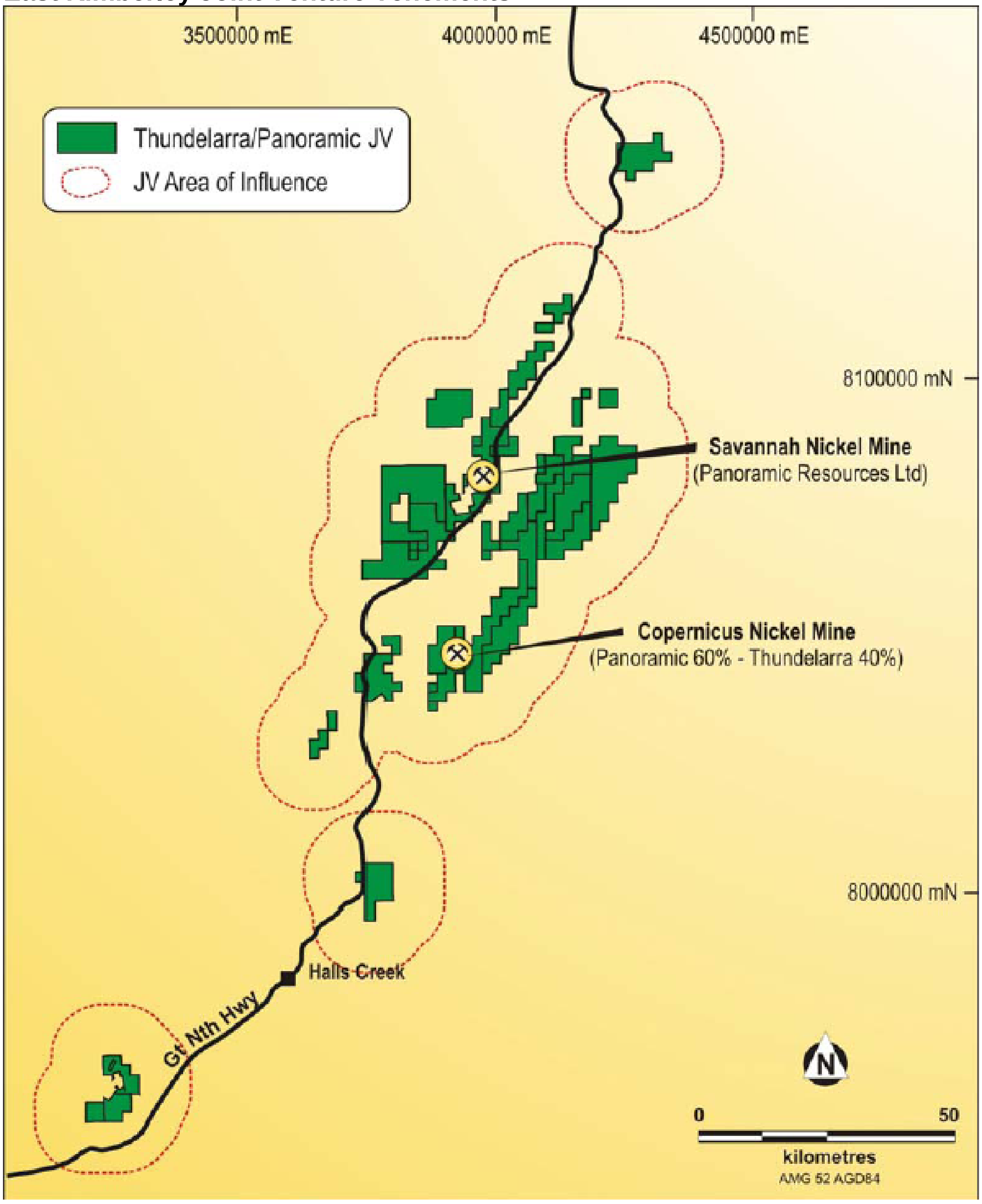
Exploration Initiatives

- While previously released, we consider it appropriate to document PAN's exploration initiatives ex operating mines.

East Kimberley Joint Venture (PAN earning 61%)

- PAN is farming in to Thundellara Exploration Ltd's East Kimberley tenements. The tenements that form the basis of the joint venture straddle the Great Northern highway, with a substantial block of the tenements within 50km or less of the Savannah mine site.
- The terms of the joint venture are:
  - PAN to spend $0.75m in the first 12 months.
  - PAN to spend a total of $3m within four years to earn 61% and
  - Any new tenements acquired by either party within 10km of any East Kimberley Agreement tenements to be included in the project. This "area of influence" is detailed on the following tenement map.
- The first year exploration program is currently being finalised with work scheduled to commence shortly.

