

UBS Investment Research

Panoramic Resources Limited

Solid business, looking for more

■ Initiating coverage on Panoramic Resources

Panoramic Resources (PAN) owns and operates two nickel mines in Western Australia. Group output of ~16kt nickel-in-concentrate at cash costs of US\$4.27/lb is anticipated in FY10E. Both the Savannah mine, in the Kimberley region, and the Lanfranchi mine, 40km south of Kambalda, have the potential to support a 10-year life. We initiate coverage on PAN with a Buy rating and a target price of \$3.30/share.

■ Growth options limited, but on the lookout for acquisitions

In the absence of a new discovery, we believe the resource base of 250kt Ni can support our production estimates but offers limited growth options. However, a debt free balance sheet and a highly regarded Board places PAN in a strong position to make acquisitions. Options could include Rio's Northparkes Cu-Au mine or Norilsk's Western Australian Ni assets. Alternatively, PAN's development experience could bring some advanced base metals exploration projects onto the radar screen.

■ Value option based on sector comps

In our view, PAN appears to be one of the best value nickel stocks in the junior resources sector. It is currently trading at a P/NPV multiple of 0.75x versus the sector average of 0.81x and a FY10E PE multiple of 6.2x compared to the sector average of 16.9x. PAN is our preferred nickel exposure in the sector.

■ Valuation \$3.32 (DCF, 10% discount rate)

Our NPV is \$3.32/share with a target price of \$3.30/share based on a 1.0x NPV multiple. Our NPV assumes a 10-year life at Savannah and nine years at Lanfranchi. Key drivers are likely to be moves in the nickel price, exploration success or M&A.

Highlights (A\$m)	06/08	06/09	06/10E	06/11E	06/12E
Revenues	232	225	281	270	256
EBIT (UBS)	67	3	117	68	65
Net Income (UBS)	53	6	85	55	56
EPS (UBS, A\$)	0.27	0.03	0.40	0.26	0.27
Net DPS (UBS, A\$)	0.12	0.03	0.10	0.11	0.11

Profitability & Valuation	5-yr hist av.	06/09	06/10E	06/11E	06/12E
EBIT margin %	-	1.1	41.5	25.3	25.4
ROIC (EBIT) %	-	1.4	51.6	35.5	38.9
EV/EBITDA (core) x	-	6.5	4.1	6.4	7.1
PE (UBS) x	-	55.7	6.2	9.5	9.4
Net dividend yield %	-	1.9	4.2	4.4	4.4

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of A\$2.50 on 19 Nov 2009 16:42 EST

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Global Equity Research

Australia

Mining

12-month rating **Buy**
Prior: *Not Rated*

12m price target A\$3.30/US\$3.07

Price A\$2.50/US\$2.33

RIC: PAN.AX BBG: PAN AU

19 November 2009

Trading data (local/US\$)

52-wk range	A\$3.09-0.75/US\$2.60-0.48
Market cap.	A\$0.51bn/US\$0.47bn
Shares o/s	204m (ORD)
Free float	78%
Avg. daily volume ('000)	914
Avg. daily value (A\$m)	2.2

Balance sheet data 06/10E

Shareholders' equity	A\$0.35bn
P/BV (UBS)	1.5x
Net Cash (debt)	A\$0.14bn

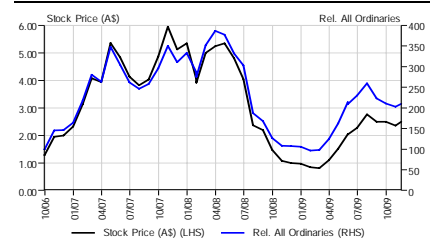
Forecast returns

Forecast price appreciation	+32.0%
Forecast dividend yield	4.9%
Forecast stock return	+36.9%
Market return assumption	9.2%
Forecast excess return	+27.7%

EPS (UBS, A\$)

	06/10E		Cons.	06/09 Actual
	From	To		
H1E	-	0.16	-	(0.04)
H2E	-	0.24	-	0.07
06/10E	-	0.40	0.30	
06/11E	-	0.26	0.20	

Performance (A\$)



Source: UBS

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Executive summary

Initiating coverage with a Buy rating

We initiate coverage of Panoramic Resources Ltd (PAN) with a A\$3.30/share price target and a Buy rating. PAN owns and operates two nickel mines in Western Australia. The Savannah mine is located in the Kimberley region and the Lanfranchi mine is 40km south of Kambalda.

Group production of nickel in concentrate is estimated at 16ktpa through to FY12E before falling marginally to 15ktpa through to FY18E. Life-of-mine cash operating costs across the group are modelled at US\$4.40/lb, placing the company marginally above the midpoint of the global cost curve.

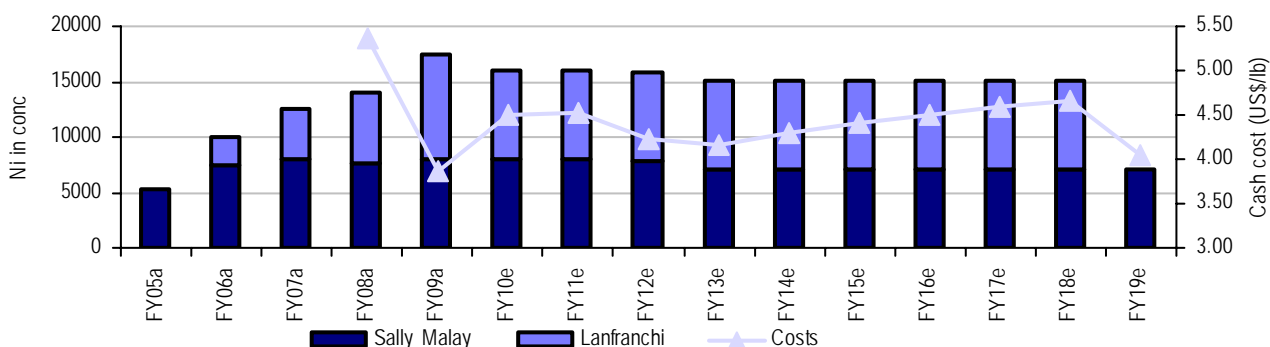
While the resource and reserve base is likely to underpin our production forecasts, it is unlikely to support volume growth. Subsequently, we believe the company is actively looking to acquire additional producing or pre-development assets in nickel or other base metals/gold.

We initiate coverage with a Buy rating as we believe that PAN provides cheap entry into the nickel sector with the share price trading at a ~30% discount to our valuation of \$3.30/share. Additionally we believe PAN provides investors with exposure to a company that has all the ingredients to step up into the sparsely populated Australian mid-tier mining sector.

Why we rate Panoramic Resources a Buy

- **Reasonable mine life expectations:** We believe that both operations could provide PAN with a 10-year production life supporting future growth opportunities.

Chart 1: Group production and cost profile



Source: UBS estimates, company reports

- **Strong board and management team:** The management team has successfully acquired and developed two significant projects since 2004. We believe the company to be both disciplined and conservative when it comes to M&A; subsequently, any potential deal is likely to have had significant due diligence completed.
- **Exploration upside:** Both Savannah and Lanfranchi provide significant exploration potential and could offer short lead times to production given the existing infrastructure. Any discoveries within a 40km radius of Savannah would provide additional feed for the under-utilised plant. Similarly, discoveries in Kambalda would, in our view, be welcomed by the BHP concentrator.
- **Corporate appeal:** While the bulk of the company's production is locked into offtake agreements, the relatively long mine life and strong cash flow forecasts could provide an instant nickel business for a company looking for commodity diversification.

Valuation

Our NPV model values Panoramic at ~\$680m or \$3.32/share. With a current market capitalisation of ~\$520m, the stock is trading at a 23% discount to our NPV estimate. We have set our target price at \$3.30/share using a multiple of 1.0x our NPV. The target price indicates an upside potential of ~30% at the current share price of \$2.50/share.

Risks to our valuation

The following issues present clear risks to our valuation. Should any issues arise with regard to these identified risks then the stock is unlikely to reach our target price.

- **Commodity price and volumes risk:** Like all resource stocks, significant risks come from the input drivers of price and volume. Should the nickel price underperform relative to our forecast then the stock would be unlikely to reach our target price.
- **Underground mining risk:** Both operations are underground mines. Underground mines generally present more technical challenges and risks than open pit mines.
- **Resource to reserve conversion:** Our valuation assumes a high resource to reserve conversion for the Savannah project with the inclusion of the Savannah Deeps in our model. Should this resource prove to be uneconomic, our valuation of the Savannah project would need to be reviewed.
- **Costs:** Panoramic is not considered a low-cost producer. We estimate that the group's cash costs sit in the 50-60th percentile of the global nickel cost curve, excluding the large by-product producers. Subsequently, any cost blow-out at either site could reduce the company's appeal to investors.

Sensitivity analysis

The following sensitivity table shows how PAN's valuation is affected by changes in our assumptions, namely the discount rate, the long-term Australian-US dollar exchange rate, the nickel price and the copper price (Table 1).

Table 1: NPV sensitivity

	Flex	Base assumption	Impact on Valn (\$/share)	Impact on Valn (%)
Base case			\$3.32	
Discount rate	+/-100bp	10%	\$0.08	2%
Long-term AUDUSD	+/- 5¢	0.80	\$0.37	11%
Long-term Ni price	+/- 10%	US\$8.00/lb	\$0.39	12%
Long-term Cu price	+/- 10%	US\$1.75/lb	\$0.03	1%

Source: UBS estimates

Commodity price forecasts

The table below provides the price and currency forecasts used in the Panoramic valuation. The December 2009 quarter price forecast for nickel has been changed from the UBS price forecast of US\$10/lb to US\$8/lb to reflect the current average for the period.

