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Stock Rating  
**Overweight**

Industry View  
**Attractive**

## Panoramic Resources

### Undervalued Nickel Producer

### Poised for Growth: OW

**PAN's strong cash flows and robust balance sheet support 1) an aggressive exploration program, 2) M&A upside potential, and 3) a high dividend yield. Initiate at Overweight with 34% implied upside.**

**Attractive valuation:** Following recent global events, fears regarding ongoing commodity demand have resulted in a general selloff of miners. With these fears abating and commodity prices remaining resilient, value is appearing for selective miners. Year to date, PAN's share price is down 12%, compared to the nickel price +6%. PAN's P/NPV multiple is 0.78x, its one-year forward P/E multiple of 7.4x is below the average of 15.3x for Australian nickel miner peers; our dividend yield for 2011 is 4.8%.

**Aggressive exploration:** PAN owns and operates two nickel sulphide mines in Western Australia. PAN's production rate target for its existing operations is 25ktpa nickel for +10 years' mine life. In our view, an aggressive exploration program and optimization of operations are likely to achieve this target by FY13e.

**A clear acquisition strategy:** PAN management has identified growth as a focus for the company, with a corporate strategy that includes becoming a "significant diversified mining company". In our view, a robust balance sheet and an experienced management team provide PAN with the capacity to undertake accretive M&A and achieve its goal. PAN has identified nickel, gold, copper and PGM assets as its preferred targets.

**Share price catalysts:** Successful exploration or accretive M&A is likely to be viewed favorably by the market. Our base-case DCF valuation (A\$2.90/share) assumes production from existing operations only for a mine life of ~10 years, and does not include mine life extensions or acquisitions.

**Improving fundamentals for nickel:** We remain positive on the nickel market outlook in 2011 and believe supply/demand fundamentals will deliver a deficit market. Our CY11 nickel forecast is 5% higher than consensus at US\$12.15/lb.

#### Key Ratios and Statistics

Reuters: PAN.AX Bloomberg: PAN AU

#### Australia Metals & Mining

Price target	A\$3.04
Up/downside to price target (%)	34
Shr price, close (Mar 31, 2011)	A\$2.27
52-Week Range	A\$2.97-1.70
Sh out, dil, curr (mn)	207
Mkt cap, curr (mn)	A\$469
EV, curr (mn)	A\$377
Avg daily trading value (mn)	US\$2.4

Fiscal Year ending	06/10	06/11e	06/12e	06/13e
ModelWare EPS (A\$)	0.27	0.25	0.33	0.29
Consensus EPS (A\$)§	0.27	0.25	0.34	0.34
Revenue, net (A\$ mn)	283	311	353	356
EBITDA (A\$ mn)	127	107	138	129
ModelWare net inc (A\$ mn)	56	53	68	59
P/E	8.0	8.9	6.9	7.9
P/BV	1.5	1.5	1.3	1.2
RNOA (%)	-	17.2	27.4	24.0
ROE (%)	-	18.1	21.2	16.5
EV/EBITDA	3.2	3.5	2.5	2.4
Div yld (%)	7.6	4.8	6.5	5.7
FCF yld ratio (%)	21.9	0.0	14.0	11.9
Leverage (EOP) (%)	(15.5)	(29.0)	(35.6)	(39.9)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

§ = Consensus data is provided by FactSet Estimates.

e = Morgan Stanley Research estimates

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Initiation

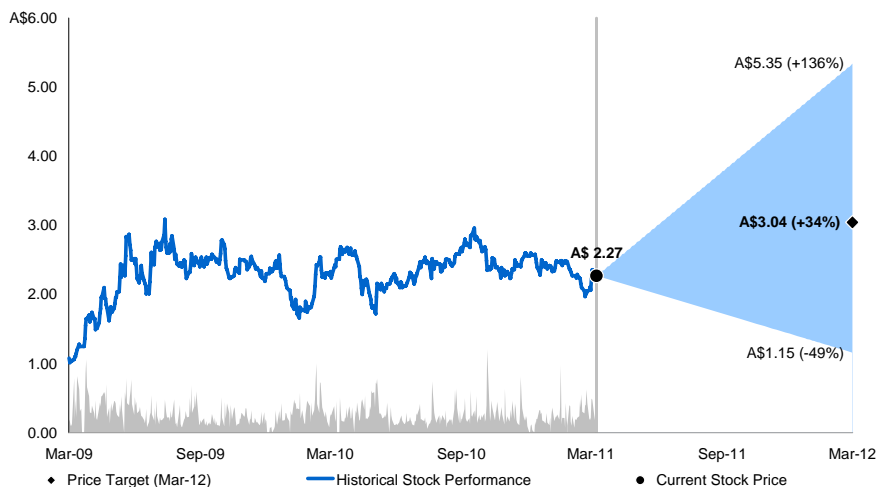
## Panoramic Resources: Financial Summary