East Kimberley Joint Venture Tenements

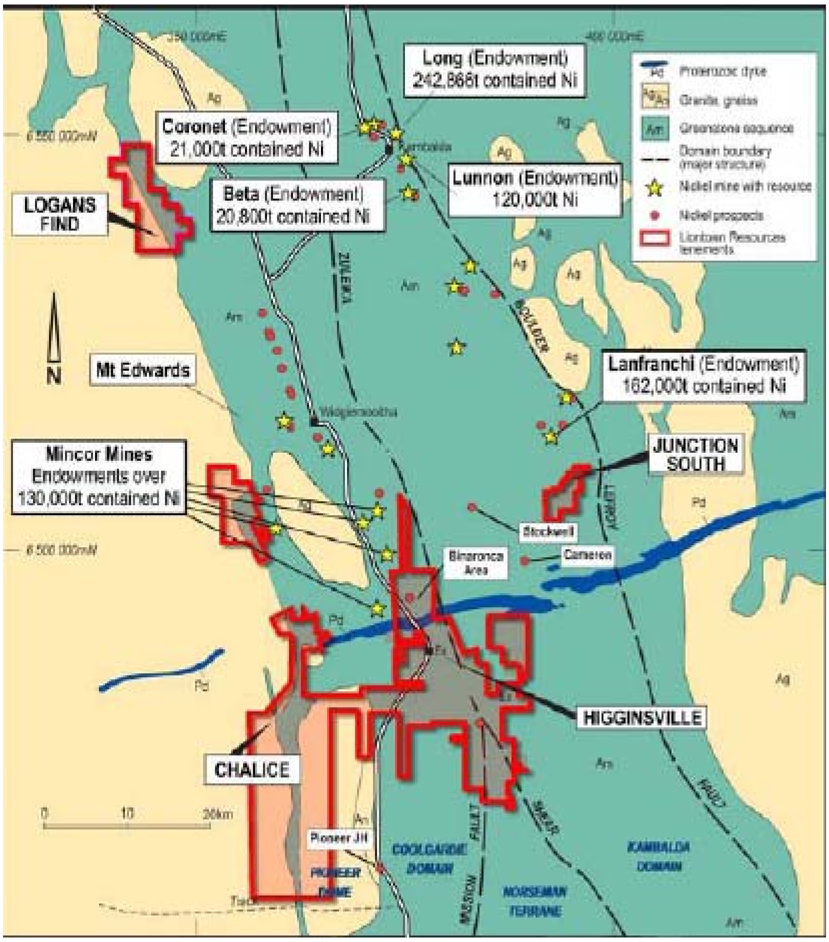


Source: Panoramic Resources Ltd

Cowan Nickel Project (PAN 100%)

- This project consists of two areas:
  - Cowan Nickel (100% nickel rights) – approximately 450km2 of tenements adjacent to Mincor's nickel mines at Miitel, Mariners, Wannaway and Redross.
  - Logan's Find (100% nickel rights) – one tenement of ~56km2 located 30km west of Kambalda and 15km northwest of the historic Spargoville nickel mine.
- During the June quarter work focussed on geochemical anomaly analysis and planning for a RAB drilling program for the Chalice/Chalice North project and RC programs at Frank's Find South, Binaronca North and Pioneer South.

Cowan Nickel Project – Prospect And Mine Locations



Source: Panoramic Resources Ltd

Norrland Nickel Joint Venture, Sweden (PAN earning up to 70%)