Table 2: Commodity price forecasts

	H1 FY10E	H2 FY10E	FY 10E	FY 11E	FY 12E	FY 13E	FY 14E	FY 15E	FY 16E	FY 17E
Nickel (US\$/lb)	8.00	10.50	9.25	9.00	8.25	8.00	8.00	8.10	8.30	9.09
Copper (US\$/lb)	2.78	3.45	3.11	3.18	3.10	2.90	2.60	2.35	2.25	2.17
Cobalt (US\$/lb)	17.42	17.50	17.46	16.25	15.00	15.00	15.00	15.00	15.00	16.06
AUDUSD	0.86	0.88	0.87	0.88	0.84	0.80	0.80	0.80	0.80	0.80

Source: UBS estimates

Introduction

Panoramic Resources Ltd, listed on the Australian Stock Exchange under the ticker code PAN, is an established Western Australian nickel sulphide producer operating two underground mines. Its principle assets are the Savannah Project, located in the Kimberley region, and the Lanfranchi Project, located south of Kambalda (Figure 1). The company also owns 60% of the Copernicus Project open pit mine, currently on care and maintenance, located 7km south of the Savannah operation.

Figure 1: Panoramic asset location map



Source: Company presentation

Group production is forecast to be 16kt of nickel in concentrate over the next three years before reducing marginally to ~15ktpa through to 2018. Under our modelling assumptions, the Savannah resource base will support a 10-year mine life and the Lanfranchi resource base a 9-year mine life. Both mines have substantial exploration upside that could extend the production life.

Volume growth opportunities are limited from the existing resource base. Subsequently, we believe the company is actively pursuing alternative growth options through M&A. In our view, there are a number of assets across Australia that would fit into the Panoramic stable including BHP's Kambalda nickel concentrator, RIO's Northparkes copper-gold mine, Norilsk's Western Australian nickel assets (especially Honeymoon Well), BHP's Cannington mine (Zn-Ag-Pb) and some of the advanced exploration assets of companies within the junior sector.

Principal assets

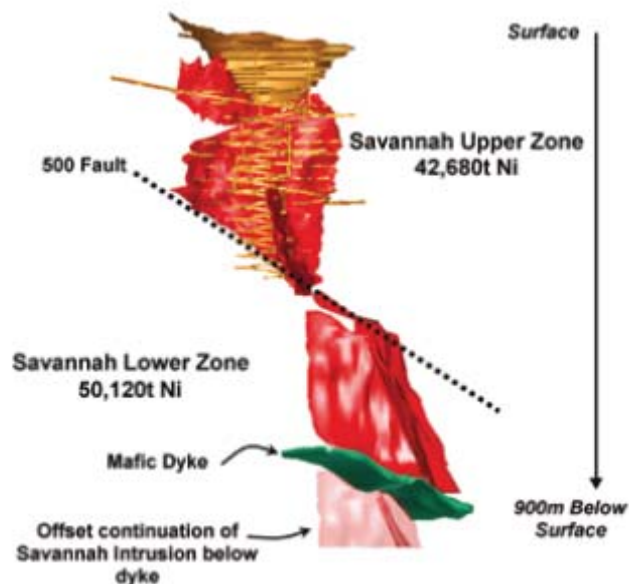
Savannah (100%)

Introduction

The Savannah Project is located 240km south of Kununurra in the East Kimberley district of Western Australia and consists of a nickel sulphide orebody, underground mine, process plant and associated infrastructure. The reported ore Reserve as at 30 June 2009 was 2.2Mt at 1.26% nickel, 0.62% copper, 0.07% cobalt for 27.2kt contained nickel.

Based on the current mine production schedule, the significant resource inventory from the lower zone and potentially favourable economics, we estimate that the Savannah Project could support a mine life in excess of 10 years. Since commissioning in August 2004, the Savannah Project has produced over 3.3Mt at over 1.2% nickel for 42kt contained nickel.

Figure 2: Savannah resource



Source: Company report

Geology

The Savannah deposit is hosted by the layered mafic-ultramafic Savannah Intrusion. The orebody is predominantly confined to a marginal norite unit up to 40m thick developed about the base of the intrusion. Areas of massive, matrix and disseminated sulphide mineralisation, dominated by pyrrhotite, chalcopyrite, pentlandite and minor pyrite occur throughout the marginal norite unit.

Prior to the development of the Savannah open pit, the marginal norite unit outcropped as a prominent 250m long limonite-goethite gossan with fresh sulphide mineralisation developing approximately 20m below surface. At approximately 500m below the surface, a significant sub-horizontal fault, termed the 500 Fault, cuts the orebody and offsets it 200m to the northwest.

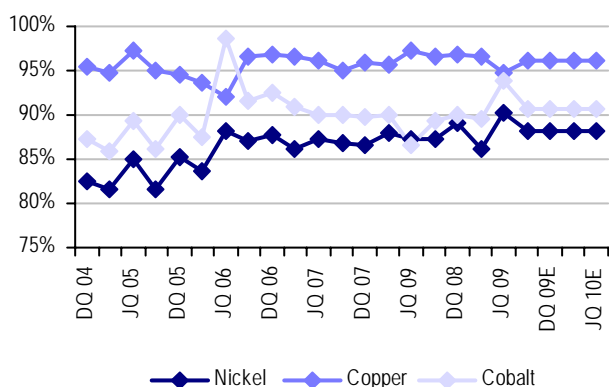
Mineralisation above the 500 Fault is referred to as the “Upper Zone” and below the 500 Fault as the “Lower Zone” (Figure 2).

Mining and processing

Mining at Savannah is owner operated. The bulk of the underground ore is mined via mechanised long-hole open stoping. Once the ore has been removed, paste fill (from tailings) is placed into the void, which allows for maximum extraction and a reduced volume of surface tailings.

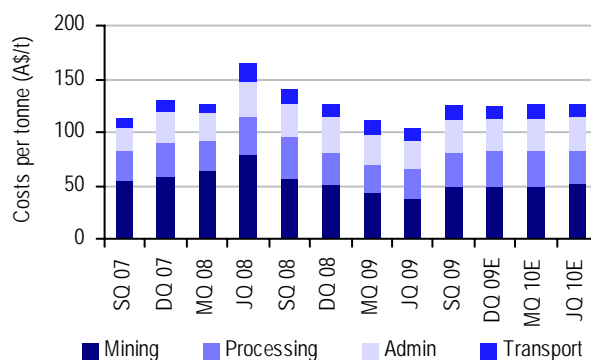
The 1Mtpa capacity process plant at Savannah comprises a single stage crusher, SAG mill, flotation, thickening and filtering stages to produce a bulk nickel, copper, cobalt concentrate. The plant has consistently performed above original expectations from both a throughput and recovery perspective. The plant has nominal capacity of 750ktpa but has been run at throughput rates of ~1Mtpa for extended periods. The Bankable Feasibility study indicated recoveries of 78% for nickel, 69% for cobalt and 96% for copper. Actuals for nickel and cobalt remain well above these levels, while copper has performed as expected (Chart 2).

Chart 2: Metal recoveries



Source: Company reports, UBS estimates

Chart 3: Savannah operating cost trends



Source: Company reports, UBS estimates

Operating costs peaked in the June quarter of 2008 – the same time as the oil price reached record highs of ~US\$150/t, which is not a coincidence given that diesel accounts for between 25-30% of the site's total cost. Subsequently, the reduction in the oil price combined with good cost management has seen unit costs lowered significantly (Chart 3).

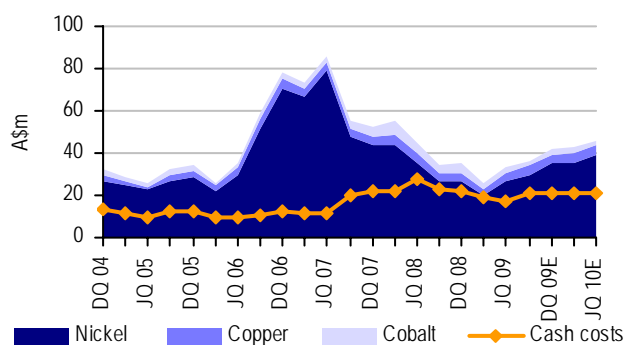
We forecast underground mining costs at ~A\$50/t going forward with a minor trend upwards as the deeper lower zone comes into production and truck haulage distances increase. Milling costs have been estimated at ~\$32/t, ~14% higher than the average cost since commissioning. We have assumed a higher cost due to modelling a minor reduction in mined volumes as the mine gets deeper.

By-product credits

The Savannah reserve contains approximately 13kt Cu at a grade of 0.61% Cu and 1.4kt Co at a grade of 0.06% Co. Subsequently, the copper and cobalt by-product credits have been an important contributor to the Savannah operation. Since commissioning, copper has provided ~9% of the total revenue and cobalt ~8% (Chart 4).