PANORAMIC RESOURCES						Price: A\$ 2.27	Price Target: A\$ 3.04	Up/(Down):			34%
ASSUMPTIONS (Yr to June)	2010	2011e	2012e	2013e	LT	CASHFLOW (A\$m)					
Nickel (US\$/lb)	8.82	11.26	11.58	11.00	8.62	EBITDA	127.1	117.0	137.9	128.7	
Copper (US\$/lb)	3.02	4.06	4.49	4.20	2.38	- Interest (Paid)/Received	4.0	5.2	8.0	5.0	
Cobalt (US\$/lb)	20.77	18.56	18.69	20.50	15.00	-Tax paid	4.0	-33.0	-29.2	-25.3	
\$/A\$/US Spot	0.88	0.97	1.04	1.04	0.85	-W/kg cap increase, other	12.1	-29.3	5.7	1.3	
<b>PRODUCTION</b>						<b>OPERATIONS CASH FLOW</b>	<b>147.3</b>	<b>59.8</b>	<b>122.5</b>	<b>109.7</b>	
<b>Nickel Produced (kt)</b>						- Capex	-42.0	-50.8	-57.0	-54.0	
Savannah	7.27	7.17	7.55	8.86		<b>FREE CASH FLOW</b>	<b>105.2</b>	<b>9.1</b>	<b>65.5</b>	<b>55.7</b>	
Lanfranchi	10.12	10.43	10.78	10.78		- Acquisitions	-6.7	-21.9	0.0	0.0	
Other	0.00	0.00	0.00	0.00		+ Disposals	-70.3	72.0	0.0	0.0	
<b>Nickel Produced (kt)</b>	<b>17.40</b>	<b>17.60</b>	<b>18.33</b>	<b>19.64</b>		+ Other	1.0	7.8	0.0	0.0	
<b>Nickel Sold (kt)</b>	<b>17.41</b>	<b>17.53</b>	<b>18.33</b>	<b>19.64</b>		<b>INVESTING CASHFLOW</b>	<b>-76.0</b>	<b>57.9</b>	<b>0.0</b>	<b>0.0</b>	
<b>% Hedged of Payable Nickel</b>	<b>19%</b>	<b>23%</b>	<b>20%</b>	<b>5%</b>		Equity Raising / (Buy Back)	0.6	2.7	0.0	0.0	
<b>Earnings Ratios</b>						Debt Raised / (Retired)	-5.4	-1.8	0.0	-1.0	
Issued Shares (M)	205	207	207	207		Dividend Paid	-24.6	-21.6	-31.2	-27.9	
Modelware EPS (A\$)	0.27	0.25	0.33	0.29		Other	0.0	0.0	0.0	0.0	
EPS Growth (%)	895%	-7%	29%	-13%		<b>FINANCING CASHFLOW</b>	<b>-29.4</b>	<b>-20.7</b>	<b>-31.2</b>	<b>-28.9</b>	
CFPS (c) *	71.7	29.0	59.3	53.1		FX Adjustments	0.0	0.0	0.0	0.0	
P/E (x)	8.3	8.9	6.9	7.9		<b>Increase in cash deposits</b>	<b>-0.2</b>	<b>46.3</b>	<b>34.3</b>	<b>26.8</b>	
P/CF (x)	3.2	7.8	3.8	4.3		<b>BALANCE SHEET (A\$m)</b>					
FCF Yield (%)	23%	2%	14%	12%		<b>Cash &amp; short term deposits</b>	<b>49.8</b>	<b>96.1</b>	<b>130.4</b>	<b>157.2</b>	
Dividend (c)	16.5	10.8	14.8	12.9		Receivables	20.9	30.9	28.2	28.9	
Dividend Yield (%)	7.3%	4.8%	6.5%	5.7%		Inventories	12.3	43.0	35.0	37.2	
Franking (%)	100%	100%	100%	100%		Property, Plant and equipment	52.0	229.7	238.1	242.6	
Enterprise Value (US\$m)	421	376	341	313		Intangible Assets	85.9	0.0	0.0	0.0	
EV/EBITDA** (x)	3.3	3.2	2.5	2.4		Other assets	195.9	47.3	47.3	47.3	
<b>PROFIT AND LOSS (A\$m)</b>						<b>Total assets</b>	<b>416.8</b>	<b>447.0</b>	<b>479.0</b>	<b>513</b>	
Total Revenue	283.4	311.0	353.5	355.9		Creditors	23.9	37.6	35.0	37.2	
Cost of Production	156.3	194.0	215.5	227.2		Borrowings	4.7	3.0	3.0	2.0	
<b>EBITDA</b>	<b>127.1</b>	<b>117.0</b>	<b>137.9</b>	<b>128.7</b>		Other current liabilities	38.0	29.8	29.1	29.7	
Depreciation	52.4	46.6	48.6	49.5		Other liabilities	59.1	55.4	53.8	55.1	
EBIT	74.7	70.4	89.3	79.3		<b>Total liabilities</b>	<b>125.7</b>	<b>125.8</b>	<b>120.9</b>	<b>123.9</b>	
Net Interest Benefit/(Expense)	3.6	6.2	8.0	5.0		<b>Net assets</b>	<b>291.1</b>	<b>321.2</b>	<b>358.1</b>	<b>389</b>	
Tax Benefits/(Expense)	(22.1)	(24.1)	(29.2)	(25.3)		Minorities	0.0	0.0	0.0	0.0	
Minorities	0.0	0.0	0.0	0.0		<b>Total Shareholder equity</b>	<b>291.1</b>	<b>321.3</b>	<b>358.2</b>	<b>389</b>	
<b>Profit attributable</b>	<b>56.2</b>	<b>52.6</b>	<b>68.1</b>	<b>59.0</b>		<b>Shareholder equity+Tot. liabilities</b>	<b>416.8</b>	<b>447.0</b>	<b>479.0</b>	<b>513</b>	
Abnormal Items	0.0	0.0	0.0	0.0		<b>FINANCIAL RATIOS</b>					
Net Profit	56.2	52.6	68.1	59.0		Net debt/(net debt + equity)	-18%	-41%	-55%	-66%	
<b>Unit Analysis (US\$/lb of Ni Produced)</b>						Current ratio	2.7	2.7	3.2	3.5	
Achieved Ni Price	6.14	8.05	8.40	7.87		Debt cover - EBIT/interest	98.0	69.3	150.8	161.3	
Cost of Production (C1)	3.06	4.03	4.00	3.97		EBITDA/Sales	45%	38%	39%	36%	
Other Revenue/(Costs)	(0.15)	(1.09)	(0.87)	(0.81)		Book value per share (A\$/share)	1.42	1.56	1.73	1.88	
<b>EBITDA</b>	<b>2.93</b>	<b>2.93</b>	<b>3.53</b>	<b>3.09</b>		Price to book (X)	1.6	1.4	1.3	1.2	
Depreciation	1.21	1.16	1.25	1.19		ROA (NPAT/Assets) %	13%	12%	14%	11%	
EBIT	1.72	1.76	2.29	1.90		ROE (NPAT/Equity) %	19%	16%	19%	15%	
Net Interest Benefit (Expense)	0.08	0.16	0.20	0.12		ROIC	25%	22%	25%	20%	
Tax Benefits (Expenses)	(0.51)	(0.60)	(0.75)	(0.61)		<b>DCF Valuation</b>					
Minorities	0.00	0.00	0.00	0.00		Savannah		Risk Weight	A\$m	A\$/sh	
<b>Profit attributable</b>	<b>1.29</b>	<b>1.31</b>	<b>1.74</b>	<b>1.42</b>		Lanfranchi			215	1.04	
<b>GHG Emissions</b>						Gidjee Gold Project		50%	15	0.07	
Australia Kt	131	129	136	159		Equity Investments			8	0.04	
Forecast GHG Costs A\$/t	0	0	0	10		Exploration			20	0.10	
GHG Intensity Tonne/A\$m Sales	1006	836	871	931		Corporate			(53)	(0.25)	
<b>Potential P&amp;L Impact GHG (A\$m)</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	<b>2013e</b>		Hedge Book			(10)	(0.05)	
GHG Cost	0	0	0	2		Net (Debt)/Cash (Dec 10)			92	0.44	
<b>EBIT with GHG</b>	<b>75</b>	<b>70</b>	<b>89</b>	<b>78</b>		<b>Total Valuation</b>			<b>599</b>	<b>2.90</b>	
EBIT % Change	0%	0%	0%	-2%		Potential GHG DCF Impact Australia			(9)	(0.04)	
Tax after GHG	-22	-24	-29	-26		DCF After GHG			590	2.86	
<b>NPAT After GHG</b>	<b>56</b>	<b>53</b>	<b>68</b>	<b>57</b>		<b>Earnings Sensitivities (A\$m)</b>					
NPAT % Change	0%	0%	0%	-4%		Currency (A\$/US\$ + 0.01)	-0.7	-0.6	-0.6	-0.5	
						Nickel (US\$/lb + 0.10)	1.96	3.00	1.82	2.08	

Source: Company data, Morgan Stanley Research. e = Morgan Stanley Research estimates

## Risk-Reward Snapshot: Panoramic (PAN.AX, A\$2.27, OW, PT A\$3.04)

### Risk-Reward View: PT Represents 34% Upside to Share Price



Case	Probability	Description
<b>Price Target A\$3.04</b>		For our price target, we apply a probability weighting to our DCF valuations for our bull (20%), base (60%), and bear (20%) scenarios to reflect our respective level of conviction in each scenario.
<b>Bull Case A\$5.35</b>	20%	<b>Commodity prices surge:</b> Higher bull-case commodity price assumptions; plus exploration success extending mine life and introducing new mines.
<b>Base Case A\$2.90</b>	60%	<b>Commodity prices remain strong:</b> Nickel at US\$11.26/lb in FY2011e, US\$11.58/lb in FY2012 and US\$8.62/lb long term.
<b>Bear Case A\$1.15</b>	20%	<b>Commodity prices weaken:</b> Lower bear-case commodity price assumptions; failure to realise new commercially viable projects, nickel grades and an increase in operating costs.

### Investment Thesis: Why OW

- A nickel sulphide miner and explorer with growth potential through exploration success or asset acquisitions.
- The company is targeting organic growth to achieve its target nickel annual production of 25ktpa for at least 10 more years.
- PAN is also targeting accretive acquisitions to achieve its target of becoming a “significant diversified mining company”.
- PAN has a strong balance sheet and an experienced management team that provide the capacity to achieve its stated targets.
- PAN management are committed to returning to investors 40-50% of earnings. This makes PAN a high dividend yield miner.

### Key Value Drivers

- Nickel grades.
- Nickel prices.
- Mine life extensions
- Operating costs.

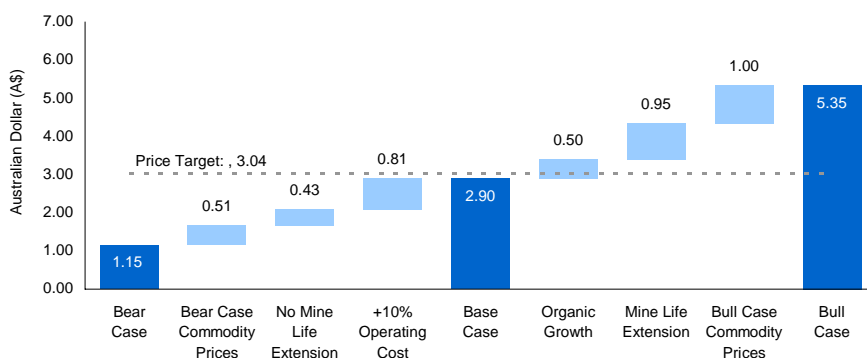
### Potential Catalysts

- Stronger nickel prices on the LME.
- Exploration success at existing operations and/or new high-grade nickel discoveries.
- Accretive acquisitions.
- Higher dividend payout ratio in the absence of material acquisitions.

### Key Risks

- Weaker-than-expected nickel prices.
- Stronger-than-forecast A\$ to US\$, reducing margins.
- Lower nickel grades, resulting in potential rise in operating costs.
- Exploration success.
- Company fails to deliver on its growth and acquisition strategy.

### Bear to Bull: Key Variables Are Nickel Price and Production Profile



Source: Morgan Stanley Research, FactSet

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## In Search of Growth

### Summary

**In search of growth:** We initiate coverage on PAN with an Overweight rating and a A\$3.04/share price target. In our view, PAN is an established nickel sulphide producer with strong cash flow and a robust balance sheet. This provides the company with the capacity to embark on an aggressive exploration strategy as well as pursue accretive acquisitions. From these activities, the company is targeting to become a significant diversified mining company with mine life greater than 10 years.

**Share price catalysts:** Our price target implies 34% upside, in addition to a FY11e dividend yield of 4.8%. We believe exploration success would provide the market with confidence that management's target of 25ktpa of nickel production for +10 years is achievable from existing operations. In addition, PAN's experienced management team should ensure accretive acquisitions are made.

