Deutsche Bank

10 August 2009

Panoramic

Reuters: **PAN.AX** Bloomberg: **PAN AU** Exchange: **ASX** Ticker: **PAN**

20ktpa of Nickel, looking for growth, initiate with Hold

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A mid-tier Ni company searching for a growth path, initiate with a Hold
PAN is Australia's 2nd largest Ni producer (18-20ktpa), is medium cost (US$4/lb, 60th percentile on global curve), has a 7yr mine life, which is likely to increase to >10yrs within the next 2yrs, and has a strong balance sheet (A$67m in cash, no debt), but lacks growth. Combined, PAN's balance sheet and strong operational team has the capacity to make project acquisitions. We are initiating coverage on PAN with a Hold, trading at 1.15xNPV (A$2.26), appears fully valued.

18-20ktpa of Ni for at least 7yrs, 60th percentile costs, but exploration upside
Production has increased from ~10kt in F2005 to 18.8kt in F2009 (Savannah 8.1kt, Lanfranchi 10.7kt). F2010 production guidance is 18-19kt (DB 18.6kt). We forecast F2010 group cash costs of US$4.1/lb (A$5.2/lb). Current resources stand at ~200kt of Ni, reserves ~100kt, we model reserves of 170kt, but expect growth to >200kt over the next 2yrs, mainly through deep exploration at Savannah.

Sector comps – 3rd cheapest nickel stock behind MBN & IGO
PAN is trading at 1.2xNPV (sector 1.5x) with only IGO (HOLD, A$5.07) at (1x) and MBN (BUY, A$2.90) at (0.8x), cheaper. At forward nickel and currency, PAN is on 0.8xNPV (sector 1.2xNPV), not expensive, but lacks production growth, however exploration upside is attractive. On our ests., PAN is trading on 15x F2010 EPS (sector 20x), 18x F2011 (sector 17x), but 7x EPS F2010-12 forward curve (10x).

Corporate strategy – on the lookout for acquisitions (company or projects)
PAN's near-term strategy is to increase reserves to support production of 20ktpa for 10yrs. We believe PAN's strong management team is seeking project acquisitions (likely base metals), and has the capacity to complete a A$200-300m deal. A second option could be to merge with another Kambalda nickel miner creating a ~30ktpa producer with a stronger balance sheet and larger market capitalization, providing the ability to make acquisitions > A$500m.

Valuation A$2.26/share, PT A$2.30
We value PAN @ A$2.26/share which assumes US$5.5/lb Ni in F2010, increasing to US$8.5 by F2013, US$6.5 LT, 0.73 LT AUDUSD, 12% real discount rate. A$2.30 PT is set broadly in-line with NPV. Upside risks include higher production from Deacon and further exploration success. Downside risks include potential weakness in the nickel price plus higher costs at both operations (see page 3).

Forecasts and ratios

Year End Jun 30	2008A	**2009E**	2010E	2011E
Sales (AUDm)	232	**251**	266	233
EBITDA (AUDm)	107	**58**	91	68
Net Profit (AUDm)	53	**8**	34	29
PER (x)	16.9	**68.2**	15.5	18.4
EV/EBITDA (x)	7.5	**7.7**	4.9	5.9

Source: Deutsche Bank estimates, company data

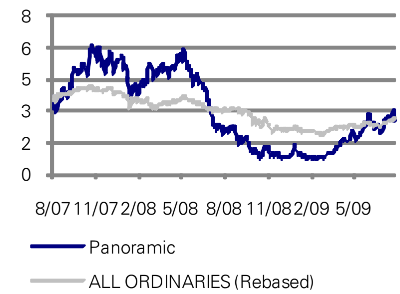
[1] Pre-exceptionals/extraordinaries
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years

Coverage Change

Hold

Price at 10 Aug 2009	**2.60**
Price target - 12mth	**2.30**
52 week range (AUD)	**3.09 - 0.74**
ALL ORDINARIES	**4,309**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*28.1*	*32.0*	*13.0*
ALL ORDINARIES	*13.7*	*9.9*	*-14.5*

Stock data

Market cap (AUDm)	**530**
Market cap (USDm)	**444**
Shares outstanding (m)	**204.0**
Daily volume (USDm)	**1.91**
Free float	**100.00**

Key indicators (FY1)

ROE (%)	**6.1**
ROA (%)	**3.5**
Net debt/equity (%)	**-25.9**
Book value/share (AUD)	**1.25**
Price/book (x)	**2.1**
Net interest cover (x)	**-5.1**
EBIT margin (%)	**3.5**

Deutsche Bank AG/Sydney

Model updated: 10 August 2009

Equity Research

Asia Pacific

Australia

Other Metals

Panoramic Resources Ltd

Reuters: PAN.AX Bloomberg: PAN AU Sedol: 6405665

Hold

Price as at 10-Aug	A$2.60
Target price	A$2.30

Company website

http://www.panres.com.au

Company description

Panoramic Resources Limited is a base metals exploration and development company with projects in the Kimberley Region of Western Australia. Production is sourced from the Savannah Project and the Lanfranch JV.

Research Team

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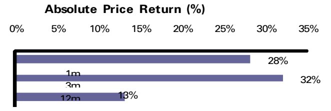
Absolute Price Return (%)



52-week High/Low:	A$3.09 - 0.75
Market Cap (m)	A$ 530
	US$ 444

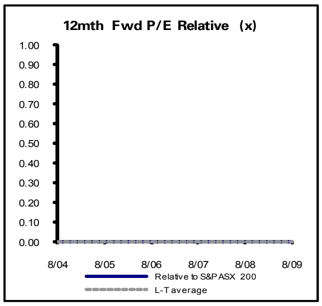
DCF VALUATION (A$)

Beta (MRP - 6.00)	1.94
Debt/mkt value ratio (%)	0.6
WACC (6.25%bond yield)	12.0
Net value per share ($)	**2.26**
Price/NPV (x)	1.15