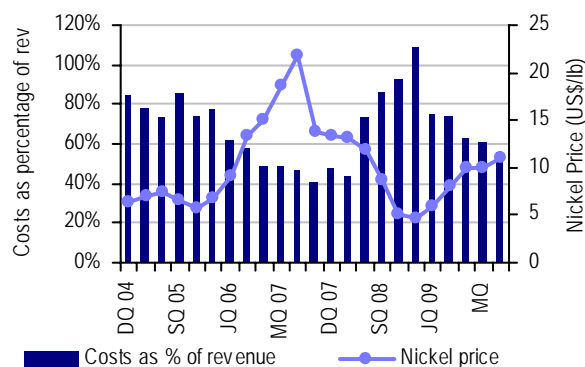
Historically, when the nickel price has fallen below US\$8/lb, total costs have averaged approximately 80% of total nickel revenue (Chart 5). So while the operation would still appear to be viable without the by-product credits, we estimate that since commissioning the Cu and Co credits have added approximately A\$140m to operating cash flow.

Chart 4: Revenue split by commodity



Source: UBS estimates

Chart 5: Total costs as a percentage of nickel revenue



Source: UBS estimates

Offtake agreement

The Savannah concentrate is contracted for sale to the Jinchuan Group of China through until March 2010 (the original life of the project based on the 2003 Feasibility Study).

Jinchuan pays the company a set percentage of the contained nickel, copper and cobalt based on LME pricing and reimburses the ocean freight costs. Negotiations with Jinchuan are ongoing for concentrate offtake beyond March 2010, given that the mine life now extends until at least 2014. We estimate that the current agreement pays PAN approximately 70% of the prevailing LME Ni price and around 50% for copper and cobalt.

Capital expenditure

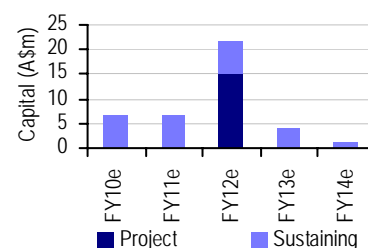
Our production model for the Savannah deposit assumes the development of the resources below the 500RL fault in the lower zone. Subsequently, our sustaining capital assumptions include the ongoing decline development required to access this area, which we estimate at ~4,000m priced at \$5,000m. This equates to approximately \$20m of sustaining capital between FY10E and FY14E (Chart 6).

We also assume project expenditure of \$15m on a vent rise in FY12E. After FY14E, depending on exploration success, there may be a requirement to replace the underground mining fleet, which we estimate would cost approximately \$6m.

Exploration

Drill testing of the Lower Zone at Savannah has continued to a depth of approximately 900m below surface. Also, exploration will continue to explore the margins of the Savannah Intrusion both above and below the 500RL fault.

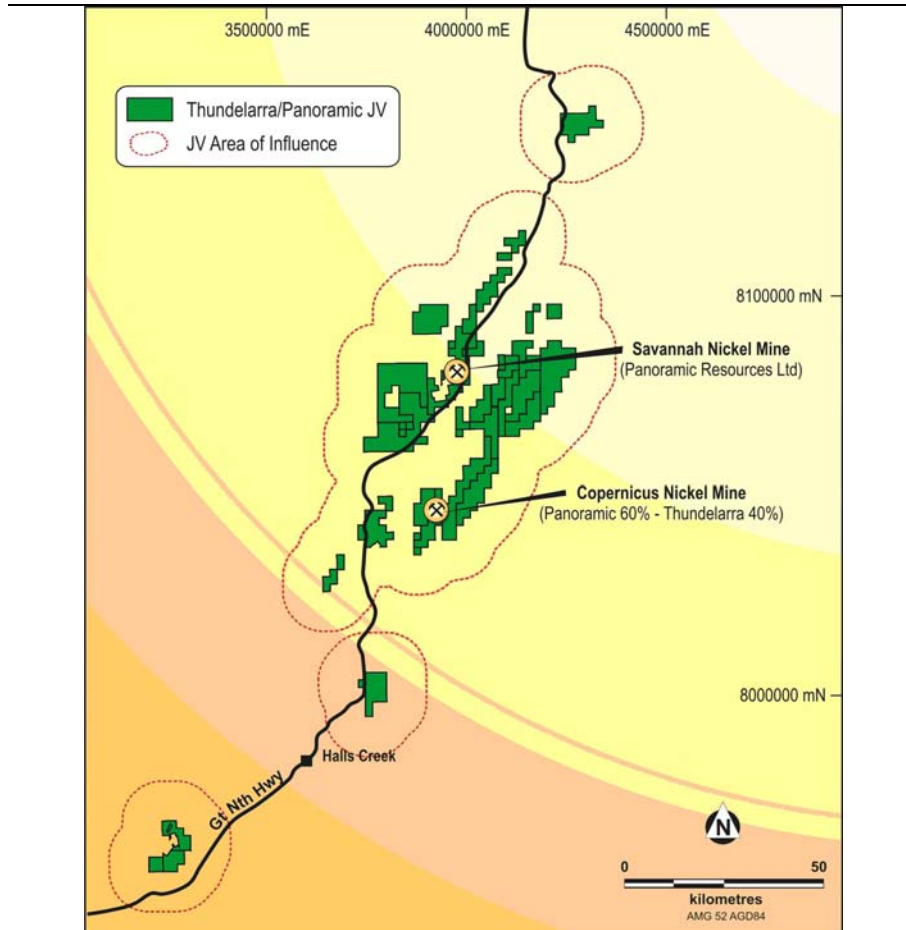
Chart 6: Savannah capital estimates



Source: UBS estimates

The company also has an Exploration Farm-in Agreement with Thundelarra Exploration Limited to earn up to 61% in Thundelarra's East Kimberley tenements (Figure 3). With up to 300ktpa of spare processing capacity at Savannah, this exploration joint venture is targeting projects within trucking distance of the plant.

Figure 3: Panoramic/Thundelarra exploration joint venture



Source: Company report

The Panoramic board has already approved the \$750,000 first-year expenditure commitment and work commenced on the JV during the September 2009 quarter.

The company is required to spend a total of \$3.0m within four years to earn 61% of the project tenements, including \$750,000 in the first year.

Lanfranchi Project (100%)

Introduction

The Lanfranchi operations and associated Tramways tenements (the Lanfranchi Project) are located 42 kilometres south of Kambalda, Western Australia (Figure 4).

The company acquired a 75% interest in the Lanfranchi Project from BHP Billiton Nickel West (formerly WMC Resources) in June 2004. The remaining 25% was acquired from Brilliant Mining in February 2009 for the issue of 12m shares. Since recommencing operations in 2005, the Lanfranchi Project has produced 629,000 tonnes of ore averaging 2.44% nickel for 15,360 tonnes contained nickel.

In October 2006, the Lanfranchi Joint Venture discovered the Deacon Orebody. Deacon currently contains an Indicated and Inferred Resource of approximately 63,500 tonnes contained nickel, making it one of the largest nickel deposits discovered in the Kambalda district in the last decade.

As at 30 June 2009, the Lanfranchi Project has a proven and probable Reserve of 2.8Mt at 2.5% nickel for 71.4kt contained nickel. Based on our mining estimates, the Lanfranchi reserves can sustain a mine life of at least seven years. However, based on the large resource base, recent exploration success and the prospectivity of the tenements, management is confident the Lanfranchi Project could be operating for at least the next 10 years. We currently assume a nine-year life.

Geology

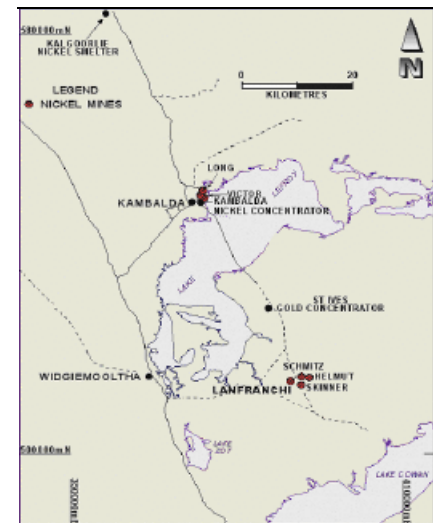
High-grade nickel sulphide deposits at Lanfranchi occur as ribbon-like shoots at the base of high magnesium komatiite lava flows or channels. Ten channel structures are recognised at Lanfranchi of which six have been mined historically (Figure 5).

Figure 5: Lanfranchi operation layout



Source: Company report

Figure 4: Lanfranchi location map



Source: Company reports

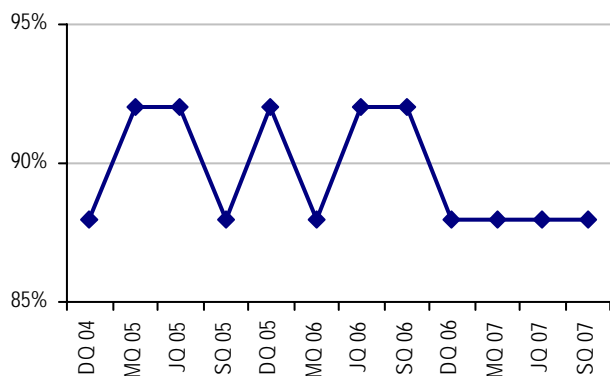
Mining and processing

Mining operations at the Lanfranchi Project are currently conducted on four separate orebodies: Lanfranchi, Helmut South, Winner and Deacon. The Helmut South Orebody is being mined using the underhand cut and fill mining method with paste, while the Winner orebody is mined using overhand cut and fill. Production from Deacon is from a combination of longhole open stopes and underhand cut and fill mining methods utilising paste. Lanfranchi has historically been mined via airleg.