### Investment Positives

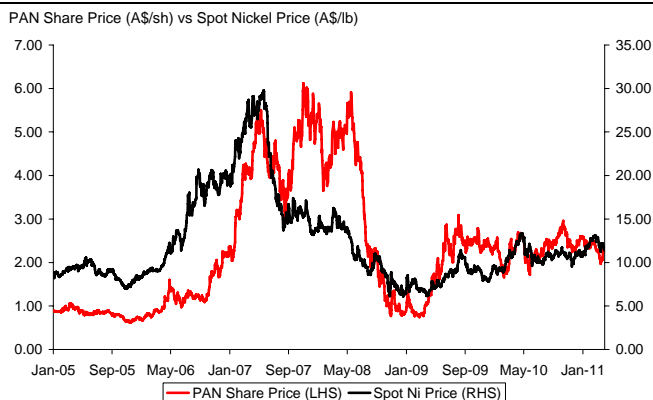
- PAN is focused on growth through exploration and accretive M&A. Its target is to become a significant diversified mining company;
- PAN is committed to paying 40-50% of earnings to shareholders. On our forecasts, PAN's dividend yield is higher than the global average for miners under coverage

### Investment Concerns

- Based on current reserves, PAN's existing operations have limited mine life – Savannah to 2018 and Lanfranchi to 2016.
- PAN is not a low-cost miner located high in the second quartile of the industry cash curve.

Exhibit 1

### Nickel Price Natural Driver of PAN Stock Price



Source: Company data, Morgan Stanley Research

Exhibit 2

### Location of PAN's 100% Operating Assets



Source: Panoramic

### Investment Positives

#### PAN's Current Assets – Aggressive Exploration Program

PAN's core assets are the 100%-owned Savannah and Lanfranchi nickel mines in Western Australia. PAN's nickel production in 2010 was 17.2kt and guidance for FY11 is 18-19kt. We forecast FY11 nickel production to be 17.6kt, slightly less than guidance due to recent heavy rain that we expect will impact Savannah's performance in the March quarter.

PAN's target production rate for Savannah and Lanfranchi mines combined is +25kt per year of nickel for at least another 10 years. To achieve this, PAN has initiated optimization studies of its operating assets and committed to an aggressive exploration program in FY2011. The company intends to spend A\$12mn on exploration with approximately three-quarters of this spend at existing operations.

In our view, it is highly likely that further resource ore will be discovered by PAN, enabling the company to achieve its target annual production by FY13. PAN has successfully grown its resource base from 63kt of nickel in 2003 to the current position of ~230kt of nickel. The Savannah deposit remains open at depth and we note the geological similarities between it and one of the richest nickel-copper-cobalt finds in the world, Voisey Bay in Canada. Voisey Bay was discovered in 1993 and contains ~2Mt of nickel for a mine life of at least 30 years.

## Targeting Accretive Acquisitions

PAN's net cash position at the end of December 2010 was A\$92mn, providing a strong balance sheet. It also provides the company with the capacity to undertake selective acquisitions to achieve its aim of becoming a significant diversified mining company. PAN's acquisition focus is on the following commodity groups:

Tier 1: Nickel, gold, copper, PGM;

Tier 2: Zinc, lead, bulk commodity;

Tier 3: Energy, industrial minerals

PAN is targeting assets of significant scale that are operating, near development, or in advanced stages. PAN is seeking to be the operator of mines but is prepared to share ownership with strategic partners. While Australia remains the preferred location, PAN is reviewing targets in selected overseas countries.

As an example of a recent acquisition, PAN recently acquired the Gidgee Gold Project in Western Australia for A\$15.5mn. The project has a resource base of 310koz; however, PAN is hopeful that further exploration will grow this base. Previous mining of the project ceased in 2005 when gold prices were US\$550/oz. Assuming successful exploration and using current gold prices (~US\$1,400/oz), a restart of production could begin as early as FY12.

In addition, PAN has made small and strategic equity investments in a number of mining companies. PAN will look to either exit these investments at the right time, or develop long-term relationships providing funding and technical expertise.

Exhibit 3

### PAN Investment in Listed Entities (31/12/10)

Company	PAN Share Ownership (m)	Relevant Interest (%)	Market Value (A\$m)
Magma Metals (MMW.ASX)	18.4	9	5.49
Ampella Mining (AMX.ASX)	0.5	0	1.40
Thundelarra Exploration (THX.ASX)	2.5	2	1.03
Liontown Resources (LTR.ASX)	2.8	1	0.20
<b>Total</b>			<b>8.11</b>

Source: Company data, Morgan Stanley Research

## Management Proven Record for Value-Accretive M&A

Management have a proven ability to acquire value-accretive assets. For example, the acquisition of the Lanfranchi mine in 2004 for A\$26mn had a resource base at the time of ~30Kt nickel. The value/resource metric was consequently A\$857/t nickel. Current resources at Lanfranchi plus historic production

from the date of acquisition total ~177Kt nickel. If we apply the acquisition metric to the current resource base, the implied value of the asset is now A\$152mn, a 485% increase on the original acquisition price paid for the asset.

## High-Dividend Yield

As it has done historically, PAN aims to return to shareholders 40-50% of group earnings each year. In FY11e we forecast a dividend yield of 4.8% and in FY12e a dividend yield of 6.5%. This is a relatively high dividend yield compared to the forecast average in 2011 of 2.4% for global miners under Morgan Stanley coverage.

## PAN Undervalued

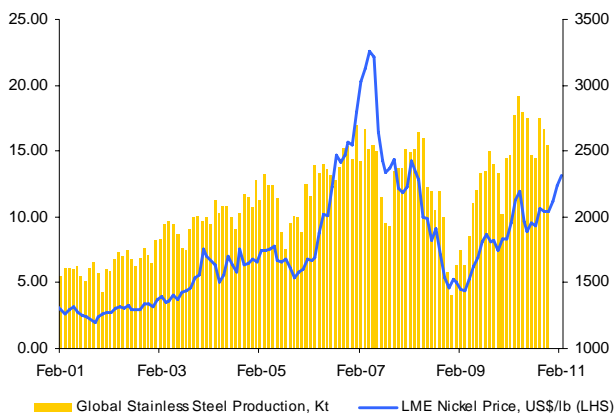
PAN is undervalued on forward P/E and EV/EBITDA multiples. PAN's one-year forward P/E multiple of 7.4x is below the average for Australian nickel miners of 15.3x. PAN's one-year forward EV/EBITDA multiple (2.7x) is also well below the average for Australian nickel miners of 5.8x. PAN's market capitalization to nickel reserve multiple (US\$3,944/t) is slightly above the average for Australian nickel miners (US\$3,812/t); however, we expect further conversion to reserves that will improve this metric.

## Nickel Markets Tightening, Price Forecasts Upgraded

An extract from a recent nickel report from our commodity team is provided at the end of this report ("*Improving Fundamentals Lift Nickel Market Outlook in 2011*", February 22, Peter Richardson). Key points from the note are that we remain positive on the nickel market outlook in 2011 and believe supply/demand fundamentals will deliver a deficit market. Recent refinery outages and Chinese government legislation aimed at shutting outdated and pollution-intensive nickel pig iron facilities have constrained the nickel supply response. Longer term, the success of the new project supply pipeline through to 2015 is key to the global nickel market. In our view, an increasing number of technically complex and high-cost laterite projects will be responsible for a growing share of nickel production. Under our base-case assumptions, we expect the majority of this supply impact to be fully absorbed by the refined nickel market by 2015. Another factor driving strong nickel prices in 2011 is expected to be record levels of stainless steel melt production. In 2010, global production surpassed pre-crises levels after strong restocking activity along the entire supply chain. We expect strong growth to continue this year.

April 1, 2011  
Panoramic Resources

Exhibit 4  
**Stainless Steel Production Driver of Nickel Price**



Source: CRU, Morgan Stanley Research

## Investment Concerns

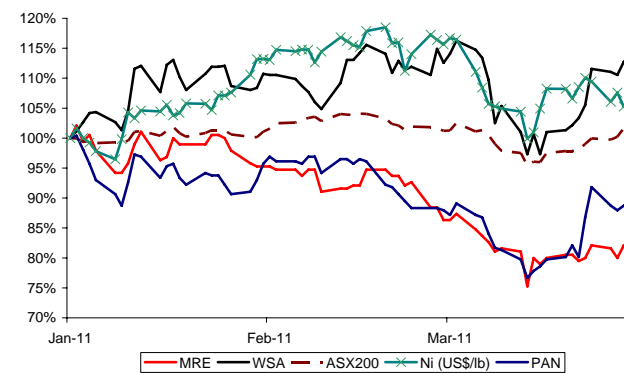
### PAN's Hedging Policy

PAN has an active policy of limiting its exposure to nickel price risk and currency through hedging. The company's hedging policy is to commit no more than 80% of the payable nickel forecast in any month over a rolling two-year horizon through a combination of nickel forward sales contracts and nickel put and call options. For currency risk, it conducts sufficient hedging on a month-to-month basis to match the net United States dollar proceeds from nickel hedging using forward contracts. We estimate PAN has hedged 23% of payable nickel production in FY2011e and 20% in FY2012e.