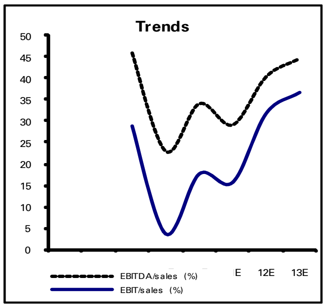
Source: Company data, DB estimates

Y/E 30 June	07/08	08/09E	09/10E	10/11E	11/12E	12/13E
SUMMARY						
Normalised EPS (A$)	0.280	0.038	0.168	0.141	0.336	0.414
P/E ratio normalised (x)	9.3	68.2	15.5	18.4	7.7	6.3
Normalised EPS growth (%)	na	-86.4	340.8	-15.8	137.6	23.3
EPS FD (A$)	0.280	0.038	0.168	0.141	0.336	0.414
P/E ratio FD (x)	9.3	68.2	15.5	18.4	7.7	6.3
Operating CFPS (A$)	0.502	0.234	0.389	0.294	0.530	0.565
P/CFPS (x)	5.2	11.1	6.7	8.9	4.9	4.6
DPS (A$)	0.361	0.115	0.000	0.000	0.000	0.000
Dividend yield (%)	13.9	4.4	0.0	0.0	0.0	0.0
Price/BV (x)	2.14	2.09	1.84	1.67	1.37	1.13
Enterprise Value (A$m)	391	446	441	405	355	276
EV/EBITDA (x)	3.7	7.7	4.9	5.9	3.1	2.0
EV/EBIT (x)	5.9	50.3	9.4	11.1	3.9	2.4
DIVISIONAL EBIT (A$m)						
Other	67	9	47	36	90	113
Total	67	9	47	36	90	113
PROFIT & LOSS (A$m)						
Sales revenue	232	251	266	233	284	309
EBITDA (incl significant items)	107	58	91	68	115	138
Depreciation/amortisation	-40	-49	-44	-32	-25	-25
EBIT (incl significant items)	67	9	47	36	90	113
Net interest income (expense)	5	2	2	5	8	8
Income tax expense	18	3	15	12	29	36
Associates/affiliates	0	0	0	0	0	0
Minorities/preference dividends	0	0	0	0	0	0
Reported profit	53	8	34	29	69	85
Significant items	0	0	0	0	0	0
Net profit (excl significant items)	*53*	*8*	*34*	*29*	*69*	*85*
EBIT (excl significant items)	*67*	*9*	*47*	*36*	*90*	*113*
CASH FLOW (A$m)						
Cash flow from operations	96	48	79	60	108	115
Movement in net working capital	0	0	0	2	-2	-1
Capex	-22	-16	-2	-1	-1	-11
Free cash flow	74	32	77	58	107	104
Other investing activities	-43	-57	-30	-33	-33	-20
Equity raised/(bought back)	4	0	0	0	0	0
Dividends paid	-36	-12	0	0	0	0
Net inc/(dec) in borrowings	-7	-4	-1	-1	-1	0
Other financing cash flows	0	0	0	0	0	0
Total cash flows from financing	-39	-16	-1	-1	-1	0
Net cash flow	-9	-41	46	24	73	84
Movement in net debt/(cash)	2	37	-47	-25	-74	-84
BALANCE SHEET (A$m)						
Cash and other liquid assets	111	70	116	140	214	297
Tangible fixed assets	62	49	34	23	14	15
Goodwill	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0
Associates/investments	0	0	0	0	0	0
Other assets	159	206	208	220	241	247
Total assets	332	325	358	383	468	560
Interest bearing debt	8	4	3	2	2	2
Other liabilities	92	67	66	64	81	88
Total liabilities	100	71	69	66	82	89
Shareholders' equity	232	254	289	317	386	471
Minorities/other	0	0	0	0	0	0
Total shareholders' equity	232	254	289	317	386	471
Net working capital	-3	8	8	8	-6	-12
Net debt/(cash)	-103	-66	-113	-138	-212	-296
RATIO ANALYSIS						
Sales growth - pcp (%)	na	8.0	6.1	-12.4	21.9	8.6
EBITDA/sales (%)	45.9	23.0	34.1	29.2	40.4	44.6
EBIT/sales (%)	28.7	3.5	17.5	15.6	31.7	36.5
Payout ratio (%)	67.6	148.0	0.0	0.0	0.0	0.0
ROA (%)	30.2	3.5	19.3	15.0	35.3	43.0
ROE (%)	46.0	6.1	23.8	18.2	35.5	35.9
Operating Return on Capital (%)	373.9	10.6	104.4	125.5	nm	nm
Tax rate (%)	25.3	26.8	30.0	30.0	30.0	30.0
Capex/sales (%)	9.5	6.3	0.8	0.6	0.5	3.7
Capex/depreciation (x)	0.6	0.3	0.1	0.0	0.1	0.5
Net debt/equity (%)	-44.2	-25.9	-39.2	-43.6	-55.0	-62.9
Net interest cover (x)	-14.4	-5.1	-20.2	-7.4	-11.3	-14.1

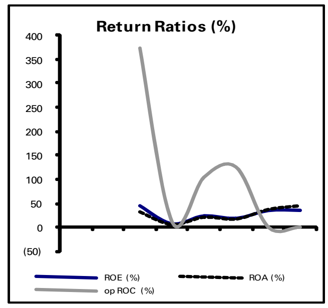
12mth Fwd P/E Relative (x)



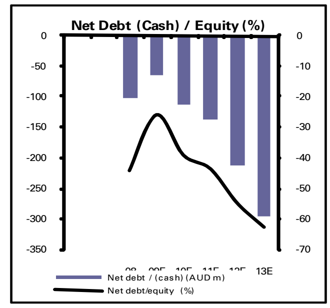
Trends



Return Ratios (%)



Net Debt (Cash) / Equity (%)



Investment thesis

Outlook

PAN is Australia's 2nd largest nickel producer however it has the 3rd highest costs (behind MRE and MCR), placed around the 60th percentile on the 2009 global nickel cost curve. Group production has steadily increased from ~10kt in F2005 to 18.8kt (100% basis) in F2009 (Savannah 8.1kt, Lanfranchi 10.7kt) mainly due to the discovery and first production from the large (70kt Ni) Deacon orebody at Lanfranchi. F2010 production guidance is 18-19kt (DB forecast 18.6kt). We forecast F2010 group cash costs (payable) of US$4.1/lb (A$5.2/lb). PAN has total resources of 202kt of Ni @1.86% and total reserves of 101kt @1.86% Ni, which should support 18-20kt of nickel production for at least 7yrs (Savannah 10yrs, Lanfranchi 7yrs). The balance sheet is strong with A$67m of cash and no debt. The near term outlook for the company will likely be decided by the nickel price. We remain cautious and expect underlying demand to only materially increase in mid 2010. Despite exploration upside, strong management and cost control, we rate PAN a HOLD, trading at ~1.15xNPV.

Valuation

Our A$2.30 price target is set broadly in-line with our A$2.26/share NPV. This assumes a long term nickel price of US$6.50/lb, and AUDUSD of 0.73. We discount the life of mine cash flow from PAN's operations using a real discount rate of 12%, consistent across the mining companies in our coverage universe. We also include a nominal A$50m (A$0.25/share) for exploration.

Risks

Macro risks include movements in the nickel, copper, and AUDUSD. Upside risks include higher production from Deacon, further exploration success, and potential project acquisitions. Downside risks include potential weakness in the nickel price plus higher mining and development costs at both the Lanfranchi and Savannah operations.

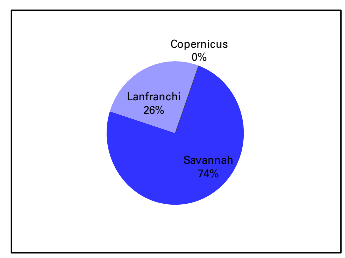
	2007A	2008A	2009A	2010F	2011F	2012F	2013F	2014F	2015F
EBITDA (A$m)									
Savannah	103.5	98.5	80.5	77.6	45.0	70.8	78.4	59.6	41.7
Lanfranchi	72.0	61.2	18.8	26.8	34.2	57.8	70.3	56.6	40.4
Copernicus	-	-	-	-	-	-	-	-	-
Other	(5.6)	(47.0)	(39.2)	(11.0)	(6.0)	(5.5)	(3.0)	(3.0)	(3.0)
Total EBITDA	170.0	112.8	60.1	93.4	73.1	123.0	145.8	113.2	79.1
PRODUCTION (kt) - EQUITY									
Savannah									
Nickel (in concentrate)	8.0	7.6	8.1	7.8	7.7	7.7	7.7	7.7	7.7
Copper	3.7	4.1	4.2	4.5	4.1	4.1	4.1	4.1	4.1
Cobalt	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Lanfranchi									
Nickel (in ore)	3.9	5.5	9.4	10.9	9.5	9.5	9.5	9.5	9.5
Copper	0.3	0.4	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Total	12.0	13.1	17.4	18.6	17.2	17.2	17.2	17.2	17.2
SALES REVENUE (A$m)									
Savannah - Nickel	265	162	99	84	98	121	133	120	105
Savannah - Copper	17	18	14	12	13	16	17	14	11
Savannah - Cobalt	13	19	13	10	13	15	13	10	10
Lanfranchi - Nickel	173	158	149	160	103	126	139	126	110
Lanfranchi - Copper	3	3	5	5	5	6	6	5	4
Copernicus	-	-	-	-	-	-	-	-	-
Total	471	360	279	270	232	284	309	275	240
CASH COST (US$/lb)									
Savannah	3.18	4.12	3.46	4.08	3.52	3.20	3.42	3.78	3.91
Lanfranchi	4.68	4.82	4.58	4.08	4.09	4.00	3.93	3.95	3.96
Copernicus	-	-	-	-	-	-	-	-	-
Average	3.68	4.41	4.06	4.08	3.84	3.64	3.70	3.87	3.94
CASH COST (A$/lb)	4.68	4.92	5.38	5.16	5.01	4.85	5.00	5.27	5.41
Commodity Assumptions									
Nickel (US$/lb)	17.22	13.01	6.02	5.74	6.39	7.70	8.35	7.50	6.50
Copper (US$/lb)	3.21	3.53	2.23	1.94	2.25	2.60	2.83	2.30	1.75
Cobalt (US$/lb)	22.04	37.86	21.39	16.00	18.50	21.50	18.00	13.00	13.00
AUDUSD	0.79	0.90	0.76	0.79	0.77	0.75	0.74	0.74	0.73