All mining activities are owner operated.

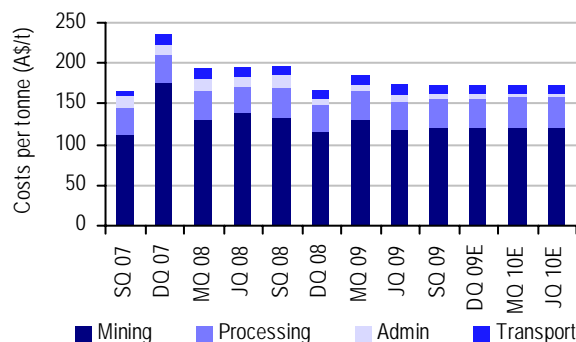
The Lanfranchi Project delivers mined ore to the Kambalda concentrator where a tolling fee is charged for processing. We assume that the recoveries applicable to the Lanfranchi project ore have been set out in the offtake agreement with BHP. Subsequently, we estimate that a recovery of 88% is applicable to ore grading below 2.5% Ni and 92% for ore grading above 2.5% (Chart 7).

Chart 7: Nickel recoveries



Source: UBS estimates

Chart 8: Lanfranchi operating cost trends



Source: Company reports, UBS estimates

Operating costs peaked in the December quarter of 2007 due to being in the ramp-up phase of the Winner orebody. Subsequently, the mining cost, which accounts for 65-70% of the sites total cost, has averaged ~\$125/t (Chart 8). We forecast underground mining costs at ~A\$120/t going forward with a trend upwards as the company sources ore from deeper sections of the mine. Milling costs have been estimated at ~\$35/t.

Offtake agreement

BHP Billiton Nickel West is contracted to purchase up to 350ktpa of ore from the Lanfranchi Project and process it through the Kambalda Nickel Concentrator, under the long-term Ore Tolling and Concentrate Purchase Agreement. We assume that the tolling cost is ~A\$35/t and that payment terms are based on 65% LME prices for nickel and 40% for copper, although the actual terms are confidential.

The contract with BHP was recently extended and now expires in February 2019. It also has a first right of refusal to take additional ore above the 350ktpa level from the Lanfranchi Project.

Capital expenditure

Our production model for the Lanfranchi project assumes the development of the decline down to the base of the current Deacon resource. Subsequently, our sustaining capital assumptions include decline development of ~1,300m priced at \$5,000m over a two-year period, equating to approximately \$7m of sustaining capital (Chart 9).

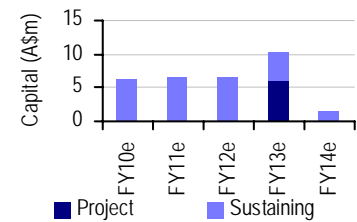
We also assume project expenditure of \$6m in FY13E to replace the underground mining fleet.

Exploration

Underground exploration at the Lanfranchi Project is focused on the extensions to ore shoots within the three main channels (Helmut - which includes the Deacon orebody, Schmitz and Lanfranchi).

Additionally, Surface exploration drilling has previously identified that the important basal contact of this komatiite flow sequence is repeated in an overturned fold structure on the northern side of the Tramways Dome. Two potential channel environments have been discovered with numerous narrow, high-grade massive sulphide intersections discovered. Intersections include 0.25ms at 9.27% Ni, 1.2m at 6.98% Ni and 0.9m at 7.76% Ni. Further drilling is planned for both channel zones.

Chart 9: Lanfranchi capital estimates



Source: UBS estimates

Group resources and reserves

Panoramic currently has resources of 250kt contained nickel, split between the Savannah (37%) and Lanfranchi (63%) mining centres (Table 3). At Lanfranchi, the resources appear to be split between a large number of deposits; however, due to the significant decline development completed by WMC all the resources with the exception of Cruikshank/Gigantus and McComish are accessible from existing development.

Table 3: PAN resource base – 30 June 2009

	Measured		Indicated		Inferred		Total		
	kt	Ni %	kt	Ni %	kt	Ni %	kt	Ni %	kt Ni
Savannah - Lower Zone			3395	1.48			3395	1.48	50.2
Savannah - Upper Zone	1364	1.71	1224	1.55	66	0.65	2654	1.61	42.7
Deacon			2285	2.95	16	2.75	2301	2.95	67.8
Helmut South	165	2.83					165	2.83	4.7
Winner			29	5.28			29	5.28	1.5
Lanfranchi	6	4.2	67	5.79	11	5.24	84	5.60	4.7
Schmitz			75	4.55	11	3.58	86	4.43	3.8
Martin			44	3.88	6	3.5	50	3.83	1.9
Cruikshank/Gigantus/John					3770	1.24	3770	1.24	46.7
McComish					1012	1.47	1012	1.47	14.9
Remnant Resources			253	2.69	203	2.03	456	2.40	10.9
Total	1535	1.84	7372	2.09	5095	1.33	14002	1.79	250.0

Source: Company reports, UBS estimates

Panoramic has estimated reserves of ~100kt, with 28% attributable to Savannah and 72% to Lanfranchi (Table 4).

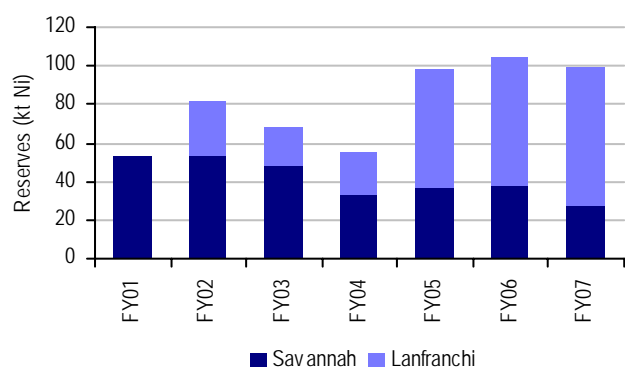
Table 4: PAN reserve base – 30 June 2009

	Proven		Probable		Total		
	kt	Ni %	kt	Ni %	kt	Ni %	kt Ni
Savannah			2161	1.26	2161	1.26	27.2
Deacon			2443	2.52	2443	2.52	61.6
Helmut South	153	2.15			153	2.15	3.3
Winner			17	3.95	17	3.95	0.7
Lanfranchi			119	2.91	119	2.91	3.5
Schmitz			87	2.66	87	2.66	2.3
Total	153	2.15	4827	1.97	4980	1.98	98.5

Source: Company reports

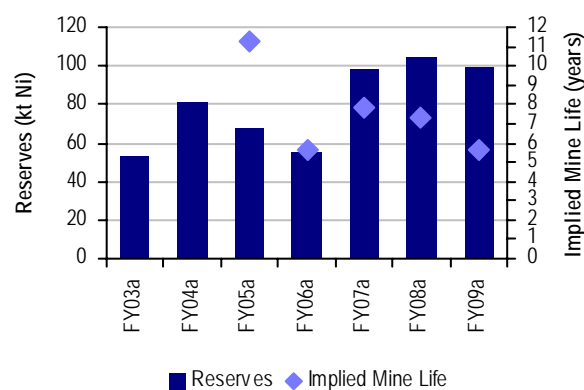
Since 2001, the PAN reserve base has grown through both M&A, with the acquisition of Lanfranchi, and successful exploration, with the discovery of Deacon and extensions to Savannah (Chart 10). Based on FY09 production and remaining reserves across the group, the mine life for PAN is now approximately six years (Chart 11).

Chart 10: PAN reserve history



Source: Company report, UBS estimates

Chart 11: PAN implied mine life



Source: Company report, UBS estimates

Assuming conversion of existing resources into reserve at Lanfranchi and the successful delineation of Savannah Deeps, we believe a 10-year mine life at both operations is a realistic target.

The exploration budget for FY10 has been stated at \$8m. The location split is detailed below (Table 5).

Table 5: Panoramic exploration budget FY10E

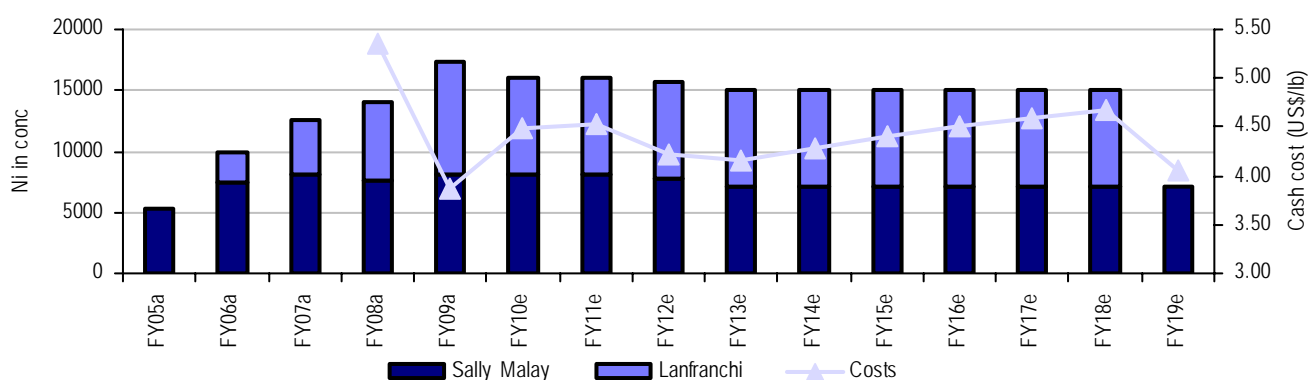
Project	\$m
Savannah and Kimberley Regional	2.5
Lanfranchi Nickel Mine	3.0
Cowan Nickel Project	1.0
Norrland Joint Venture (Sweden)	1.0
Bluebush Joint Venture	0.5
Total	8.0