Whilst hedging theoretically minimizes risk, most investors prefer full exposure to the commodity price, and this may help explain why the share price has underperformed the nickel price by 18% year to date. In our view, the current level of hedging is not onerous for PAN. Based on our nickel price forecasts we value the hedge book at -A\$10mn (A\$0.05/share). Assuming the spot nickel price (US\$11.83/lb), the mark-to-market value of PAN's hedge book is -A\$12mn (A\$0.06/share).

Exhibit 5  
**PAN Has Underperformed the Nickel Price (US\$/lb) by 18%**

Australian Nickel Miners Performance, 2011 YTD



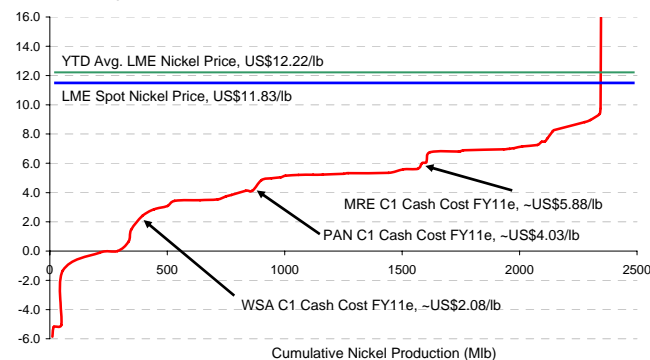
Source: Company data, Morgan Stanley Research

### Cash Costs Trending Up

We estimate a C1 unit cash cost in FY11e for PAN of A\$4.15/lb (US\$4.03/lb) of nickel produced, which is above the average cost for global nickel sulphide miners of US\$3.36/lb, but below the average industry cost of US\$5.30/lb (source: Brook Hunt). We note that PAN's cash costs have been trending up in recent quarters and we will be monitoring future results. PAN expects costs to moderate going forward; however, the risk is that labour pressures and raw material input prices continue to rise.

Exhibit 6  
**PAN Towards the Upper End of the Second Quartile on Industry Cash Curve**

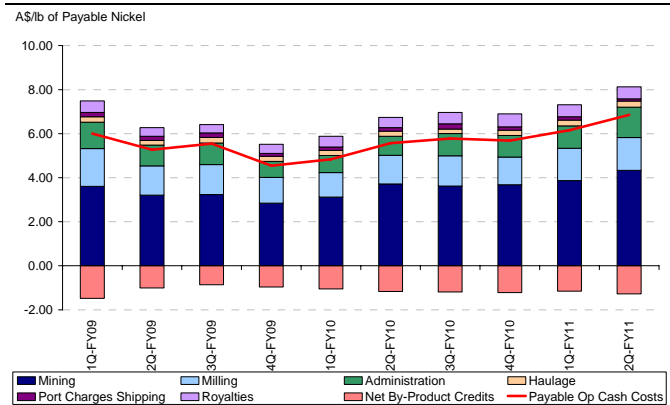
C1 Nickel Mining Costs (US\$/lb), 2010



Source: Company data, Morgan Stanley Research

Exhibit 7

## Pan Cash Costs Have Been Trending Up



### 100% of Nickel Off-take Committed

The nickel concentrate produced at the Savannah mine is 100% committed to Jinchuan in China until 2020. Similarly, the mined ore from the Lanfranchi mine is 100% committed to BHP Billiton until 2019. Although details of the toll charged by Jinchuan and BHP Billiton to treat PAN's product are confidential, we understand the terms to be similar to those of other Australian nickel sulphide miners. We estimate that PAN receives payment for ~65-70% of nickel in concentrate depending on the LME nickel price.

Whilst the long-term relationships with BHP Billiton and Jinchuan reduce credit risk, they also minimize the possibility of any valuation premium for PAN related to uncommitted off-take. A similar Western Australian nickel sulphide miner, Western Areas, has not committed all of its nickel concentrate to long-term contracts. In our view, the Western Areas share price attracts a premium for having uncommitted off-take that could be highly valued by nickel smelters who are becoming short concentrate. In 2007, Xstrata paid a significant premium at the time to acquire Australian nickel sulphide miner Jubilee. Xstrata was short nickel concentrate and Jubilee had uncommitted concentrate available.

### Short Mine Life Based on Reserves

Based on existing reserves at Savannah (63.5kt of nickel), mine life will be completed in 2018. In our base-case modeling, we assume a mine life to 2018 followed by an additional five years, all of which is captured in our terminal value for the mine. We are comfortable with this assumption, as we expect successful exploration at depth for Savannah. We note that the Savannah ore body remains open at depth.

At Lanfranchi, mine life based on reserves (55kt on nickel) alone is to 2016. However, the Lanfranchi resource excluding reserves is 86.5kt of nickel. Therefore, we remain comfortable forecasting our base-case profile for Lanfranchi to 2018. We are also comfortable that mine life can be extended by another five years, which our terminal value for the mine assumes.

### Company Description

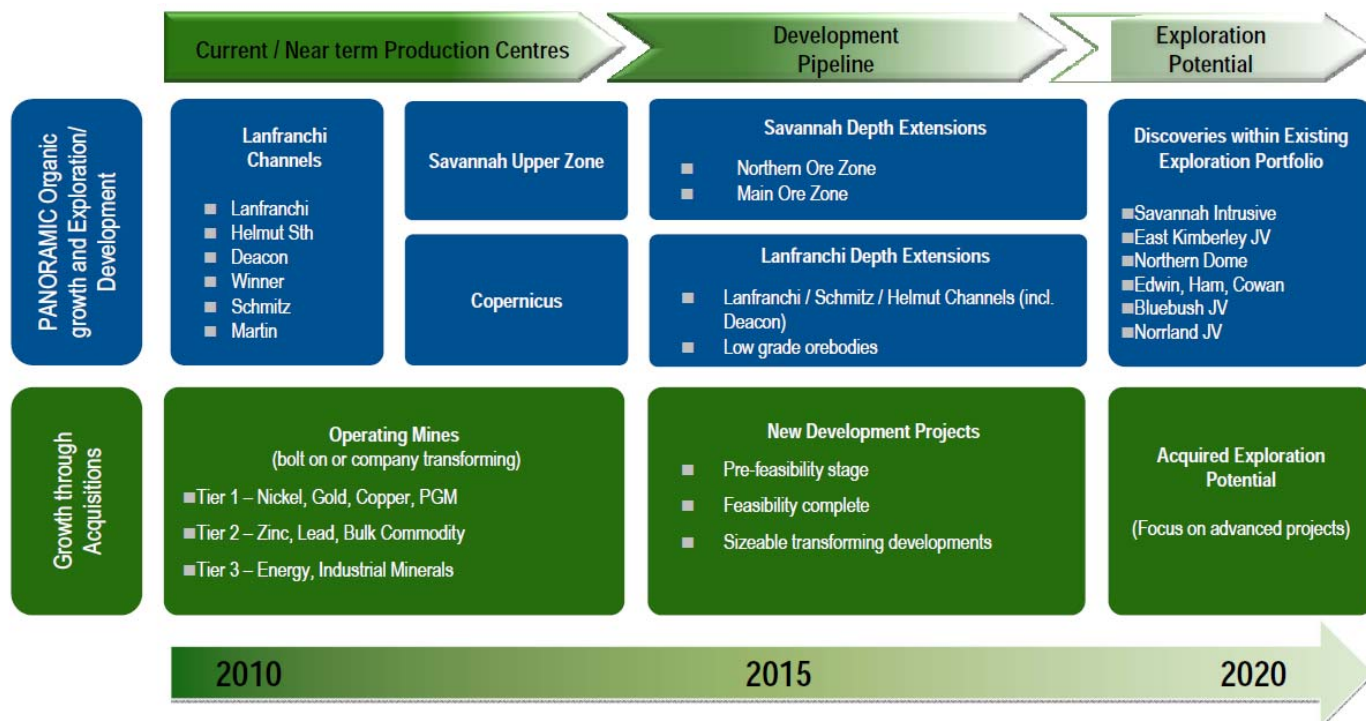
Panoramic Resources is an Australian based nickel sulphide explorer and producer listed on the ASX. Its 2 core assets are the 100% owned Savannah nickel mine in northern West Australia and the 100% owned Lanfranchi nickel mine in southern West Australia. The Savannah project currently produces ~8Ktpa nickel with C1 cash costs of ~US\$5/lb and a reserve life of ~8 years. Lanfranchi produces ~11Ktpa nickel with C1 cash costs ~US\$5/lb and a reserve life of ~6 years. The company has various potential avenues for growth including organic production growth at existing assets as well as exploration success and acquisitions.