NET PRESENT VALUE (June-10)

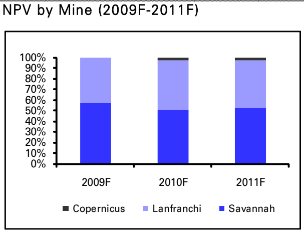
	A$m	A$ps	(%)
Savannah	170	0.83	49%
Lanfranchi	156	0.76	45%
Copernicus	10	0.05	3%
Hedging	-	-	0%
Exploration	50	0.25	14%
Corporate	(38)	(0.19)	-11%
Gross Asset Value	**348**	**1.71**	100%
Net debt	(113)	(0.55)	
Valuation	**461**	**2.26**	

*NPV discounting rate: 12.0%

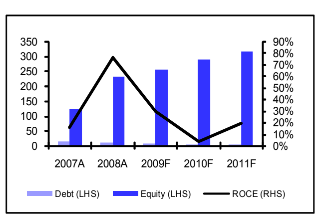
EBITDA by Mine (2010F)



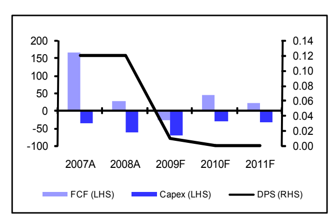
NPV by Mine (2009F-2011F)



Debt, Equity & ROCE (%)



Free Cashflows, Capex & Dividend



Source: Deustche, company data

A mid-tier Ni company searching for growth

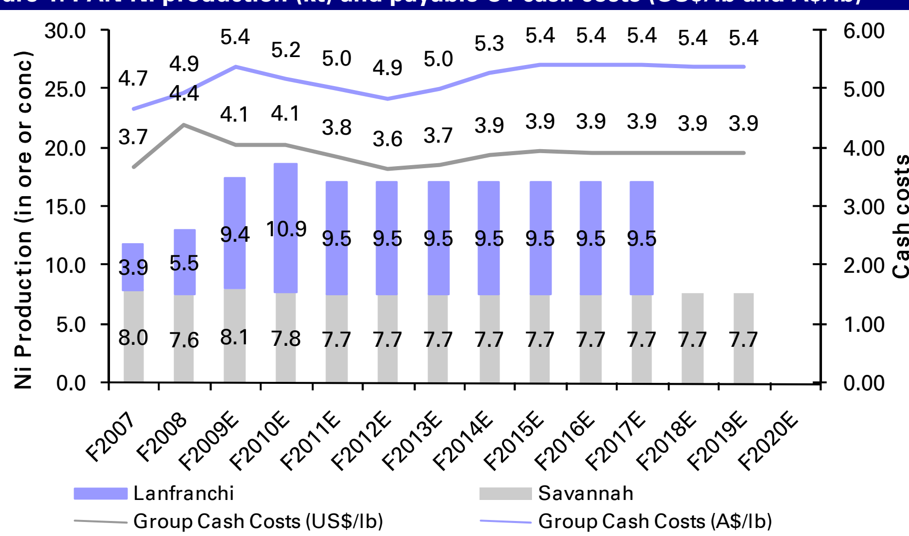
10yrs @18-20ktpa of Ni, strong management team, growth potential through acquisitions

Production steady at 18-20ktpa of Ni, costs to remain at ~US$4/lb

- Group production has steadily increased from ~10kt in F2005 to 18.8kt (100% basis) in F2009 (Savannah 8.1kt, Lanfranchi 10.7kt) mainly due to the discovery and first production from the large (70kt Ni) Deacon orebody at Lanfranchi. F2010 production guidance is 18-19kt (DB forecast 18.6kt). We expect a steady 7.8kt of Ni (in concentrate) from PAN's flagship Savannah operation (formerly Sally Malay) in the Kimberley region and 9-10kt from Lanfranchi south of Kambalda (both in Western Australia), with Deacon contributing 100% of production at Lanfranchi from F2011 onwards. Group payable cash costs (incl. royalties, excl ~US$0.30/lb sustaining capex) climbed from ~US$3.7/lb in 2007 to US$4/lb in 2009 mainly on the back of higher diesel and labour prices, but have since declined to US$3.6/lb in June Q 09 due to higher grades at Savannah but also fixed cost cutting. We forecast F2010 group cash costs of US$4.1/lb (A$5.2/lb).

- PAN is Australia's 2nd largest nickel producer (behind MRE (Minara Resources) but will be 4th behind MBN (Mirabela Nickel) and WSA (Western Areas) by F2011. However it has the 3rd highest costs (behind MRE and MCR (Mincor Resources), placed around the 60th percentile on the 2009 global nickel cost curve. High copper and cobalt credits at Savannah combined with low mining costs make it a medium cost operation. However, costs at the Lanfranchi operation are higher due to mining depth (>800m) and the long haulage distances (12km).

Figure 1: PAN Ni production (kt) and payable C1 cash costs (US$/lb and A$/lb)



Source: Deutsche Bank

Mine life should increase to 10 years, strong exploration upside at both operations

- PAN has total resources of 202kt of Ni @1.86% and total reserves of 101kt @1.86% Ni, which should support 18-20kt of nickel production for at least 7yrs (Savannah 10yrs, Lanfranchi 7yrs). We expect reserve increases at both Savannah and Lanfranchi in F2010/11 and we assume an 90% conversion from resources to reserves for the Savannah Deeps orebody (below the 500 fault) and the Deacon orebody. Exploration upside is strong with the potential for an additional 50-70kt of nickel at Savannah and possibly 10-20kt at Deacon down-dip. Recent exploration results have been promising at Savannah with "Savannah style" mineralization intersected 250-300m below the current resource boundary along with the discovery of a strong EM conductor. PAN will drill the offset zone in around 12 months time.

Strong balance sheet, no major capex spend

- PAN has no debt and A$67m in cash as at June 30 2009. The capex profile is declining after the completion of major capital projects at both mines during F2008-9 (paste plant, decline advance and Copernicus development at Savannah, and ventilation shaft, paste plant and development of Deacon at Lanfranchi). We forecast annual group sustaining capex of A$10-15m or ~A$0.40/lb. The only major future expansionary capex item appears to be a A$10-15m 800-1,000m ventilation shaft at Savannah.

Corporate strategy; on the lookout for value adding acquisitions (company and/or projects)

- The company's immediate strategy is to increase reserves at both the Savannah and Lanfranchi mine to support group production of 20ktpa for at least 10yrs. However we believe this would be achieved over the next 18 months. Reviewing the broader picture, we believe PAN can grow through acquisition at the right price and the right asset/s. An example was the purchase of the remaining 25% of the Lanfranchi project from Brilliant Mining effective 1 Nov 2008 in stock and options (12m PAN shares + 3m options exercisable at A$1.50) vs. our project valuation of A$39m (A$156m for 100%).

- PAN's strength is its management and senior technical team (exploration and underground expertise), whom we believe could create value through the acquisitions of already operating base metal mines (copper/gold, zinc/lead, nickel) with limited life but with exploration upside. In particular, we think many of the world's major mining companies may look to sell non-core short life assets over the coming years. Potential assets for sale (in Australia) in our view could include RIO's Northparkes (copper/gold), Barrick's Osborne (copper/gold), BHP Billiton's Cannington (lead/silver) and Norilsk's WA nickel operations which have arguably seen their best years (and returns), have <10yrs mine life on current reserves but have some exploration upside (we believe). We estimate PAN has the cash and debt capacity to complete A$200-300m acquisition, through the use of existing cash (A$67m), a 15% equity raising and debt.