Source: Company report

Group production forecasts

Under our production estimates, PAN attained peak group production in FY09 at 17.4kt of nickel in concentrate (Chart 12). We estimate that in the absence of a new discovery or an acquisition, production at both operations will drift marginally down. We also note that FY09 saw the lowest group cost profile due to the rapid appreciation of the US dollar experienced during the Global Financial Crisis. We anticipate production of ~16ktpa at cash costs of ~US\$4.50/lb during FY10E

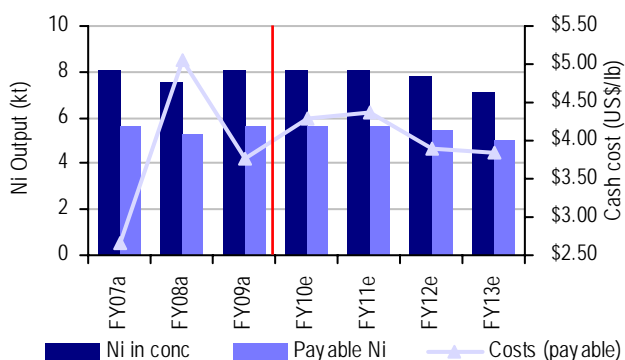
Chart 12: PAN – group production and cost profile



Source: Company reports, UBS estimates

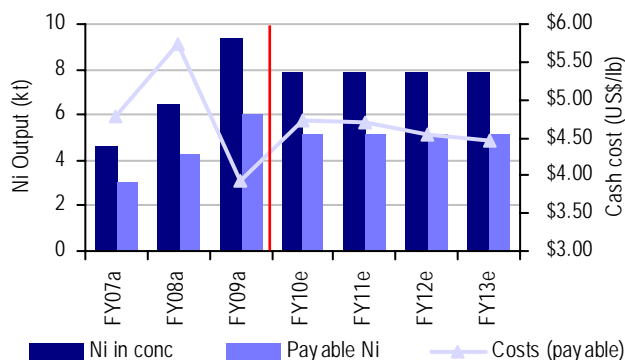
At an operational level, the cost profile at Savannah ticks up marginally due to mining costs increasing as the mine deepens and increases to processing costs as throughput reduces slightly over time (Chart 13). Increases in the Australian dollar are more pronounced, but the reversion to our long-term currency assumption of 80¢ in CY12 reduces the impact on the reported US dollar cash operating costs.

Chart 13: Savannah production and cost profile



Source: Company reports, UBS estimates

Chart 14: Lanfranchi production and cost profile



Source: Company reports, UBS estimates

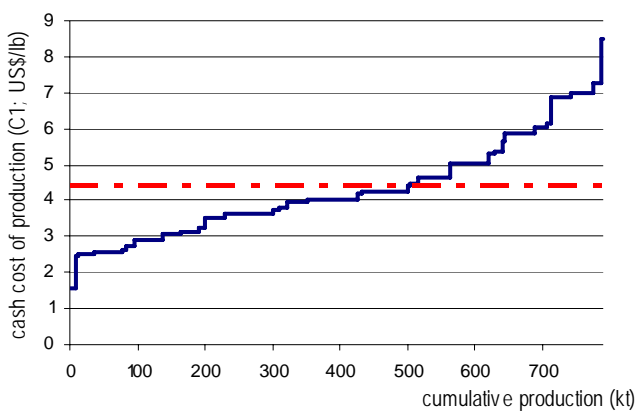
The Lanfranchi cost profile trends down marginally over time. This is a function of the mining and processing costs being increased by our inflation rate and the impact of the reversion of the currency assumption to our long-term estimate (Chart 14).

Based on the existing reserves, Savannah has a remaining mine life of three years. We currently assume that the life of the Savannah operation will be extended out to June 2018. This assumption requires 80% of the lower resource at Savannah be converted to reserve. For Lanfranchi, the 62kt reserve base for Deacon essentially underpins a seven to eight-year mine life. However, annual production is anticipated to be made up from all the orebodies that have stated reserves. Subsequently, our mine life assumption could ultimately understate the potential of the Lanfranchi site.

Position in global cost curve

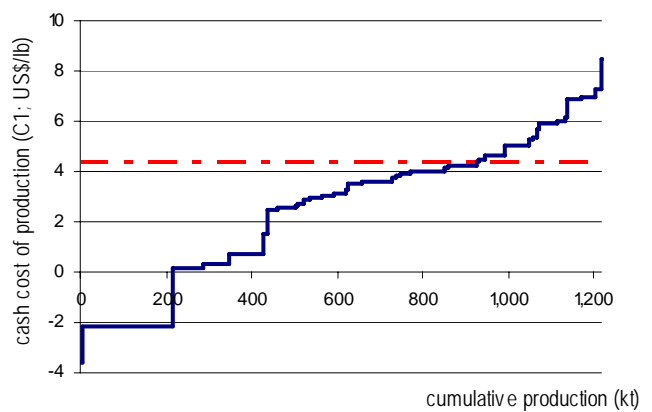
Under our production cost forecasts we estimate that the company sits in the 50-60th percentile of the global nickel cost curve excluding the large by-product driven producers with negative cash costs (Chart 15). This position increases to the 70-75th percentile when the by-product driven producers are included (Chart 16).

Chart 15: Global nickel cash cost curve (excluding by-product driven producers) - 2009



Source: Wood Mackenzie-Brook Hunt, UBS estimates

Chart 16: Global nickel cash cost curve - 2009



Source: Wood Mackenzie-Brook Hunt, UBS estimates

Hedging

The company periodically hedges its metal exposure in order to protect earnings against movements in the nickel price. The position as at the end of June 2009 is tabulated below (Table 6). Under the UBS price assumptions, the NPV of the metal hedging is currently \$11m. Under spot pricing, this increases to ~A\$16m.

Table 6: Summary of PAN nickel hedging (30 June 2009)

		2009	2010	
		Dec H	Jun H	Dec H
Volume Hedged	t	1,200	1,200	600
Hedged Price	US\$/t	26,780	26,780	15,268
UBSe Price	US\$/t	19,843	23,148	20,944
Spot	US\$/t	16,667	16,667	16,667
Gain/(Loss) vs UBSe	US\$m	8.3	4.4	(3.4)
Gain/(Loss) vs Spot	US\$m	12.1	12.1	(0.8)

Source: Company reports, UBS estimates

These hedges qualify for hedge accounting in accordance with AASB139 Financial Instruments as the future sales are highly probable and have been specifically designated.

The company also hedges its currency exposure through the purchase of put options and the sale of call options. The current hedge position is detailed below (Table 7). Under UBS currency assumptions, the current hedgebook has an NPV of \$11m. At spot currency rates, this NPV increases to ~\$15m.

The current combined value of the PAN metal and currency hedgebook is ~\$22m.

Table 7: Summary of PAN currency hedging (30 June 2009)

		2009	2010
		Dec H	Jun H
Puts Bought	US\$	62.6	62.6
Hedged rate	US\$:AUD	0.78	0.78
Forecast rate	US\$:AUD	0.8570	0.8800
Spot rate	US\$:AUD	0.9308	0.9308
Gain/(Loss)	A\$m	4.8	6.3
At spot	A\$m	9.4	9.4
Calls sold	US\$	62.6	62.6
Hedged rate	US\$:AUD	0.63	0.63
Forecast rate	US\$:AUD	0.8570	0.8800
Spot rate	US\$:AUD	0.9308	0.9308
Gain/(Loss)	A\$m	0.0	0.0
At spot	A\$m	0.0	0.0

Source: Company reports, UBS estimates

Financials

Profit and Loss

The table below shows the profit and loss summary for Panoramic Resources. We forecast FY10 revenues at \$280m, up 24% from FY09 revenues of \$225m. Increase in revenues is primarily due to our increased nickel price assumptions which are at US\$9.30/lb for FY10 (year ending June) versus US\$6.10/lb for FY09. Our calendar year nickel price forecasts are at US\$10.00/lb for FY10 and US\$8.50/lb for FY11.

The increase in revenue also flows down to the bottom line with net profit for FY10 forecast at \$83m, up significantly from \$5.6m in FY09. We estimate that net profit has been boosted by gains from the hedge book, which we estimate at \$28.8m for FY10E.

Assuming spot pricing for the next two years lowers our FY10 NPAT forecast by 31% to \$57m and our FY11 NPAT forecast by 63% to \$20m.

Revenues and net profit fall in subsequent years despite stable production due to our lower nickel price assumptions in the respective years.