### Australia Metals & Mining

Industry View: Attractive

Exhibit 8

**PAN Project Development and Growth Pipeline**



Source: Panoramic

Exhibit 9

**Morgan Stanley Bull, Base and Bear Case Scenarios: Key Financial Metrics**

MS Scenario		Bear Case				Base Case		Bull Case			
		2011e	% diff to base case	2012e	% diff to base case	2011e	2012e	2011e	% diff to base case	2012e	% diff to base case
Nickel Production	Kt	17.53		18.33		17.53	18.33	17.53		18.33	
MS Nickel Price Est	US\$/lb	10.33		10.01		11.26	11.58	12.19		13.59	
Revenue	A\$m	266	-14%	315	-11%	311	353	312	0%	364	3%
EBITDA	A\$m	78	-33%	108	-22%	117	138	118	1%	145	5%
NPAT	A\$m	25	-52%	46	-33%	53	68	53	2%	73	7%
EPS	A\$/sh	0.12	-52%	0.22	-33%	0.25	0.33	0.26	2%	0.35	7%
FCF	A\$m	(0.06)	-231%	0.18	-44%	0.04	0.32	0.05	7%	0.33	5%
Gearing (ND/(ND+E)) (%)		-33		-42		-41	-55	-41		-57	

Source: Company data, Morgan Stanley Research

## SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• <b>PAN has a strong balance sheet that is accumulating cash.</b> At the end of December 2010, PNA was net cash positive A\$92mn.</li> <li>• PAN's target is to pay a relatively high <b>payout ratio of 40-50% of earnings each year.</b> In FY11e we forecast a dividend yield of 4.8% and in FY12e a dividend yield of 6.5%</li> <li>• PAN's total contained <b>nickel resource base is ~230kt, an increase of ~265% since 2003.</b> PAN has an aggressive exploration program and we expect further nickel resource to be identified.</li> <li>• <b>PAN's management team has successfully acquired and developed two significant nickel projects since 2004.</b> Management recently acquired the Gidgee gold project that could provide a third mining front. In our view, management is both disciplined and conservative when it comes to M&amp;A.</li> <li>• Valuation: <b>PAN's one-year forward P/E multiple of 7.4x is below the average for Australian nickel miners of 13.2x.</b> PAN's one-year forward EV/EBITDA multiple (2.7x) is also well below the average for Australian nickel miners of 5.8x.</li> </ul>	<ul style="list-style-type: none"> <li>• PAN has an active policy of limiting the exposure to nickel price risk and currency through hedging. We estimate <b>PAN has hedged 23% of payable nickel production in FY2011e and 20% in FY2012e.</b> Whilst hedging theoretically minimizes downside risk, most investors prefer full exposure to the commodity price.</li> <li>• Based on existing reserves, PAN's operations have relatively short mine lives. <b>The Savannah mine has a mine life to 2018 and Lanfranchi to 2016.</b></li> <li>• <b>PAN has committed 100% of its off-take</b> from its Savannah operation to Jinchuan until 2019, and 100% of its off-take from Lanfranchi to BHP Billiton until 2020. Although the long-term commitments reduce credit risk for PAN, they also minimize the possibility of any valuation premium for PAN related to uncommitted off-take.</li> <li>• Recent heavy rain in the north of Western Australia we expect to negatively impact the Savannah mines' performance in the March quarter. <b>We forecast FY11 nickel production to be 17.6kt, slightly lower than company guidance of 18-19kt.</b></li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Organic production growth at existing mines. <b>PAN has targeted production from existing mines of 25ktpa of nickel for +10 years.</b></li> <li>• <b>Exploration success</b> at existing operations, regionally or into new mineralized provinces. Provides the opportunity to extend mine life and/or add a third mining front.</li> <li>• <b>Disciplined acquisitions or mergers</b> with a focus on operating mines, development projects and prospective projects. PAN has identified preferred minerals as copper, gold, PGMs, and other essential industrial minerals.</li> <li>• PAN has made strategic investments in a number of early-stage Australian miners. This allows PAN to closely monitor the progress of other projects and provides potential upside. We value PAN equity investments at ~A\$8mn.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>PAN's unit cash costs have recently been increasing.</b> We forecast a C1 cash cost of A\$4.15/lb of nickel produced in FY11 (FY10: A\$3.47/lb). PAN expects costs to moderate going forward; however, the risk is that labour pressures and raw material input prices continue to rise.</li> <li>• PAN has identified M&amp;A as a corporate strategy to grow. The threat is that the company pays too much or the asset does not meet expectations.</li> <li>• PAN currently has two mining operations in Western Australia. Whilst we acknowledge that the operations are relatively simple (compared to a laterite miner), if one of the operations is shut down for a prolonged period, PAN's earnings are at risk.</li> <li>• PAN has a small but capable management team making it flexible with the ability to quickly mobilize and take advantage of opportunities. However, <b>the loss of a key individual is a key risk.</b></li> </ul>

## Issue #1: Potential for Organic Growth to Achieve 25ktpa Nickel Production

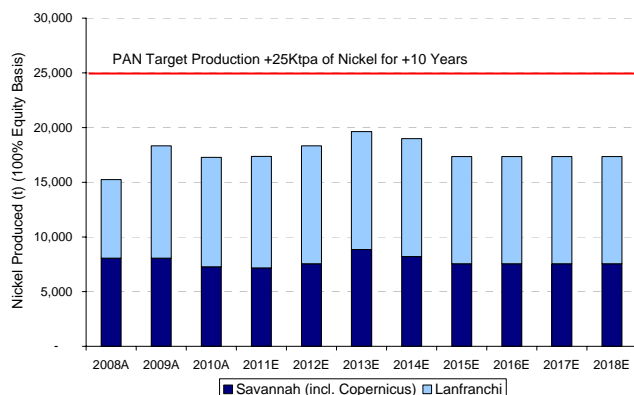
### Base-Case Production Profile

PAN's nickel production in FY10 was 17.2kt, and in FY11e we estimate nickel production to be 17.6kt. This is slightly lower than the company's FY11 guidance of ~18kt due to heavy rainfall in the northern region of Western Australia in the last month. We understand 400-600mm of rain has fallen in the region in the last month, which will negatively impact Savannah's operations in the March quarter.

Our base-case production profile also includes the re-start of the Copernicus project (210kt of ore at 1.03% nickel, 0.63% copper and 0.04% cobalt) from July 2012. Treatment of the ore will be through the Savannah processing circuit from July 2012 for a period of 18 months.

Exhibit 10

### PAN's Base-Case Production Profile



Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

### Targeting Organic Growth to 25ktpa of Nickel Production

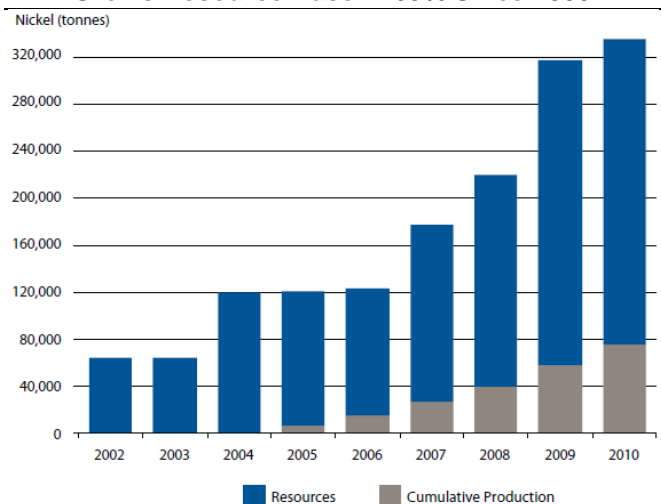
PAN has highlighted the potential for organic growth in production through expansion and optimization initiatives at the Savannah and Lanfranchi mines. PAN's target production for Savannah and Lanfranchi mines combined is +25,000t per year of nickel production for at least another 10 years. To achieve this, PAN has committed to an aggressive exploration program in FY2011. The company intends to spend A\$12mn on exploration with approximately three-quarters of this spend at existing operations.

In our view, it is highly likely that further resource ore will be discovered by PAN, enabling the company to achieve its target annual production by FY13. PAN has successfully grown its resource base from 63kt of nickel in 2003 to the current

position of ~230kt of nickel. PAN has also grown its annual nickel production rate from 6ktpa in 2005 to 17.2ktpa in 2010.

Exhibit 11

### PAN Grows Resource Base ~265% Since 2003



Source: Panoramic

### Bull-Case Production Profile from FY2013e

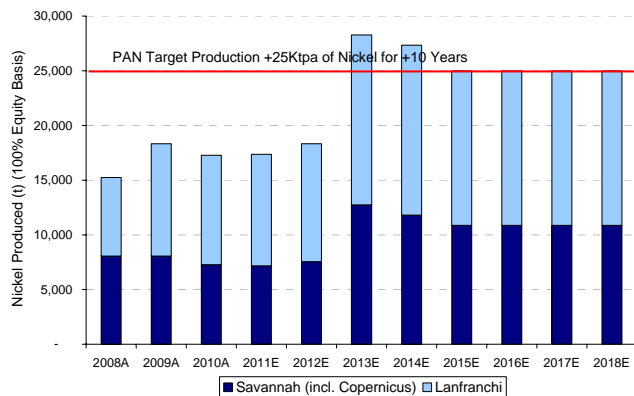
Savannah's current production rate is ~7-8kt of nickel each year. PAN is aiming to increase this rate to >10kt of nickel per year. We note the Savannah mill capacity is ~950ktpa of nickel ore; however, bottlenecks in mining allow only ~650ktpa of nickel ore to be treated each year. To de-bottleneck this process, PAN is currently investigating increasing underground production rates, optimizing cut-off grades and mining methods, and looking to re-start the Copernicus open pit that has been on care and maintenance.