- We believe the second strategy could be to merge (perhaps before acquiring an operating mine) with another Kambalda based nickel producer, perhaps one with a similar resource base, and with operational and exploration synergies. The net effect would be a -30ktpa Ni producer with a strong balance sheet, larger market capitalization, providing greater ability to make value accretive asset or company acquisitions, perhaps greater than A$500m. Saying this, we highlight that PAN management is diligent, disciplined and patient and will unlikely make an acquisition unless the value upside is compelling, perhaps >20% return on capital.

Hedging strategy a success

- The company's hedging strategy has protected margins during the past 12mnths of commodity price volatility. The current hedge book is approx A$40m in the money. PAN has hedged 20% of F2010 production and 5% of F2011 at an average price of US$11.1/lb. It has also bought US$64m of AUDUSD puts @0.725 and US$61m @0.830. We expect PAN to hedge more nickel above US$8/lb.

Sector comps, PAN trading at 1.2xNPV, but 0.8xNPV assuming the Ni forward curve:

- **Valuation:** On our nickel price assumptions (US$5.5 F2010, increasing to US$8.5 by F2013 then US$6.5 LT) PAN is trading at a 1.2xNPV vs. the sector average of 1.5x. However at the forward nickel and currency curves, PAN is trading at 0.9xNPV vs. the sector average of 1.2xNPV, with only MBN cheaper at 0.8x on our assumptions and 0.7x at the forward curve. PAN appears fully valued but is not expensive.

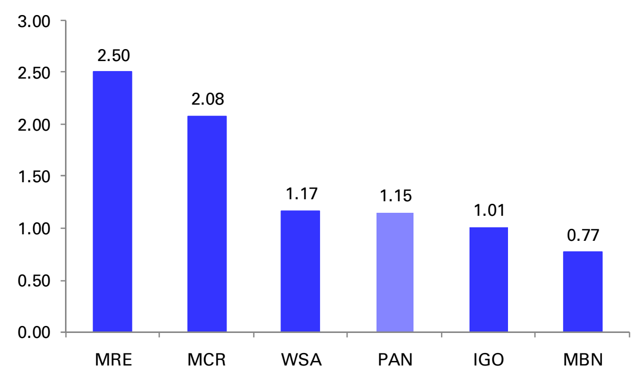
- **Earnings:** Being medium cost PAN provides leverage to the nickel price yet is somewhat protected by the hedge book. On our assumptions, PAN is trading on 15x F2010 EPS (vs. sector average of 20x), 18x F2011 (sector 17x), but on 7x EPS F2010-12 on the forward curve (sector 10x).

Figure 2: DB Ni, Cu, Co and AUDUSD forecasts

	2008	2009E	2010E	2011E	2012E	2013E	2014E
Nickel	9.64	5.66	5.50	7.20	8.20	8.50	6.50
Copper	3.15	1.90	2.01	2.40	2.80	2.85	1.75
Cobalt	37.37	14.53	17.00	20.00	23.00	13.00	13.00
AUD:USD	0.85	0.76	0.78	0.76	0.74	0.74	0.73

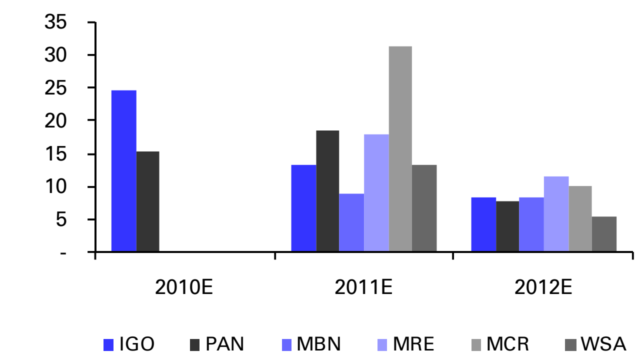
Source: Deutsche Bank, IRESS, bloomberg

Figure 3: Sector P/NPV – PAN not expensive at 1.2x



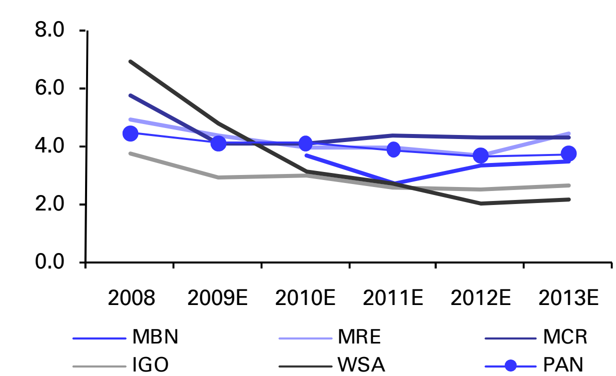
Source: Deutsche Bank, IRESS

Figure 4: Sector PER (x) – 18x F2011, 8x F2012



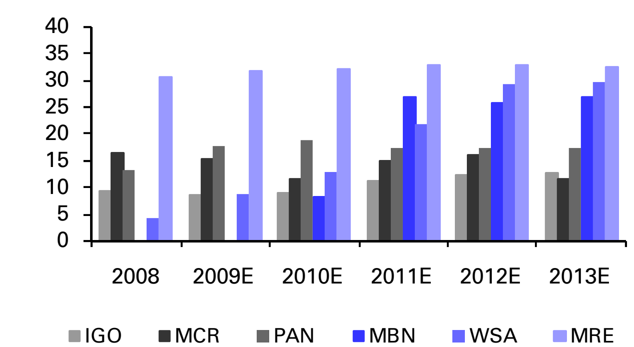
Source: Deutsche Bank, IRESS

Figure 5: Cash costs – PAN middle of the road



Source: Deutsche Bank, company data

Figure 6: Production profiles - steady 18-20ktpa



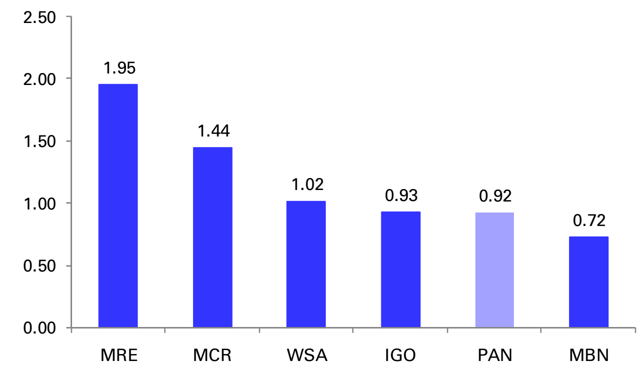
Source: Deutsche Bank, company data

Figure 7: Forward Curve Ni, Cu, Co and AUDUSD prices

	2008	2009E	2010E	2011E	2012E	2013E	2014E
Nickel	9.64	7.08	8.85	8.72	8.54	8.39	6.50
Copper	3.15	2.31	2.77	2.74	2.70	2.65	1.75
Cobalt	37.37	14.53	17.00	20.00	23.00	13.00	13.00
AUD:USD	0.85	0.78	0.81	0.78	0.74	0.74	0.73