Table 8: Profit and loss summary

	A\$m	H1 10E	H2 10E	FY 08	FY 09	FY 10E	FY 11E	FY 12E
Revenue from continuing operations								
Sale of goods		124.0	156.4	232.4	225.1	280.3	269.9	256.3
Interest income		1.7	3.2	6.0	3.6	5.0	11.4	15.7
Other sundry revenue		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from cont ops		125.7	159.6	238.5	228.7	285.3	281.4	272.0
Other income		0.0	0.0	0.0	1.2	0.0	0.0	0.0
Costs								
Cost of sales goods		(67.7)	(68.7)	(107.8)	(113.6)	(136.4)	(138.4)	(132.7)
Corporate expenses		(2.5)	(2.5)	0.0	0.0	(5.0)	(5.2)	(5.3)
Royalty expense		(2.8)	(3.5)	0.0	(9.3)	(6.3)	(6.1)	(5.8)
Exploration expenses		(2.0)	(2.0)	(2.3)	(7.6)	(4.0)	(4.1)	(4.2)
Other expenses		17.6	11.2	(15.2)	(44.0)	28.8	(3.9)	0.0
Total Costs		(57.3)	(65.6)	(125.3)	(174.4)	(122.9)	(157.7)	(148.0)
EBITDA		66.6	90.7	107.2	51.9	157.4	112.3	108.3
Depreciation & Amortisation		(21.6)	(21.6)	(40.4)	(49.3)	(43.2)	(43.2)	(42.4)
EBIT		45.1	69.2	66.8	2.5	114.2	69.1	65.9
Finance costs								
Interest income		1.7	3.2	6.0	3.6	5.0	11.4	15.7
Interest expenses		(0.3)	(0.3)	(1.4)	(0.8)	(0.7)	(0.7)	(0.7)
PBT		46.5	72.1	71.4	5.4	118.5	79.9	80.9
Income taxes		(13.9)	(21.6)	(18.1)	0.2	(35.6)	(24.0)	(24.3)
Net Income		32.5	50.4	53.3	5.6	83.0	55.9	56.7

Source: UBS estimates, Company reports

Balance sheet

The table below shows the balance sheet summary for Panoramic Resources. The lower net profit in FY09 and dividend payments resulted in a lower cash balance at the beginning of FY10E. However, under our forecasts, the cash balance is estimated to grow to \$145m by year end. The company essentially remains debt free with just operating leases totalling \$6.6m. With stable total debt and increasing cash balances, the gearing ratio (net debt/(net debt+equity)) improves from -18% in FY09 to -67% in FY10E.

Table 9: Balance sheet summary

	A\$m	H1 10E	H2 10E	FY 08	FY 09	FY 10E	FY 11E	H2 12E
Cash and short-term investments		92.0	145.8	110.9	50.0	145.8	212.2	263.7
Term deposits		17.3	17.3	0.0	17.3	17.3	17.3	17.3
Receivables		28.7	28.7	17.2	28.7	28.7	28.7	28.7
Inventories		14.8	14.8	11.2	14.8	14.8	14.8	14.8
Other		46.1	46.1	28.8	46.1	46.1	46.1	46.1
Total current assets		198.8	252.7	168.1	156.8	252.7	319.0	370.5
Receivables		1.8	1.8	0.6	1.8	1.8	1.8	1.8
Inventories		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property plant and equipment		41.4	25.4	62.1	59.0	25.4	(7.5)	(25.0)
Mining tenements and development costs		140.7	140.7	73.9	140.7	140.7	140.7	140.7
Other		22.0	22.0	27.6	22.0	22.0	22.0	22.0
Total fixed assets		205.9	189.9	164.1	223.5	189.9	157.0	139.6
TOTAL ASSETS		404.7	442.5	332.1	380.3	442.5	476.1	510.1
Creditors		30.8	30.8	31.3	30.8	30.8	30.8	30.8
Borrowings		4.3	4.3	6.4	4.3	4.3	4.3	4.3
Other		1.4	1.4	26.1	1.4	1.4	1.4	1.4
Total current liabilities		36.6	36.6	63.8	36.6	36.6	36.6	36.6
Accounts payable		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings		2.2	2.2	2.0	2.2	2.2	2.2	2.2
Deferred income tax		45.2	45.2	26.5	45.2	45.2	45.2	45.2
Other		10.0	10.0	8.1	10.0	10.0	10.0	10.0
Total long term liabilities		57.4	57.4	36.6	57.4	57.4	57.4	57.4
TOTAL LIABILITIES		94.0	94.0	100.4	94.0	94.0	94.0	94.0
NET ASSETS		310.7	348.5	231.7	286.3	348.5	382.1	416.1
Share capital		101.3	101.3	78.4	101.3	101.3	101.3	101.3
Reserves		71.6	71.6	34.1	71.6	71.6	71.6	71.6
Retained profit		137.8	175.6	119.3	113.4	175.6	209.1	243.1
Outside equity interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholders' equity		310.7	348.5	231.7	286.3	348.5	382.1	416.1

Source: UBS estimates, Company reports

Cash flow statement

The table below shows the cash flow statement summary for Panoramic Resources. Better revenue and net profit numbers flow through to the cash flow statement with cash flow from operations growing to \$126m in FY10E from \$33.5m in FY09.

We are forecasting ~\$10m of sustaining development across the operations in each of the next two years. We also estimate \$15m for the Savannah vent shaft in FY12.

We anticipate that Panoramic will continue to pay regular fully franked dividends. We assume an informal dividend policy to payout approximately 30-40% of NPAT, but expect this to vary depending on future capital requirements. We assume a ratio of 25% for FY10, increasing to 40% in the subsequent years.

Table 10: Cash flow statement summary

	A\$m	H1 10E	H2 10E	FY 08	FY 09	FY 10E	FY 11E	H2 12E
Cash flow from operating activities								
Receipts from customers		124.0	156.4	240.6	209.3	280.3	269.9	256.3
Payments to suppliers and employees		(67.7)	(68.7)	(128.5)	(153.8)	(136.4)	(138.4)	(132.7)
Foreign exchange contracts		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest received		1.7	3.2	6.0	3.6	5.0	11.4	15.7
Interest expense		(0.3)	(0.3)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)
Tax paid		(13.9)	(21.6)	(21.5)	(24.9)	(35.6)	(24.0)	(24.3)
Others		10.3	3.1	0.0	0.0	13.5	(19.2)	(15.3)
Net operating cash flows		54.1	72.0	95.8	33.5	126.1	99.1	99.1
Cash flow from investing activities								
Purchase of property plant and equipment		(4.0)	(5.6)	(22.2)	(15.8)	(9.6)	(10.3)	(24.9)
Payment for mining tenements & development		0.0	0.0	(37.2)	(41.8)	0.0	0.0	0.0
Exploration and evaluation incurred		0.0	0.0	(6.1)	(3.1)	0.0	0.0	0.0
Other		0.0	0.0	0.1	(17.7)	0.0	0.0	0.0
Net investing cash flows		(4.0)	(5.6)	(65.4)	(78.4)	(9.6)	(10.3)	(24.9)
Cash flow from financing activities								
Ordinary shares issued		0.0	0.0	3.6	0.2	0.0	0.0	0.0
Shares repurchased		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt paid		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt raised		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid		(8.1)	(12.6)	(36.1)	(11.5)	(20.7)	(22.4)	(22.7)
Other		0.0	0.0	(6.6)	(4.7)	0.0	0.0	0.0
Net financing cash flows		(8.1)	(12.6)	(39.1)	(16.1)	(20.7)	(22.4)	(22.7)
Net change in cash		42.0	53.9	(8.7)	(60.9)	95.8	66.4	51.5
Beg Cash		50.0	92.0	119.6	110.9	50.0	145.8	212.2
Change in Fx		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Cash		92.0	145.8	110.9	50.0	145.8	212.2	263.7

Source: UBS estimates, Company reports

Valuation

We value base metals companies on an NPV basis, which is derived from a discounted cash flow model. The overall company NPV is then determined by adding and subtracting corporate costs, net cash and tax losses, where applicable.

The NPV is derived using an annual discount rate of 10%, which is the standard discount rate we use to discount base metal mining companies. The target price is then derived using a multiple to the NPV per share.

The table below shows our NPV analysis for Panoramic based on separate NPVs for Savannah and Lanfranchi. Based on our forecasts, both assets make a similar contribution to the total project NPV. Savannah contributes 48% while Lanfranchi contributes the rest to the project NPV.

Our NPV model values Panoramic at ~\$680m or \$3.32/share. With a current market capitalisation of ~\$520m, the stock is trading at a 23% discount to our NPV estimate. We have set our target price at \$3.30/share using a multiple of 1.0x our NPV. The target price indicates upside potential of ~30% at the current share price of \$2.50/share.

Table 11: NPV analysis – 30 June 2010

A\$m (except for per share)	H2 10E
Projects	
Savannah	263.1
Lanfranchi Complex	287.6
Total	550.8
Corporate Costs NPV	(32.9)
Cash BOP	92.0
Debt BOP	(6.6)
Net Cash BOP	85.4
Hedging	24.8
Others	50.0
Total NPV	678.0
Shares O/S	204.0
Total NPV	3.32

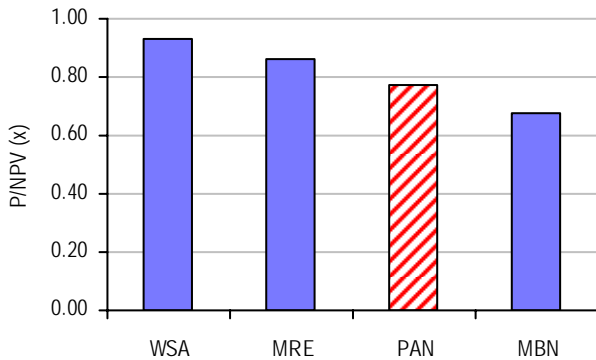
Source: UBS estimates

The two-year spot scenario lowers our NPV by 8% to \$3.04/share, which would still imply a significant premium to the current share price.