At Lanfranchi, PAN is targeting an increase in production rate from the current 10-11kt of nickel each year, to >15kt of nickel each year. The company has initiated an optimization study following recent successful exploration drilling.

Our bull-case production profile assumes the company's target of 25kt of nickel each year is achieved in FY13.

Exhibit 12

## Bull-Case Production Profile



Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

## ...Translating into Valuation Upside

Exhibit 13 shows that assuming our bull-case production profile only, the DCF valuation of the company increases by 35% to A\$3.91/sh. It is worth noting that the bull-case scenario assumes only organic production increases; it does not include other potential mining fronts from successful exploration or M&A.

Exhibit 13

## Annual Production to 25kt of Nickel from FY2013e

DCF Valuation (A\$/sh)	Base-Case Production	Bull-Case Production	% Diff
Savannah	1.04	1.41	36%
Lanfranchi	1.51	2.15	42%
Gidgee Gold Project	0.07	0.07	0%
Equity Investments	0.04	0.04	0%
Exploration	0.10	0.10	0%
Corporate	(0.25)	(0.25)	0%
Hedge Book	(0.05)	(0.05)	0%
Net (Debt)/Cash (Dec 10)	0.44	0.44	0%
<b>Total Valuation</b>	<b>2.90</b>	<b>3.91</b>	<b>35%</b>

Source: Morgan Stanley Research. e = Morgan Stanley Research estimates

## Issue #2: Potential for Mine Life Extension to Achieve >10 Years Mine Life

### Base-Case Mine Life to FY2018e

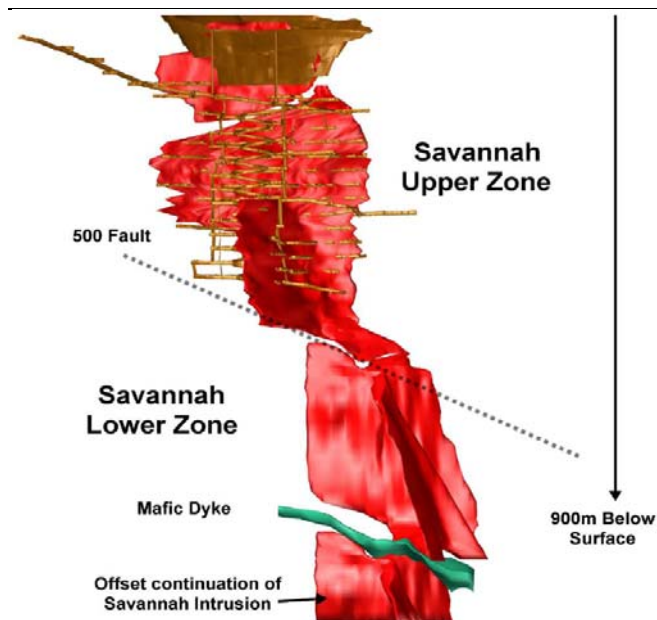
Based on PAN's current reserve/resource base, we have modeled the mine life for both the Savannah and Lanfranchi operations to FY2018e. The company is targeting mine life for both operations beyond 10 years.

### In Search of the "Source" for Savannah

Savannah's resource base currently includes 83.1kt of nickel, 42kt of copper and 4.3kt of cobalt. The deposit remains open at depth with the "source" of the intrusion not yet discovered.

Exhibit 14

### PAN's Base-Case Production Profile



Source: Company data, Morgan Stanley Research

Drilling completed in FY2010 found that a mafic dyke at ~900 meters depth (900 fault) had displaced the Savannah intrusion (refer to Exhibit 15). PAN is currently completing a drive towards the 900 fault. The new fault will allow drilling of the Savannah orebody below the 900 fault in early FY2012. Depending on the extension of the orebody beyond the depth of 900 meters will determine PAN's future development strategy for the mine. If a significant nickel resource is discovered at depth and mine life is extended, it is likely PAN will need to drill a haulage shaft to efficiently move the ore from depth.

We note that the Savannah nickel deposit is very similar in style to one of the richest nickel-copper-cobalt finds in the world, Voisey Bay in Canada. Voisey Bay was discovered in 1993 and contains ~2Mt of nickel and a mine life of at least 30 years.

### Targeting Organic Growth to 25ktpa of Nickel Production

The Lanfranchi resource base excluding reserves is currently 86.5kt of nickel. Lanfranchi is a high-grade nickel sulphide deposit with ribbon-like shoots at the base of lava flows or channels. Ten channel structures have been identified at Lanfranchi, of which six have been mined historically.

For the past few years, PAN has focused underground exploration drilling at the Lanfranchi project on extensions to ore shoots within the three main channel systems – Lanfranchi, Schmitz, and Helmut. The Deacon orebody, which is located within the Helmut channel, is currently the focus of mining operations. It represents ~40% of the current resource base.

Following discovery of high-grade nickel mineralization down plunge of Helmut South, PAN has initiated work to optimize production from all three channels.

In addition, PAN has commenced further exploration drilling at other identified targets. These include Cruickshank (26.6kt nickel in resource), Gigantus (13.4kt nickel in resource) and McComish (14.9kt of nickel in resource).

Exhibit 15

### PAN Grows Resource Base ~265% Since 2003



Source: Panoramic

### Bull-Case Mine Life Beyond 10 Years

In our view, it is likely that PAN will extend mine life at both Savannah and Lanfranchi beyond 10 years. Exhibit 16 shows that assuming our bull-case mine life alone, the DCF valuation of the company increases by 21% to A\$3.51/sh. It is worth noting that the bull-case scenario assumes only organic

production increases; it does not include other potential mining fronts from successful exploration or M&A.

Exhibit 16

## Mine Life Extension Beyond 10 Years

DCF Valuation (A\$/sh)	Base-Case Production	Bull-Case Production	% Diff
Savannah	1.04	1.26	21%
Lanfranchi	1.51	1.89	25%
Gidgee Gold Project	0.07	0.07	0%
Equity Investments	0.04	0.04	0%
Exploration	0.10	0.10	0%
Corporate	(0.25)	(0.25)	0%
Hedge Book	(0.05)	(0.05)	0%
Net (Debt)/Cash (Dec 10)	0.44	0.44	0%
<b>Total Valuation</b>	<b>2.90</b>	<b>3.51</b>	<b>21%</b>

Source: Morgan Stanley Research

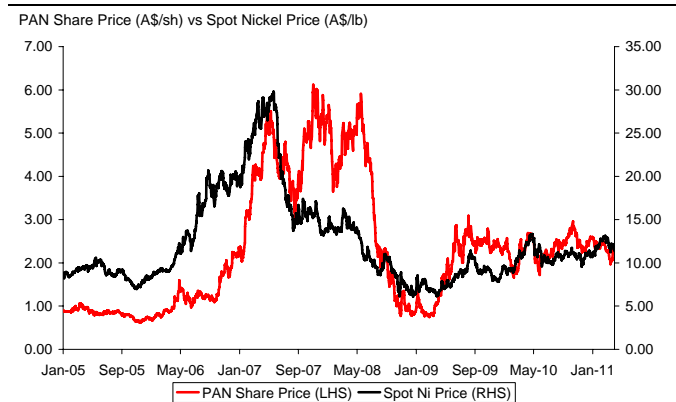
## Issue #3: PAN Is Still Profitable under Bear-Case Nickel Price Assumptions

### Nickel the Main Driver of PAN's Stock Price

The PAN share price is strongly correlated to the A\$ nickel price. We estimate that ~90% of PAN's revenue is derived from nickel sales. Since the beginning of 2008, the PAN share price correlation with the LME nickel price is 0.82 (and an R-squared of 63%). We would expect the correlation between the two to strengthen further as mine life is extended.

Exhibit 17

### Nickel Price Natural Driver of PAN Stock Price



Source: Company data, Morgan Stanley Research

### Off-take Agreement for Savannah Nickel Concentrate

At the Savannah mine, PAN produces a concentrate that averages 7-8% nickel, 3-4% copper and 0.4-0.8% cobalt. The concentrate is trucked to Wyndham, 240 kilometers to the north of the Savannah mine. Bulk shipments to Jinchuan in China are made on a monthly basis.

The Savannah concentrate is contracted 100% for sale to Jinchuan until April 2020. Although the details of the toll charged by Jinchuan to treat the concentrate are confidential, we understand the terms to be similar to Australian nickel miners. We estimate that PAN receives payment for ~65-70% of nickel in concentrate.