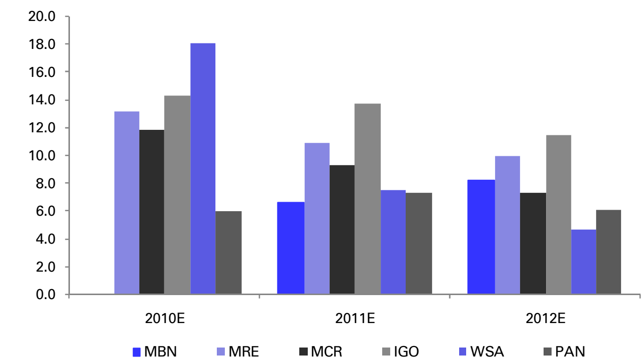
Source: Deutsche Bank, IRESS, bloomberg

Figure 8: Sector P/NPV @ forward curve – 0.9x



Source: Deutsche Bank

Figure 9: Sector PER (x) @ forward curve



Source: Deutsche Bank

Figure 10: Australian nickel sector

	Price	Market Cap	Rating	NPV	P/NPV
	(A$/share)	(A$m)		(A$/share)	
MBN	2.90	898	Buy	3.79	0.77
MRE	1.12	1308	Sell	0.45	2.50
MCR	2.58	515	Sell	1.24	2.08
IGO	5.07	576	Hold	5.02	1.01
WSA	5.90	1055	Hold	5.03	1.17
PAN	2.60	530	Hold	2.26	1.15

Source: Deutsche Bank, MCs from IRESS, priced today August 10

Valuation and Key Assumptions

Figure 11: PAN Net Present Value (NPV), March 2010

	A$m	A$ps
Savannah (includes hedging)	170	0.83
Lanfranchi	156	0.76
Copernicus	10	0.05
Exploration	50	0.25
Corporate	(38)	(0.19)
Gross Asset Value	**348**	**1.71**
Net debt	(113)	(0.55)
Valuation	**461**	**2.26**

Source: Deutsche Bank, company data

Key project assumptions

- **Savannah –** Valued at A$0.83/share. Forecast life of mine (LOM) C1 cash costs of ~A$5.0/lb of payable Ni or US$3.7/lb (@0.75 AUDUSD). Annual production of 7.8kt of Ni (in concentrate) for 10yrs. We have modeled an increase in Savannah reserves from 37.8kt to 92.6kt after assuming 80% of the lower resource (below the 500 fault) is converted to reserve and additional reserves. Sustaining capex assumption ~A$10mpa (mostly UG development) and A$15m for an 800m ventilation shaft in F2012/13. We have also assumed that nickel metal payability increases from 67% to 70% when the off-take agreement with Chinese nickel producer Jinchuan expires in March 2010.
- **Lanfranchi –** Valued at A$0.76/share. We forecast average production of 8.9kt of Ni from Lanfranchi from F2010 to F2017 at an average Life of Mine (LOM) C1 cash cost of ~A$5.4/lb of payable Ni or US$4.1/lb (@0.75 AUDUSD). Modeled reserves (from Deacon) of 2.8Mt @2.52% Ni for 70.9kt of Ni support a 7yr mine life.

- **Exploration –** We have allocated a nominal A$50m (A$0.25/share) for exploration which captures only part of a potential 50-70kt in additional nickel at Savannah and down-dip extensions to the Deacon deposit at Lanfranchi. Recent exploration results have been promising at Savannah with "Savannah style" mineralization intersected 250-300m below the current resource boundary along with a strong EM conductor. PAN will drill the offset zone in around 12 months time.

Figure 12: DB modeled reserves

	kt	%Ni	kt Ni	%Cu	kt Cu	%Co	kt Co
Savannah	**7.29**	**1.27%**	**92.6**	**0.61%**	**44.5**	**0.07%**	**5.1**
Lanfranchi	**2.81**	**2.52%**	**70.9**	**0.00%**	**0.0**	**0.00%**	**0.0**
Total	**10.10**	**1.62%**	**163.4**				

Source: Deutsche Bank, company data

Savannah Project

10yr mine life but potential to extend life to 15yrs

The Savannah project is located 240km south of Kununurra in the East Kimberley district of Western Australia. Production began in 2004 from an open pit, and UG mining commenced in 2005. The current production rate is 680kt of ore from UG at a head grade of ~1.3% Ni, 0.6% Cu and 0.07% Co for annual production of ~7.8kt of nickel in concentrate. Current reserves of 2.93Mt @1.29% Ni for 37.8kt of Ni support a 5yr mine life however we expect mine life to increase to at least 10yrs over the next 12 months when reserves are upgraded in 2H 09. We then expect a resource upgrade sometime during 2H 2010 to >100kt through further drilling of mineralization intersected at 250-300m below the current resource boundary. Based on recent exploration success, we believe there is potential for the current resource of 6.97Mt @1.42% Ni for 98.7kt of Ni to increase to >150kt of Ni and therefore mine life may increase to >15yrs.

Mining and Processing – ore throughput to remain at 55-60ktpm or 680ktpa

Production from the underground is currently 55-60ktpm from a combination of up-hole benching in the narrower eastern sections of the orebody and sub-level and long-hole open stoping from the wider sections of the orebody (up to 40m true width). The orebody is truncated by a fault approximately 100m below the surface and another fault located approximately 500m below the surface. Head grade varies between 1.25% and 1.45% Ni (vs. a resource and reserve grade of 1.42% and 1.29% Ni respectively), depending on location and dilution. The processing plant has the ability to treat up to 1Mtpa therefore the plant is running at ~70% capacity.

Opex – driven by head grade, diesel price (25% of costs) and cobalt and copper prices

Savannah's cost structure is relatively high due to low grade and diesel generated power. These are offset mostly by low mining costs of ~A$45/t and copper and cobalt credits which reduce C1 costs by 25-30% or by A$1.80/lb. We expect mining costs to increase to at least A$50/t when mining in the lower zone commences in F2013. Other operating cost assumptions include processing costs of A$28/t and transportation cost of A$12/t.

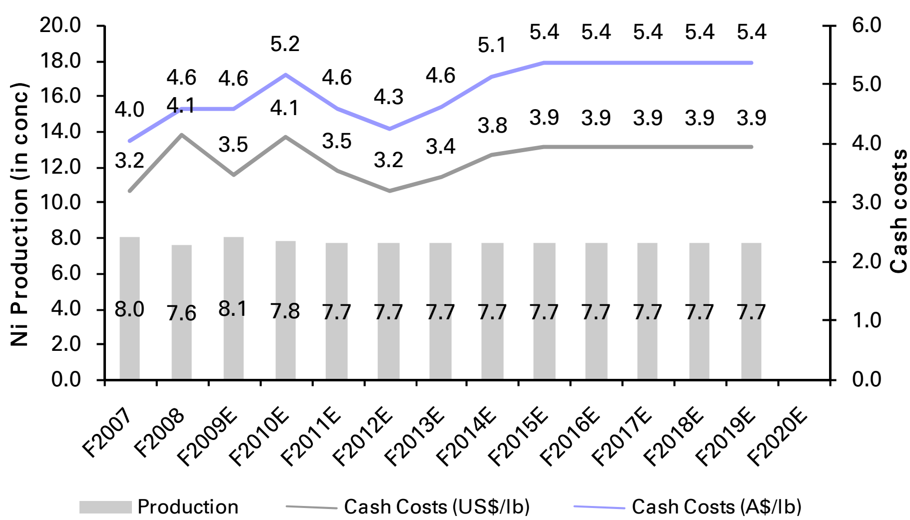
Capex – A$5-10mpa in development, A$15m for an 800m ventilation shaft in F2011/12

Ongoing capex is around A$5-10m per annum consisting of UG development and plant maintenance costs. PAN will likely install an 800m ventilation shaft in F2012/13 at a cost of A$15m before mining commences in the lower zone (below the 500 fault). We forecast no additional large capex over the next 10-15yrs, although tailings dam capacity may be an issue after F2020.

Exploration – mineralisation intersected 300m below the current resource boundary
Recent exploration results have been promising with "Savannah style" mineralization intersected 250-300m below the current resource boundary along with a strong EM conductor. The sulphide mineralization is offset 100m to the north of the current 50kt Ni lower zone. In addition, drilling intersected small intervals (~2-3m) of massive sulphides. We believe there could be an additional 50-70kt of Ni in the offset below the lower zone. PAN will develop a drill drive over the next 12 months to drill out the offset target.