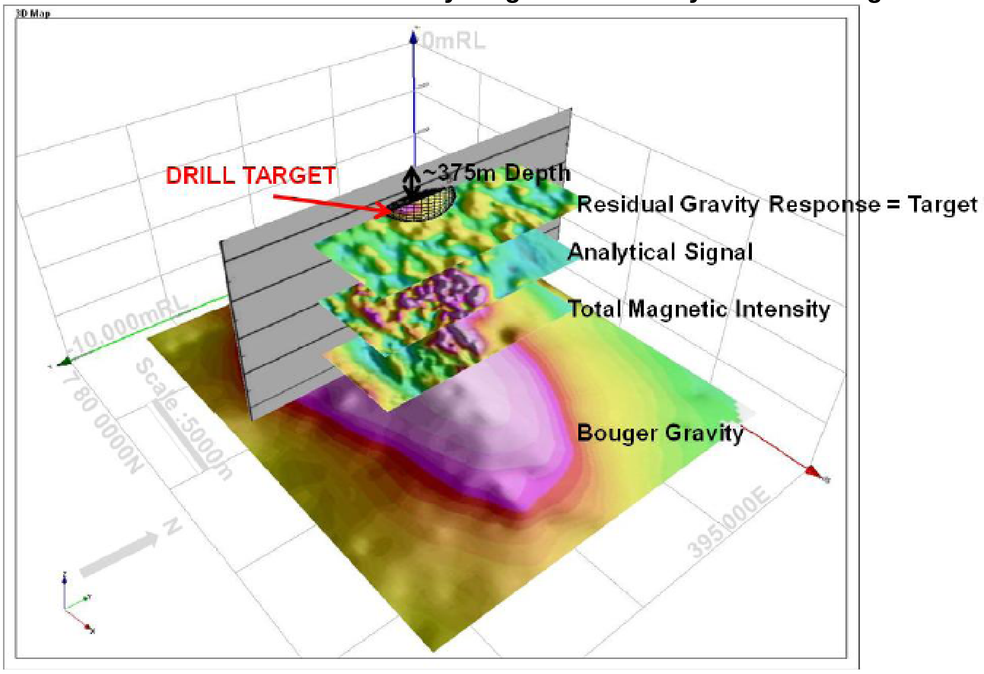
- Joint venture is exploring for nickel sulphides in the Vasterbotten district of Sweden. Norrland has 1,000km2 of exploration licences surrounding areas of known nickel sulphide mineralisation with advanced nickel projects.
- PAN views the Vasterbotten region as geologically similar to the Thompson nickel belt in Canada which contains >2Mt nickel.
- June quarter exploration focussed on gravity data interpretation to define and prioritise drill targets. Ten priority targets have been identified for drilling.

Bluebush Copper-Gold Joint Venture (earning up to 80%)

- PAN is farming into this project held by Territory Uranium Ltd and can earn up to 80% of the Bluebush project.
- The project is located between the Tennant Creek mineral field and the Rover mineral field. The area has historically produced +5Moz gold and +500kt copper.
- The terms of the joint venture are:
  - PAN to spend $0.5m in the first 12 months.
  - Territory to project manage until PAN has earned 51% by spending $3m over 3 years.
  - PAN able to earn up to 60% by spending $6m within 5 years.
  - PAN can earn up to 80% by spending up to $9m or completing a prefeasibility study within 7 years.
  - Territory maintains right to participate when PAN earns 60% or 80%.

- Focus will be drill testing a number of geophysical and geologically defined targets. PAN considers the targets may have Iron Oxide Copper Gold (IOCG) style systems. The major target is a significant combined gravity and magnetic anomaly which PAN views as similar in size, response and geological setting to the Olympic Dam anomaly.

3D Model Of The Coincident Gravity-Magnetic Anomaly and Drill Target



Source: Panoramic Resources Ltd

Panoramic Resources Limited (PAN : $2.45)

PRODUCTION

Yr Ending June	2007A	2008A	2009E	2010E	2011E

PRICES

Yr Ending June	2007A	2008A	2009E	2010E	2011E

INVESTMENT & VALUATION FUNDAMENTALS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EPS Before Abs (c)	43.1	27.9	12.0	17.9	19.0
EPS Growth (%)	N/A	-35.3%	-57.0%	49.5%	6.1%
PER (x)	**9.6**	**8.8**	**20.4**	**13.7**	**12.9**
CFPS (c)	99.5	46.1	20.3	38.5	43.8
P/CF (x)	**4.2**	**5.3**	**12.1**	**6.4**	**5.6**
EV/EBITDA (x)	4.4	3.7	5.2	4.5	3.5
DPS (c)	12.0	12.0	2.0	9.0	10.0
Yield (%)	2.9%	4.9%	0.8%	3.7%	4.1%
Franking (%)	100%	100%	100%	100%	100%