Peer comparisons

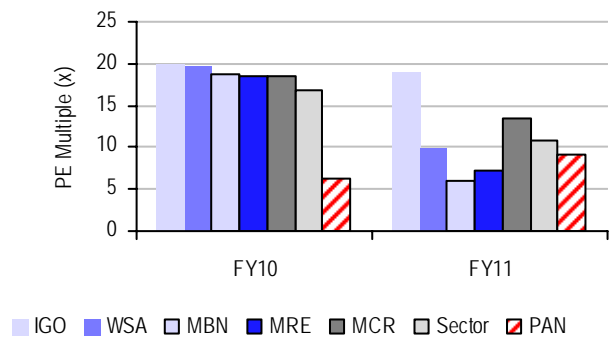
In our view, Panoramic Resources stands out as one of the best value nickel stocks in the Australian small resources sector. On a P/NPV basis, the stock is trading on 0.77x versus the UBS sector average of 0.81x (Chart 17). Also, on a PE multiple basis PAN appears to be the nickel stock offering best value. The FY10E PE multiple of 6.2x is significantly below the sector average of 16.9x (Chart 18).

Chart 17: P/NPV multiples



Source: UBS estimates
 Note: MBN covered by UBS analyst Onno Rutten in Toronto.

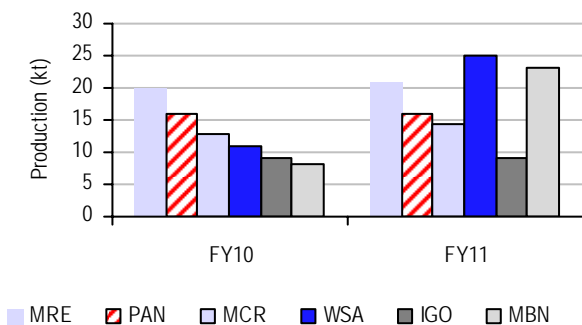
Chart 18: PE multiples



Source: UBS estimates, IRESS

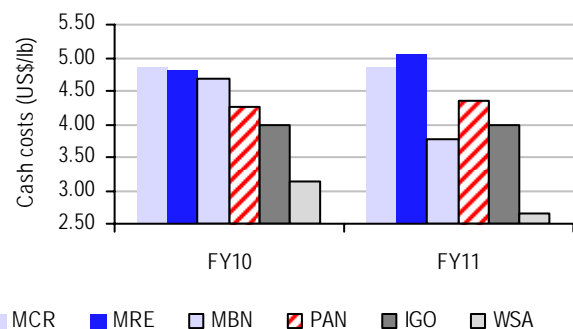
While not the largest producer in the sector, production is forecast to remain relatively constant at ~16kt of nickel in concentrate (Chart 19). We believe this rate can be maintained for at least 10-years. On a cash cost basis, despite the lower grade Savannah project, PAN remains competitive within the peer group (Chart 20).

Chart 19: Production profiles



Source: UBS estimates, Company reports

Chart 20: Cash cost profiles



Source: UBS estimates, Company reports

Panoramic Resources (PAN.AX)

Analyst/s: Jo Battershill/Glyn Lawcock
Email: jo.battershill@ubs.com
19-Nov-09

MARKET INFORMATION					COMPANY DESCRIPTION						
Rating:					Buy	Panoramic Resources Ltd is an established nickel sulphide producer operating two underground mines in Western Australia: the Savannah Project in the Kimberley and the Lanfranchi Project south of Kambalda. The two operations are forecast to produce a combined 16kt of nickel in concentrate per annum at cash costs of around US\$4.30/lb. Exploration upside exists at both sites underpinning our expectation of nine to 10-year mine lives. The company has stated an intention to become a diversified mining house through the acquisitions of other assets and maintain a steady dividend stream.					
Price (as of 18-Nov-09):					2.50						
Price Target (12 months):					3.30						
Issued Capital:					204.0						
Market Capitalisation:					510.0						
Avg. daily turnover (US\$m)					2.0						
Year end:					Jun 2010						
Website:					http://www.panoramicresources.com						
Major Shareholders:					M&G 16%						
INVESTMENT SUMMARY					OPERATIONAL ASSUMPTIONS						
(A\$m)	2009	2010E	2011E	2012E	1H10E	2H10E	2009	2010E	2011E	2012E	
Net profit [reported] (\$m)	5.6	84.7	55.5	56.2	Commodity prices						
Net profit [adjusted] (\$m)	5.6	84.7	55.5	56.2	Ni price (US\$/lb)	8.00	10.50	6.09	9.25	9.00	8.25
EPS [reported] (\$)	0.0	0.4	0.3	0.3	Cu price (US\$/lb)	2.78	3.45	2.24	3.11	3.18	3.10
EPS [adjusted, diluted] (\$)	0.0	0.4	0.3	0.3	Co price (US\$/lb)	17.42	17.50	22.22	17.46	16.25	15.00
EPS Growth (%)	(90.0)	1366.7	(34.5)	1.3	A\$:US\$	0.86	0.88	0.73	0.87	0.88	0.84
PER [adjusted] (x)	88.2	6.0	9.2	9.1	Production - payable nickle						
Dividend (\$)	0.0	0.1	0.1	0.1	Savannah (Mlbs)	4.0	4.0	8.1	8.1	8.1	7.9
Payout ratio (%)	100.5	25.0	40.0	40.0	Lanfranchi (Mlbs)	4.1	4.0	9.3	8.0	7.9	7.9
Dividend Yield (%)	1.1	4.2	4.4	4.4	Cash costs						
FCF Yield (%)	3.4	22.4	16.7	14.0	Savannah (US\$/lb)			3.77	4.17	4.42	3.96
Franking (%)	0.0	0.0	0.0	0.0	Lanfranchi (US\$/lb)			3.92	4.70	4.70	4.56
Shares [period-average, diluted] (m)	205.4	211.5	211.5	211.5							
VALUATION											
Valuation per share [NAV @ 10%] (\$)	3.32										
Share Price Target [12 months] (\$)	3.30										
Price/NAV [10% disc rate] (x)	0.75										
Operating Assets [DH09]											
	A\$m				€						
Savannah	262				128						
Lanfranchi	287				141						
Gross Assets					549 269						
Exploration	50				25						
Hedging	25				12						
Net Cash	87				43						
Corporate costs	(33)				(16)						
Net Asset Value @ 10% discount rate					678 332						
ENTERPRISE VALUE											
(A\$m)	2009	2010E	2011E	2012E							
Enterprise Value	335	653	719	770							
EV/EBITDA (x)	6.5	4.1	6.4	7.2							
EV/Operating Free Cash Flow (x)	6.5	5.7	8.9	12.2							
EPS SENSITIVITIES											
Commodity	Base	2010E	2011E	2012E							
	Change	EPS Change									
Nickel	10.0%	13.0%	33.0%	34.0%							
Copper	10.0%	5.0%	6.0%	6.0%							
Currency	5¢	-5.0%	-19.0%	-20.0%							
CASH FLOW											
(A\$m)	2009	2010E	2011E	2012E							
Operating income [EBIT, UBS]	3	117	68	65							
Depreciation & Amortisation	49	43	43	42							
Net change in working capital	16	0	0	0							
Other (operating)	(12)	0	0	0							
Pre-tax op cash flow	55	160	112	108							
Interest (paid) / received	3	4	11	15							
Tax paid	(25)	(36)	(24)	(24)							
Other	0	0	0	0							
Operating cash flow	34	128	99	99							
Capital expenditure	(16)	(10)	(10)	(25)							
Free cash flow	18	119	88	74							
Net (acquisitions) / disposals	0	0	0	0							
Dividends paid (Common)	(12)	(21)	(22)	(22)							
Shares issued/(repurchased)	0	0	0	0							
DIVISIONAL BREAKDOWN [EBIT]											
(A\$m)	1H10E	2H10E	2009	2010E	2011E	2012E					
Savannah	15.8	30.2	14.0	46.0	35.9	31.8					
Lanfranchi	19.0	31.9	36.6	50.9	45.7	42.8					
PROFIT & LOSS											
(A\$m)	1H10E	2H10E	2009	2010E	2011E	2012E					
Sales Revenue	125	156	225	281	270	256					
Operating Cash Profit	83	109	161	192	174	165					
Depn & Amortisation	(22)	(22)	(49)	(43)	(43)	(42)					
Operating Profit	61	87	112	148	131	123					
Exploration	0	0	0	0	0	0					
SGA	(13)	(19)	(109)	(31)	(63)	(58)					
EBIT	48	69	3	117	68	65					
Net interest	1	3	3	4	11	15					
Profit before tax	49	72	5	121	79	80					
Tax expense	(15)	(22)	0	(36)	(24)	(24)					
Equity Associated NPAT	0	0	0	0	0	0					
Minority Interests	0	0	0	0	0	0					
Dividends [preferred]	0	0	0	0	0	0					
Net Profit [reported]	34	50	6	85	55	56					
Abnormal Gain/(Loss) after Tax	0	0	0	0	0	0					
Net Profit [adjusted]	34	50	6	85	55	56					
EBITDA margin (%)			23.0	56.9	41.4	42.0					
Net Interest Cover [EBIT] (x)			0.9	26.7	6.3	4.3					
Tax Rate (%)			-4%	30%	30%	30%					
EBIT/Total Assets (%)			0.7	26.3	14.3	12.7					
NPAT/Equity (%)			2.0	24.2	14.5	13.5					
BALANCE SHEET [Selected Items]											
(A\$m)	2009	2010E	2011E	2012E							
Net Working capital	75	75	75	75							
Fixed Assets	59	25	25	25							
Net Other	109	109	76	59							
Capital Employed	243	209	176	159							
Net Cash / (Debt)	43	141	207	258							
Total Equity [incl. minorities]	286	350	383	417							
Minorities	0	0	0	0							
Net Debt / Equity (%)	(15.2)	(40.2)	(54.0)	(62.0)							
Book Value per Share(\$)	1.40	1.71	1.88	2.04							