Off-take agreement – expires in March 2010, expect increase in payability to 70%
Concentrate is currently sold to Chinese nickel and copper producer Jinchuan however the off-take contract expires in March 2010. The current contract covers the original 53.3kt Ni mining reserve based on the July 2002 feasibility study. We expect the contract to be extended beyond March 2010 but we expect the payability to increase from 67% to 70% (both DB estimates).

Figure 13: Savannah production and cash cost forecasts



Source: Deutsche Bank, company data

Figure 14: Savannah Resources and Reserves, and DB modeled Reserves

Resources

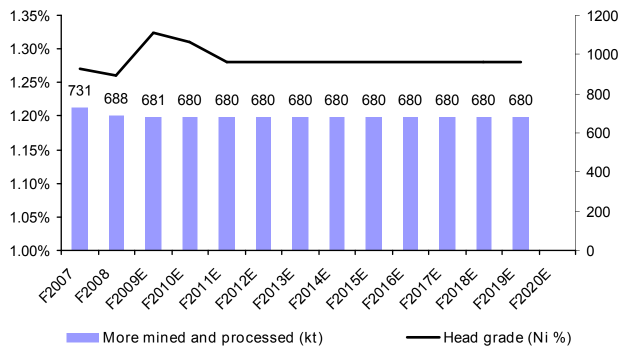
Savannah	**Mt**	**%Ni**	**kt Ni**	**%Cu**	**kt Cu**	**%Co**	**kt Co**
Measured	1.64	1.72%	28.3	0.86%	14.1	0.09%	1.5
Indicated	4.67	1.50%	70.0	0.81%	37.9	0.07%	3.4
Inferred	0.66	0.65%	0.4	0.46%	0.2	0.07%	0.03
Total	**6.97**	**1.42%**	**98.7**	**0.75%**	**52.2**	**0.07%**	**4.9**
Copernicus (open pit)	**0.85**	**1.24%**	**10.6**	**0.81%**	**6.9**	**0.08%**	**0.7**

Reserves

Savannah	Mt	%Ni	kt Ni	%Cu	kt Cu	%Co	kt Co
Probable	2.93	1.29%	37.8	0.61%	17.8	0.07%	2.0
Converted Resource	4.36	1.26%	54.8	0.61%	26.6	0.07%	3.1
DB Modeled Reserve	**7.29**	**1.27%**	**92.6**	**0.61%**	**44.5**	**0.07%**	**5.1**
Copernicus (open pit)	**0.44**	**1.00%**	**4.4**	**0.65%**	**2.8**	**0.05%**	**0.2**

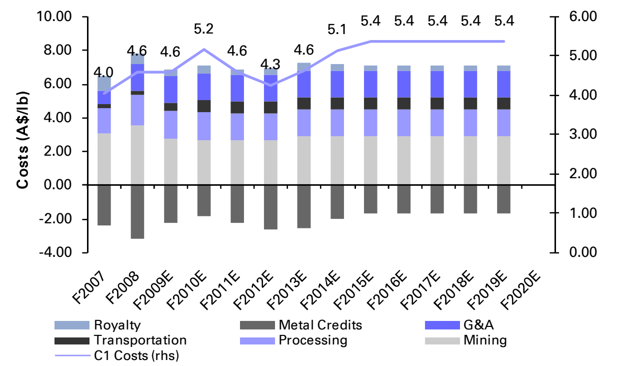
Source: Deutsche Bank, company data, Dec 31 2008

Figure 15: Ore production (kt) and head grade (% Ni)



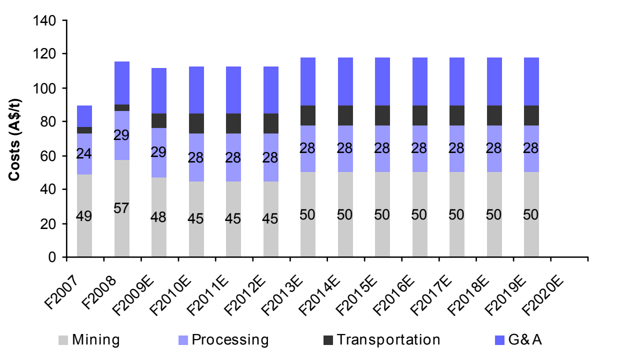
Source: Deutsche Bank, company data

Figure 16: Cash cost breakdown (A$/lb payable)



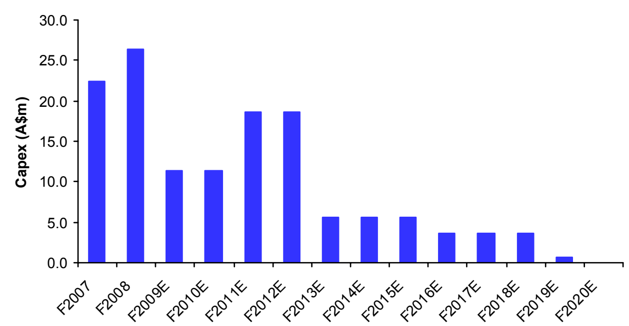
Source: Deutsche Bank, company data

Figure 17: Operating costs (A$/t)



Source: Deutsche Bank, company data

Figure 18: Capex (A$m)



Source: Deutsche Bank, company data

Lanfranchi Project

7yr mine life @9kt of Ni per annum, expansion capex sunk

PAN purchased 75% of the Lanfranchi project from Nickel West in November 2004 for $26 million. The remaining 25% was purchased off minority stakeholder Brilliant Mining in February 2009 for 12m shares and 3m options (exercisable at A$1.50/share). The project is located in the Kambalda region, 42 km south of Kambalda in Western Australia. We forecast nickel production (in ore) of 10.9kt in F2010 and average production of 8.9kt of Ni from F2010 to F2017. Current reserves (from Deacon) of 2.5Mt @2.52% Ni for 63.1kt of Ni support a 7yr mine life, however we highlight that the Deacon orebody remains strongly open at depth. Expansion capex is sunk after the construction of a paste plant, ventilation shaft and the purchase of a new mining fleet (loaders and trucks) in F2008 and F2009.

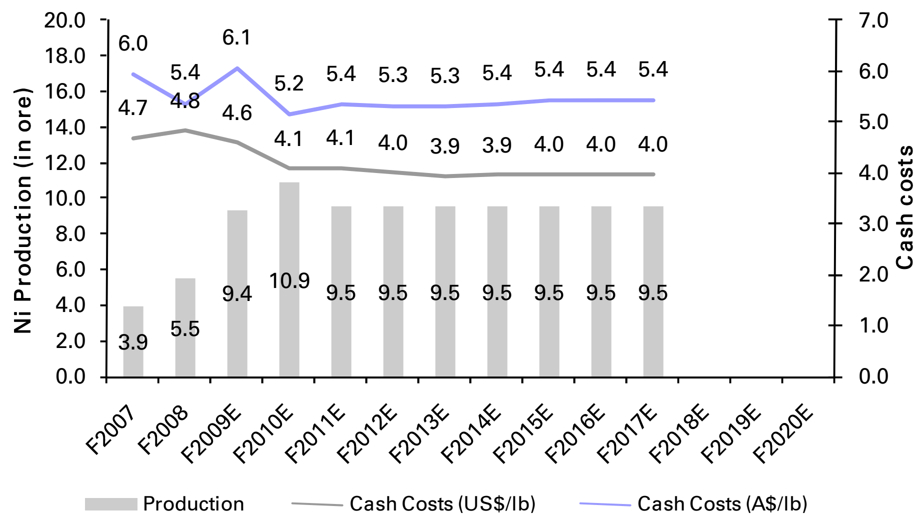
Mining and Opex – Deacon width (>10m) offsets low grade (2.5% Ni)

Current mining at Lanfranchi is focused predominantly on the Helmut South, Winner and Deacon deposits. Underground production should remain steady at 380-400ktpa from F2010 onwards. Ore production consists of approximately 90% from mechanized methods and 10% from non-mechanized airleg mining. The mine method at Deacon will be cut and fill, therefore extraction rates are high, and mining costs are low at A$140/t vs. other Kambalda producers at >A$180/t. One offsetting factor is the long haulage distance to surface of around 12km. Our operating costs assume processing costs of A$36/t (through BHP Billiton's Kambalda nickel concentrator) and ore transportation cost (to the concentrator) of A$12/t.