DCF VALUATION @

DCF VALUATION @	%		%	
Yr Ending June	A$m	A$ps	A$m	A$ps
Corporate Costs Capitalised				
Hedge Book				
Interests – Other Entities				
Exploration Portfolio				
Franking Credits				
Cash				
Debt + CNotes				
Minorities				
Additional Capital – Dilution				
Total Valuation – Fully Diluted				

PROFITABILITY RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
EBIT / Sales (%)	41.8%	30.2%	13.8%	25.7%	22.9%
ROA (%)	N/A	36.4%	11.9%	18.6%	20.6%
ROE (%)	N/A	32.7%	10.4%	14.3%	13.7%
ROFE (%)	N/A	96.9%	18.2%	26.3%	29.7%

INTERIMS ($m)

Half Yr	Dec 07	Jun 08	Dec 08	Jun 09	Dec 09
Yr Ending June	**1H A**	**2H A**	**1H A**	**2H E**	**1H E**
Sales Revenue	121.0	111.4	110.7	102.0	97.3
EBIT	43.8	26.5	8.2	21.2	27.0
Net Profit	**24.4**	**29.0**	**-8.6**	**16.0**	**20.0**
EPS	15.8	12.2	4.3	7.6	9.6

1. Gearing = (Debt + CNotes) / (Debt + Cnotes + Equity)

BALANCE SHEET ($m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Cash	119.6	110.9	60.4	96.2	144.4
Total Assets	283.7	332.1	333.4	357.5	386.8
Debt	13.1	8.4	4.5	4.5	4.5
Total Liabilities	161.8	100.4	83.7	82.7	80.7
Total Shareholders Equity	121.8	231.7	249.6	274.8	306.0
Total Funds Employed	15.3	129.2	193.7	183.2	166.2

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Debt / Equity (%)	10.8%	3.6%	1.8%	1.6%	1.5%
Gearing (%) [1]	9.7%	3.5%	1.8%	1.6%	1.5%
Interest Cover (x)	244.3	-15.2	-8.5	-16.7	-11.8
Debt / CashFlow (x)	0.1	0.1	0.1	0.1	0.0
(Debt+CNotes)/ CashFlow	0.1	0.1	0.1	0.1	0.0

PROFIT & LOSS ($m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Sales Revenue	299.3	232.4	212.7	192.7	226.7
EBITDA	167.0	110.7	87.4	93.4	105.5
Depn and Amortisation	41.9	40.4	58.1	43.8	53.6
EBIT	**125.1**	**70.3**	**29.3**	**49.6**	**51.9**
Net Interest Expense	-0.1	5.2	3.5	3.0	4.4
Pre-tax Profit	**124.6**	**74.9**	**32.7**	**52.6**	**56.3**
Tax	36.5	16.9	7.7	15.2	16.6
Tax rate (%)	29.3%	22.5%	23.6%	28.9%	29.5%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
Net Profit	**88.1**	**58.0**	**25.0**	**37.4**	**39.7**
Abnormals	0.0	-4.7	-17.7	0.0	0.0
Reported Net Profit	88.1	53.3	7.4	37.4	39.7

CASHFLOW ($m)

Yr Ending June	2007A	2008A	2009E	2010E	2011E
Operating Cash Flow	203.3	95.8	42.3	80.2	91.3
Capital Expenditure	-9.8	-22.2	-31.7	-13.1	-16.3
Expln, Develop, Evaln	-22.8	-39.6	-45.7	-19.2	-18.3
Asset Sales/Acquisitions	-4.2	-3.7	0.0	0.0	0.0
Other	-0.8	0.0	0.0	0.0	0.0
Investing Cash Flow	-37.6	-65.4	-77.4	-32.3	-34.6
Share Issues/(Buybacks)	3.9	3.6	0.1	0.0	3.8
Debt Drawdown (Repay)	-36.6	-6.6	-3.9	0.0	0.0
Dividends Paid	0.0	-36.1	-11.5	-12.2	-12.3
Other Fin. Flows	-44.0	0.0	0.0	0.0	0.0
Financing Cash Flow	-76.8	-39.1	-15.3	-12.2	-8.5
Cash Increase (Decrease)	88.9	-8.7	-50.5	35.7	48.2

EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2007A	2008A	2009E	2010E	2011E
+/- 1c Movement US$/A$					
+/- 10% ** Movement					
+/- 10% ** Movement					
+/- 10% Change In Costs					

Disclosure of Interest. The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in 3,500 securities in Panoramic Resources Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Panoramic Resources Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

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