### Off-take Agreement for Lanfranchi Nickel Ore

PAN's mined ore from the Lanfranchi mine is processed through BHP Billiton's Kambalda Nickel Concentrator. BHP Billiton has recently extended PAN's Ore Tolling and Concentrate Purchase Agreement until February 2019. We understand that to concentrate the nickel ore (ore tolling), BHP Billiton charges PAN ~A\$36/t. We believe the terms of the Concentrate Purchase Agreement are similar to those for

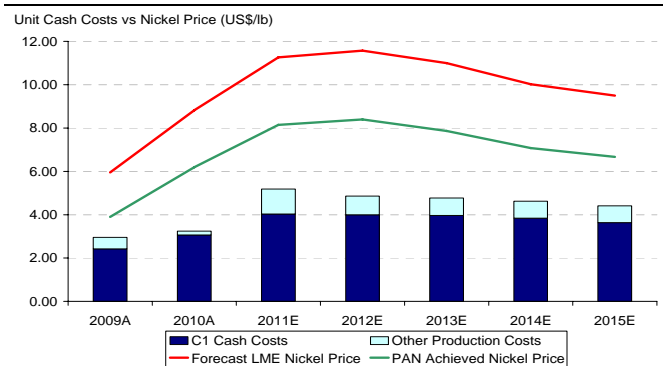
Jinchuan, in which PAN receives payment for ~65-70% of nickel in concentrate.

### Base-Case Nickel Margins

Exhibit 18 shows our base-case nickel price forecast, and the "achieved nickel price" received by PAN net of the toll charge.

Exhibit 18

### Base-Case Nickel Price Forecasts vs. Unit Costs (US\$/lb)



Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

### Stress-Testing Our Nickel Pricing Assumptions

Morgan Stanley is positive on the nickel market outlook in 2011. Despite this, we have stress-tested PAN's potential performance under various nickel price scenarios. Refer to Exhibit 19 for our bull and bear nickel price scenarios.

Exhibit 19

### Morgan Stanley's Nickel Price Scenarios

YE 31 Dec	2011E	2012E	2013E	LT (nominal) E
<b>Nickel Price (US\$/lb)</b>				
Base Case	11.00	11.20	10.80	9.82
Bull Case	12.65	13.44	12.96	10.80
% Diff	15	20	20	10
Bear Case	9.35	9.86	9.18	8.84
% Diff	-15	-12	-15	-10
<b>Nickel Price (A\$/lb)</b>				
Base Case	10.78	10.67	10.49	11.55
Bull Case	11.82	11.79	12.23	12.56
% Diff	10	11	17	9
Bear Case	9.44	10.38	9.87	11.05
% Diff	-12	-3	-6	-4

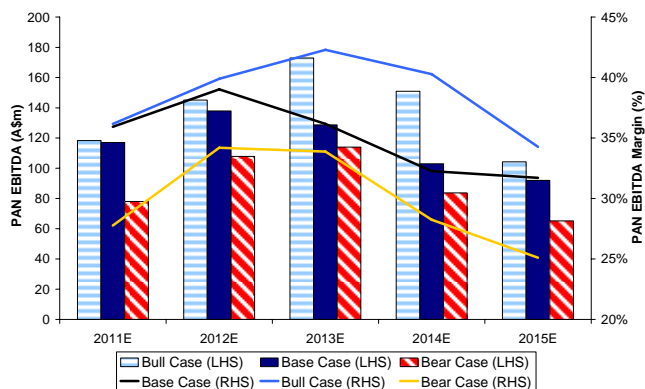
Source: Morgan Stanley Research. E = Morgan Stanley Research estimates

### Earnings Remain Positive Under Bear-Case Scenario

Exhibit 20 indicates that under our bear-case nickel price scenario, PAN remains positive on an EBITDA basis.

Based on our numbers, the break-even nickel price for earnings is US\$5.12/lb in FY2011e and US\$4.87/lb in FY2012e. This assumes an average A\$/US\$ exchange rate of 0.97 in FY2011e and 1.04 in FY2012.

Exhibit 20  
**Impact of Bear-Case Nickel Prices on EBITDA & Margins**



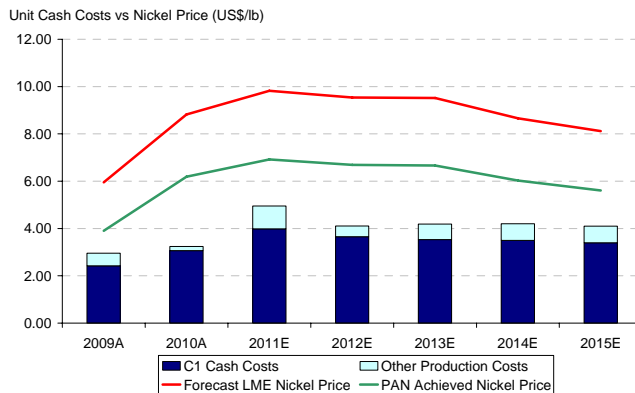
Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

Exhibit 22  
**PAN: Key Financials at Various Nickel Prices for FY2011e and FY2012e**

LME Nickel Price	US\$/lb	5.00		6.00		7.00		8.00		9.00	
		2011e	2012e	2011e	2012e	2011e	2012e	2011e	2012e	2011e	2012e
Revenue	A\$m	214.2	189.7	224.8	212.4	235.7	236.0	247.0	260.3	260.7	285.4
EBITDA	A\$m	32.6	(4.9)	41.6	14.9	50.9	35.4	60.6	56.6	72.6	78.6
NPAT	A\$m	(6.0)	(34.4)	0.2	(20.4)	6.6	(5.7)	13.4	9.4	21.7	25.2
EPS	A\$/sh	(0.0)	(0.2)	0.0	(0.1)	0.0	(0.0)	0.1	0.0	0.1	0.1
FCF	A\$m	29.8	28.1	22.3	14.5	17.6	9.7	14.5	7.2	11.9	5.6
Gearing (ND/(ND+E)) (%)	%	-22	-10	-24	-16	-26	-22	-28	-28	-31	-35

Source: Company data, Morgan Stanley Research. e = Morgan Stanley Research estimates

Exhibit 21  
**Bear-Case Nickel Price vs. Forecast Unit Costs**



Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

## Valuation

### Valuation Methodology – Discounted Cash Flow (DCF)

We value PAN at A\$3.04/share using a probability weighting of our base/bear/bull-case DCF valuations. The probabilities assumed are 60% for our base-case valuation, and 20% each for our bull- and bear-case valuations. These weightings reflect our level of conviction for the occurrence of each scenario.

Our base-case valuation includes the Savannah (includes Copernicus) and Lanfranchi nickel mines operating to 2018. We have also assumed a terminal value for each mine that implies another five years of mine life. We have assumed a valuation of A\$15mn (A\$0.07/share) for the recently acquired Gidgee Gold Project, based on the recent acquisition price.

### We View DCF as the Best Way to Value Mining Companies

Mining is a long-dated business with long asset lives and very capital-intensive projects spanning many years. In addition, the degree of volatility in year-to-year earnings is one of the highest in the market because of commodity price fluctuations. Hence, we view DCF as the best way to value mining companies, and have applied this methodology for PAN.

### Sum-of-the-Parts Valuation

Our sum-of-the-parts DCF valuation for PAN is A\$599mn, or A\$2.90/share. The current PAN share price (A\$2.27/share) is at a 22% discount to our DCF valuation during a period of strong nickel pricing.

Exhibit 23

### Panoramic DCF Valuation

DCF Valuation	Risk Weight	A\$m	A\$/sh
Savannah		215	1.04
Lanfranchi		312	1.51
Gidgee Gold Project	50%	15	0.07
Equity Investments		8	0.04
Exploration		20	0.10
Corporate		(53)	(0.25)
Hedge Book		(10)	(0.05)
Net (Debt)/Cash (Dec 10)		92	0.44
<b>Total Valuation</b>		<b>599</b>	<b>2.90</b>

Source: Morgan Stanley Research estimates

### WACC Assumptions

Our cost of capital assumptions are provided in Exhibit 24. We calculated the beta against the ASX 200 from June 2006 to the present. We think PAN's net cash positive position (A\$92mn at end of December 2010) is more a function of its current stage of development. In our view, our target debt and equity

assumptions better reflect the company's long-term position. We note that the company has not commented on target gearing ranges.

Exhibit 24

### WACC Assumptions

Beta	1.30
Market risk premium	5%
Risk-free rate	5%
Interest rate on debt	7%
Tax rate	30%
Target debt	30%
Target equity	70%
After Tax Cost of Equity (Ke)	11.5%
Cost of Debt	4.9%
<b>WACC</b>	<b>9.5%</b>

Source: Morgan Stanley estimates

### DCF Valuation Sensitivity to WACC

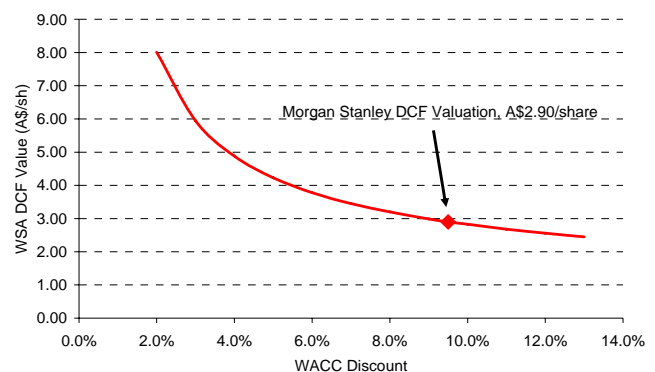
DCF valuations are sensitive to the WACC assumed for the stock, and in the case of PAN the valuation range is relatively large (Exhibit 25). For the DCF valuation to be equivalent to the current share price, a WACC of ~18% would be needed.