Off-take agreement – extends deal with BHP Billiton until Feb 2019

PAN toll-treats ore from Lanfranchi at BHP Billiton's Kambalda nickel concentrator which also treats ore from IGO and MCR. Ore is trucked ~25km to the concentrator. The off-take agreement was recently extended from Feb 2010 to Feb 2019. We expect the payability to remain at 65% (DB estimate).

Figure 19: Lanfranchi production and cash cost forecasts



Source: Deutsche Bank, company data

Figure 20: Lanfranchi (Deacon) Resources and Reserves, and DB modeled Reserves

Resources			
	Mt	**%Ni**	**kt Ni**
Indicated	2.50	2.93%	71.8
Inferred	0.00	0.00%	0.0
Total	2.50	2.87%	71.8
Reserves			
	Mt	**%Ni**	**kt Ni**
Probable	2.50	2.52%	63.1
Converted Resource	0.31	2.52%	7.8
DB Modeled Reserve	**2.81**	**2.52%**	**70.9**

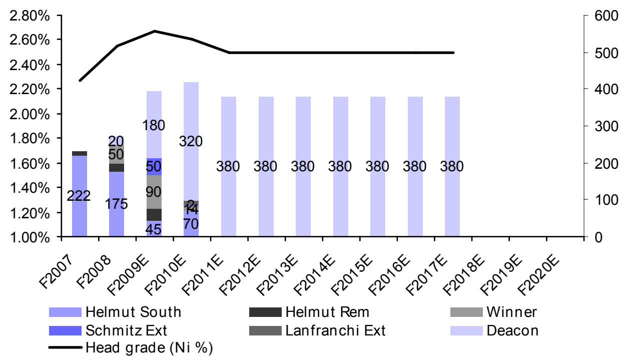
Source: Deutsche Bank, company data

Figure 21: Lanfranchi (ex-Deacon) Resources

	Mt	**%Ni**	**kt Ni**
Helmut South	0.25	2.80%	7.1
Winner	0.08	5.67%	4.7
Lanfranchi	0.09	5.51%	4.9
Schmitz	0.09	4.43%	3.8
Total	**0.51**	**4.01%**	**20.5**

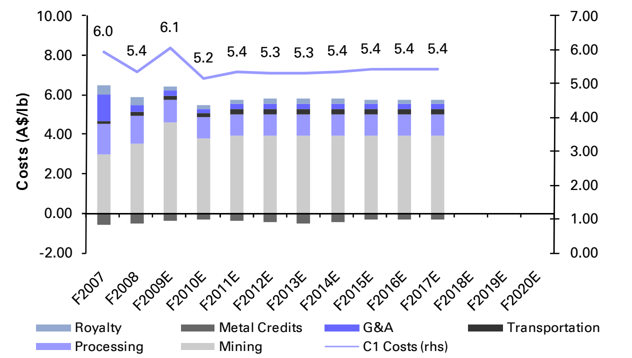
Source: Deutsche Bank, company data

Figure 22: Ore production (kt) and head grade (% Ni)



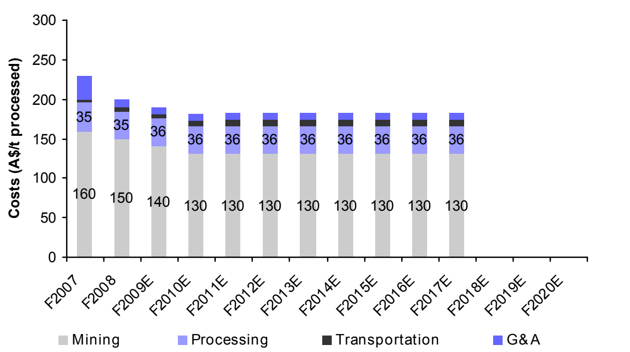
Source: Deutsche Bank, company data

Figure 23: Cash cost breakdown (A$/lb payable)



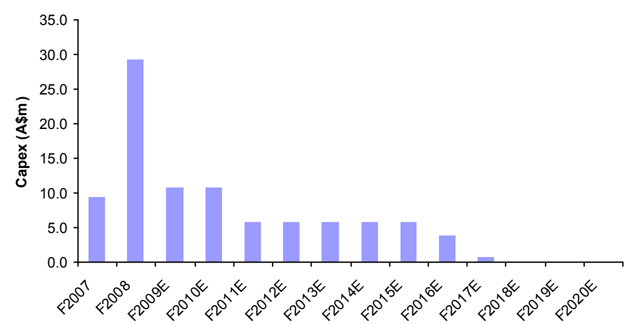
Source: Deutsche Bank, company data

Figure 24: Operating costs (A$/t)



Source: Deutsche Bank, company data

Figure 25: Capex (A$m)



Source: Deutsche Bank, company data

Management

Christopher J G de Guingand (Non-Executive Chairman) - Appointed 8 July 2005

Started his career with CRA where he held senior management positions in marketing non-ferrous metals and iron ore over a 13 year period. He then joined Metals Exploration Limited as Commercial Manager in charge of financing and marketing for the Greenvale Nickel Project. In 1982 he established his own marketing and logistics consultancy, Mineral Commerce Services, which provides marketing and shipping services to a number of base metals projects in Australia and overseas. During the past three years, Christopher de Guingand has also served as a director of the following listed companies: Albidon Limited (Non-Executive Director from 1 January 2004)

Peter J Harold (Managing Director) – Appointed 16 March 2001

Process engineer with over 20 years corporate experience in the minerals industry He has extensive experience with the development and operation of both sulphide and laterite nickel projects having been responsible for metals marketing and various corporate functions relating to the Cawse nickel laterite project and the Silver Swan and Mt Keith nickel sulphide projects prior to the acquisition, development and operation of the Savannah nickel project. During the past three years, Peter Harold has also served as a director of the following listed companies: Uranium Resources PLC (Non-Executive Director from 31 January 2005 to 26 October 2006), Alloy Resources Limited (Non-Executive Chairman from 15 September 2005), Territory Uranium Company Limited (Non-Executive Chairman from 1 March 2007)

Christopher D J Langdon (Non-Executive Director) – Appointed 4 August 2004
Christopher Langdon has over 23 years of corporate finance and management experience and has had extensive experience in investment banking in Australia and overseas working forWardley Australia Limited, James Capel & Co. and Samuel Montagu & Co. specialising in cross border corporate advisory. He is the Chief Executive Officer of HJ Langdon & Co., a family owned business based in Melbourne involved in the food industry. During the past three years, Christopher Langdon has also served as a director of the following listed companies: Fresh Foods Industries Holdings Ltd (Director from 10 November 2006)

John Rowe (Non-Executive Director) – Appointed 5 December 2006
Geologist who has had extensive mining industry experience over a 36 year period. Most recently, he was General Manager, Business Development with LionOre Australia responsible for assessing new business, divesting assets and negotiating nickel ore and concentrate sales contracts. Prior to joining LionOre, Mr Rowe spent 12 years with MPI Mines Limited in various group executive roles and was involved in the evaluation, development and production of the high grade Silver Swan nickel sulphide project as well as the Stawell Gold Mine in Victoria. During the past three years has also served as a director of the following listed companies: Perseverance Corporation Limited (Non-Executive Director from 19 September 2007 to 18 February 2008), Westonia Gold Mines Limited (Non-Executive Director from 12 October 2006 and Non-Executive Chairman from 30 January 2008)

Brian M Phillips (Non-Executive Director) – Appointed 27 March 2007
Mining engineer who has had extensive mining industry experience in operational and management roles in precious and base metals over a 40 year period. Became a director of MPI Mines Limited in 1992 and from October 2002 was its Managing Director until the takeover of MPI by LionOre Australia in 2004. He is a former non-executive director of the Australian Gold Council and past President of the Victorian Chamber of Mines (now the Minerals Council of Australia –Victorian Division). During the past three years, Brian Phillips has also served as a director of the following listed companies: Leviathan Resources Limited (Non-Executive Chairman from 15 November 2004 to 24 January 2007), Perseverance Corporation Limited (Non-Executive Vice Chairman from 24 January 2007 to 18 February 2008), Tawana Resources NL (Non-Executive Chairman from 4 April 2005 to 20 June 2008. Non-Executive Director from 20 June 2008), Indophil Resources NL (Non-Executive Director from 1 April 2005 and Non-Executive Chairman from 21 April 2005)

Trevor R Eton (Company Secretary) – Appointed 12 March 2003
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. During the past three years, Trevor Eton has not served as a director of any listed companies.