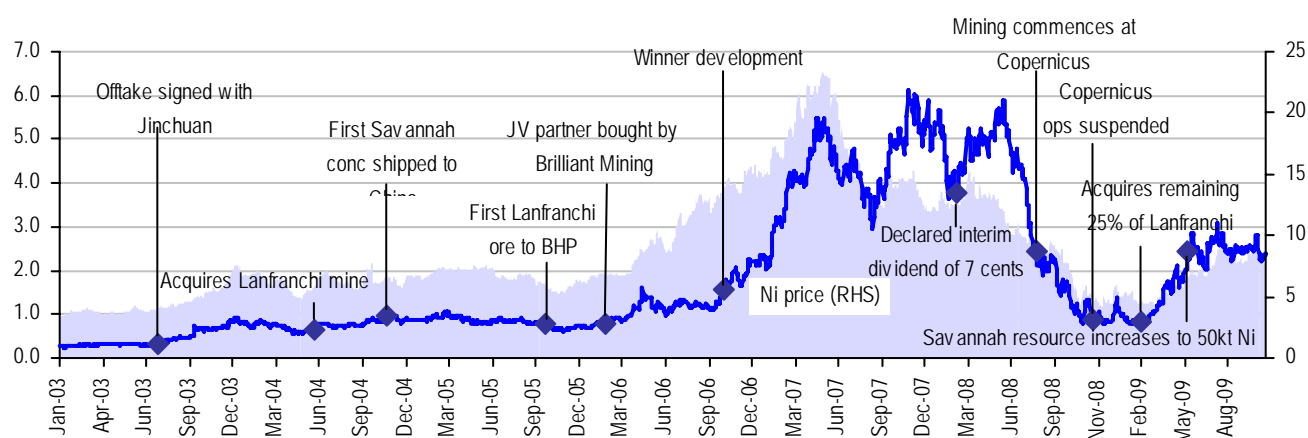
Source: Company accounts, UBS estimates. UBS valuations are stated before goodwill, exceptional and other special items. Note: For some companies, the data represents an extract of the full company accounts.

Source: UBS estimates

Appendix

Stock history

Chart 21: Panoramic Resources' stock price (A\$) and Ni price (US\$/lb) movement



Source: Company announcements, UBS

Significant shareholdings

Table 12: Top 10 largest shareholders (23 October 2009)

Name of shareholder	Shares (m)	%	Location
M&G	32.6	16.0%	UK
Barclays Global Investors	20.5	10.1%	Syd
Brilliant Mining	12.0	5.9%	Can
Eley Griffiths	7.5	3.7%	Syd
AMP Capital	7.4	3.6%	Syd
Dimensional Fund Investors	6.0	2.9%	Syd
State Street Corp	5.9	2.9%	Syd
LSV Asset Management	5.3	2.6%	USA
Independent Asset Management	5.1	2.5%	Syd
ING Investment Management	4.5	2.2%	Syd

Source: Company AGM presentation

Board and management

Christopher de Guingand (Non-Executive Chairman)

Christopher de Guingand has had a long and distinguished career in the mining industry, predominately in financial and marketing roles with a number of mining companies as an executive, trader, director or consultant. Chris 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.

Peter Harold (Managing Director)

Peter Harold is a process engineer with over 21 years' corporate experience in the minerals industry specialising in financing, marketing, business development and general corporate activities. Peter 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 Uranium Resources PLC (Non-Executive Director from 31 January 2005 to 26 October 2006), Alloy Resources Limited (Non-Executive Chairman from 15 September 2005) and Territory Uranium Company Limited (Non-Executive Chairman from 1 March 2007).

Christopher Langdon (Non-Executive director)

Christopher Langdon has over 24 years of corporate finance and management experience and has had extensive experience in investment banking in Australia and overseas working for Wardley 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.

John Rowe (Non-Executive director)

John Rowe is a geologist with over 28 years of mining industry experience. Until August 2006, John 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, he 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, John Rowe has also served as a director of Perseverance Corporation Limited (Non-Executive Director from 19 September 2007 to 18 February 2008) and Catalpa Resources Limited (Non-Executive Director from 12 October 2006 and Non-Executive Chairman from 30 January 2008).

Brian Phillips (Non-Executive director)

Brian Phillips is a mining engineer with over 40 years of extensive mining industry experience in operational and management roles in precious and base metals. Brian started his career with the Gold Fields Group in Tasmania, the United Kingdom and Western Australia. In 1981, he joined Metals Exploration Limited and for the next seven years was a director of Metals Exploration Limited, North Kalgurli Mines Limited and Gold Mines of Kalgoorlie Limited. After a period running a privately owned mining services company, Brian 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 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 roles from 4 April 2005 to 24 July 2009) and Indophil Resources NL (Non-Executive roles from 1 April 2005).

Trevor Eton (Company Secretary)

Trevor Eton is an accountant with over 25 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)

Mr Williams is a mining engineer with over 24 years' experience in the mining industry. Mr Williams commenced his position with Panoramic as the Mining Manager of the Savannah Project, and accepted the position of Operations Manager of the Lanfranchi Project in December 2004. Mr Williams previously held positions of Mine Superintendent of Harmony South Kal Mines and Underground Manager & Mining Manager of Herald Resources, Coolgardie.

John Hicks (Exploration Manager)

Mr Hicks is a geologist with 29 years of experience in the Australian mining and exploration industry, including operating as an independent geological consultant from 1998. Prior to this, Mr Hicks held various geological positions with several Australian resource companies, including Hamersley Iron, Australian Consolidated Minerals, WMC and Mining Project Investors. Mr Hicks has filled the position of independent geological consultant to Panoramic since 2001 and joined the company as Exploration Manager in July 2005.

■ Panoramic Resources Limited

Panoramic Resources Ltd is an established nickel sulphide producer operating two underground mines in Western Australia: the Savannah Project in the Kimberley and the Lanfranchi Project south of Kambalda. The two operations are forecast to produce a combined 16kt of nickel in concentrate per annum at cash costs of around US\$4.30/lb. Exploration upside exists at both sites underpinning our expectation of nine to 10-year mine lives. The company has stated an intention to become a diversified mining house through the acquisitions of other assets and maintain a steady dividend stream.

■ **Statement of Risk**

Investment risk inherent in the resource sector includes, but it is not limited to, movements in commodity price and currency which may differ materially from the assumption used in this report. Furthermore, the sector is subject to political, financial and operational risks, each of which has the potential to significantly impact company/industry performance.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	44%	39%
Neutral	Hold/Neutral	40%	35%
Sell	Sell	15%	27%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2009.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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Equity Price Targets have an investment horizon of 12 months.

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UBS Securities Australia Ltd: Jo Battershill; Glyn Lawcock; Daniel Morgan.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Panoramic Resources Limited ^{5, 13}	PAN.AX	Not Rated	N/A	A\$2.50	18 Nov 2009

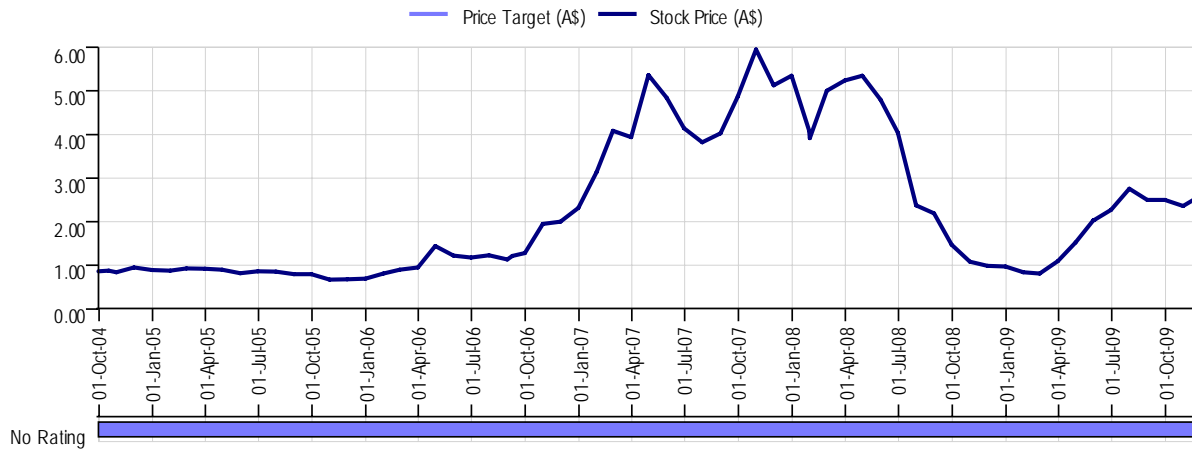
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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Panoramic Resources Limited (A\$)



Source: UBS; as of 18 Nov 2009

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