Nickel market update

Remain cautious in 2H 09, but expect stronger (fundamental) demand to increase by mid 2010

Supply - disruptions continue, forecast a 20kt surplus in 09, but a 11kt deficit in 2010

The nickel price has outperformed the rest of the base metals complex in recent weeks, up 37% since July 10. Supply cuts have assisted with Vale's Canadian Voisey's Bay nickel operation declaring a strike on August 1 as part of their collective bargaining related to renewal of 3-year work contract. This move effectively took 16kt offline. Voisey had been on a one month shutdown since July 1st. The strike follows a similar move from sister ops in Sudbury (on down-time since June 1st) slated to re-start July 27th but declared a strike last week. Sudbury accounted for 14.7Kt of nickel output in 2Q09. Although the output stoppage may have lent to already bullish sentiment, we maintain our belief the near-term pressure on nickel prices is more sentiment driven than fundamental. Given the amount of metal available on the LME coupled with a relatively quiet physical market so far this summer, we have little reason to expect a sustained continuation of recent price strength. Furthermore, because Vale is set to lose a chunky share of their nickel output as a result of the industrial action, it is possible the world's largest nickel miner could speed up commissioning of its 60Kt Goro project in New Caledonia to off-set some lost production. According to Brook Hunt, production cuts in 2009 have amounted to approximately 345Kt. We forecast a 20kt surplus in 2009 but an 11kt deficit in 2010.

Demand – re-stocking increases consumption, but end user demand remains weak

The outlook for the global stainless steel market is improving with a restocking cycle firmly in place, as evident by recent announcements from producers. For example, top-producer Acerinox recently provided an upbeat outlook in their quarterly earnings report. Ongoing improvement in demand (although slow) since the trough (likely in March) has driven utilization rates up sequentially month after month, and made 2Q (melting shop) production jump up 28% vs. 1Q '09. While utilization rates in 2Q were still depressed (at around 50%), they sharply improved vs. 1Q (at around 40%). The company also said it had raised utilization rates during 3Q, leading us to expect ongoing improvement in 2H. However despite an increase in utilization rates, we expect end-user demand to remain weak until 2010.

Figure 26: DB Nickel SD forecasts 2005-2010E (kt)

	2005	2006	2007	2008	2009	2010
World Refined Production	1288	1357	1415	1388	1235	1260
World Refined Consumption	1258	1396	1372	1308	1215	1271
Market Balance	**29.5**	**-39.3**	**43.5**	**80.0**	**19.6**	**-10.6**
Average Nickel cash price (USD/t)	14,751	24,237	37,060	21,263	9,634	9,921
Average Nickel cash price (USD/lb)	6.69	10.99	16.81	9.64	5.66	5.50

Source: INSG, Brook Hunt, Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
Panoramic	PAN.AX	2.60 (AUD) 10 Aug 09	8

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See "Important Disclosures Required by Non-US Regulators" and Explanatory Notes.

8. Deutsche Bank and/or its affiliate(s) expects to receive, or intends to seek, compensation for investment banking services from this company in the next three months.

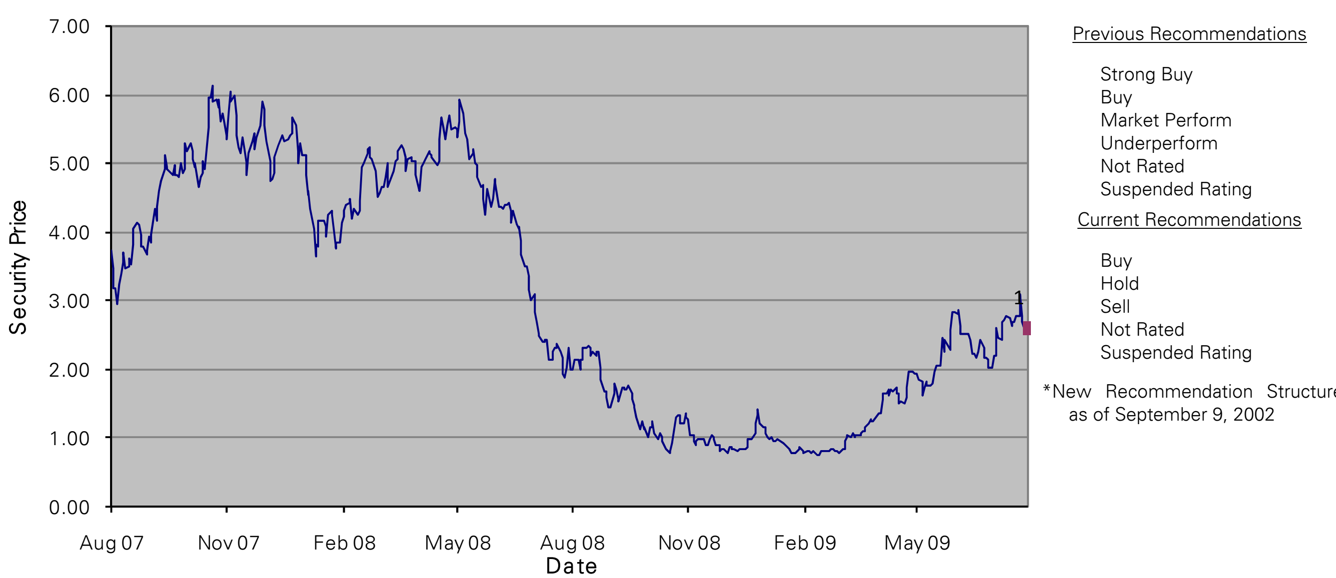
For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=PAN.AX**.**

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Paul Young

Historical recommendations and target price: Panoramic (PAN.AX)

(as of 8/10/2009)



1. 10/8/2009: Hold, Target Price Change AUD2.30

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

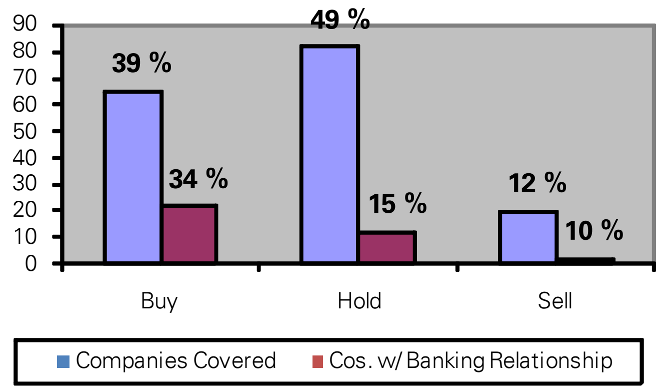
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:
   - Buy: Expected total return (including dividends) of 10% or more over a 12-month period
   - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
   - Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Australia Universe

Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at https://gm.db.com/equities under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

2. Short-Term Trade Ideas

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