### Risks to Our Call

PAN's earnings and DCF valuation are highly dependent on mine production volumes, and prolonged disruption to operations would have a significantly negative effect. Other risks to our projected earnings, cash flows, and valuation relate to stronger-than-expected nickel prices, which would typically result in stock price appreciation.

Exhibit 25

### WSA DCF Valuation Sensitivity to WACC



Source: Morgan Stanley Research

## Scenario Analysis

Our base-case scenario values PAN at A\$2.90/share, and include net cash of A\$92mn at the end of December 2010. Our bull-case value of A\$5.35/share is 136% above the current share price of A\$2.27. Our bear-case value of A\$1.15/share is 49% below the current share price. Our valuation risk assessment alters the key valuation drivers of nickel pricing and production volumes. Below we discuss our rationale for each of the scenarios.

**Nickel price:** We remain positive on the nickel market outlook in 2011. Our base-case nickel price assumption in FY2011e is US\$11.26/lb. This includes the average nickel price in the six months to December 2010 of US\$10.17/lb, and a forecast price in the 2H-FY11 of US\$12.35/lb. Compared to the current spot nickel price of US\$12.13/lb and the 2011 year to date average of US\$12.21/lb, our forecast is in line.

- **Bull case:** Our upside nickel price scenario assumes the global economy recovers at a faster pace than forecast, and new projects experience delays to production. Rising demand and declining supply result in a tighter nickel market.
- **Bear case:** The downside scenario for nickel is a loosening of demand due to more moderate economic recovery in China and other EM economies that are the primary drivers of demand growth. This in turn leads to nickel markets being in surplus.

Exhibit 26

### Morgan Stanley's Nickel Price Scenarios

YE 31 Dec	2011E	2012E	2013E	LT (nominal) E
<b>Nickel Price (US\$/lb)</b>				
Base Case	11.00	11.20	10.80	9.82
Bull Case	12.65	13.44	12.96	10.80
% Diff	15	20	20	10
Bear Case	9.35	9.86	9.18	8.84
% Diff	-15	-12	-15	-10
<b>Nickel Price (A\$/lb)</b>				
Base Case	10.78	10.67	10.49	11.55
Bull Case	11.82	11.79	12.23	12.56
% Diff	10	11	17	9
Bear Case	9.44	10.38	9.87	11.05
% Diff	-12	-3	-6	-4

Source: Morgan Stanley Research. E = Morgan Stanley Research estimates

## Production Profile

A key variable in our valuation of PAN is the company's nickel production profile. Our base-case production profile assumes Savannah and Lanfranchi actual mine life to 2018 plus an additional five years, which is captured in our terminal value for each asset.

- **Bull case:** PAN's target is to produce up to 25ktpa of nickel each year for a period of +10 years from the existing Savannah and Lanfranchi mines. Our bull-case assumption assumes this target is achieved. PAN has also identified growth from regional exploration success and acquisitions or mergers that provide potential for a third mining front. We have not considered this in our bull-case assumptions.
- **Bear case:** Whilst PAN has an aggressive exploration strategy, based on existing reserves the mine life at Savannah and Lanfranchi is relatively short (2018). Our bear-case production profile assumes that current optimization studies and exploration to extend resources are unsuccessful.

Exhibit 27

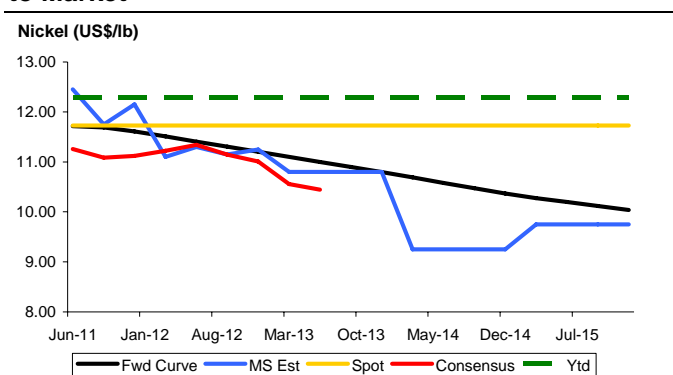
### PAN Nickel Production Assumptions

Nickel Production (t)	2011E	2012E	2013E	2014E	2015E
Base Case	17,587	18,330	19,636	18,983	17,350
Bull Case	17,587	18,330	26,910	26,120	25,000
% Diff	0	0	37	38	44
Bear Case	17,587	18,330	19,636	18,983	17,350
% Diff	0	0	0	0	0

Source: Morgan Stanley Research. E = Morgan Stanley Research estimates

Exhibit 28

### Morgan Stanley's Nickel Price Forecasts Compared to Market



Source: Bloomberg, Morgan Stanley Research

## Global Nickel Comps

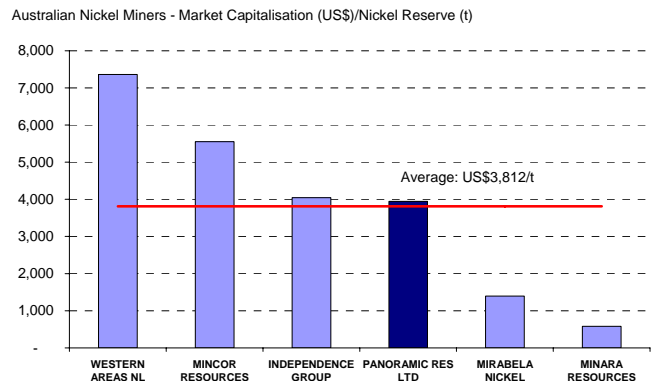
The nickel stock comparables (consensus data) presented in Exhibit 31 show PAN to be undervalued against its Australian and International peers. In our opinion, the company has upside on the following key ratios:

**P/E:** On the one-year forward P/E multiple, PAN (7.4x) is trading in line with the industry average (9.2x) but below the average for Australian nickel miners (15.3x). On FY2 and FY3 multiples, PAN is trading significantly below its domestic and international peers. The multiples in FY1 and FY2 suggest that the PAN share price could increase by nearly 50% if the company achieves an industry average P/E.

**EV/EBITDA:** The metrics suggest that PAN on FY1, FY2 and FY3 is trading ~50% below the industry average (~5.7x).

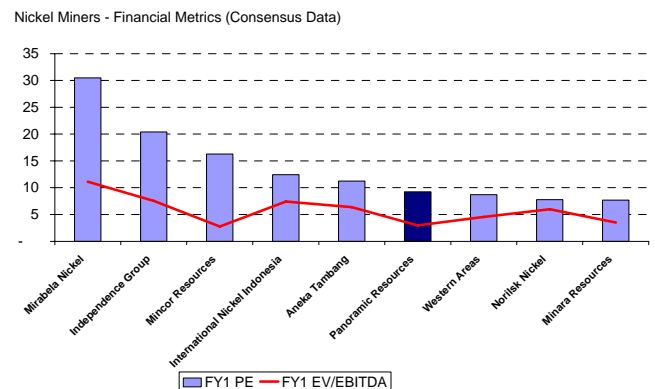
**Market capitalization/nickel reserve(US\$/t):** Exhibit 29 shows that PAN (US\$3,944/ nickel reserve t) is slightly above the average multiple (US\$3,812/ nickel reserve t) when compared to the other Australian nickel miners. However, as discussed earlier in this report, we expect PAN to add to reserves through successful exploration. We anticipate further additions to PAN's reserve base in the near term, which would improve this metric.

Exhibit 29  
**Ranking of Australian Nickel Miners**



Source: FactSet, Morgan Stanley Research

Exhibit 30  
**PAN Undervalued on Financial Metrics**



Source: FactSet, Morgan Stanley Research

Exhibit 31

### Nickel Comparable Metrics (31/3/11)

Company Name	Closing Share Price	Market Cap. (US\$m)	Price to Earnings				EV/EBITDA			
			Last FY	FY1	FY2	FY3	Last FY	FY1	FY2	FY3
<b>International Miners</b>										
International Nickel Indonesia *	IDR 4775.00	5,449	12.6	10.2	9.8	8.2	7.2 e	6.0 e	5.5 e	4.5 e
Norilsk Nickel *	USD 7463.00	50,058	8.9	8.5	9.1	10.4	6.7 e	5.8 e	5.8 e	6.2 e
Aneka Tambang *	IDR 2300.00	2,515	13.8	9.2	10.1	10.1	7.4 e	4.8 e	4.9 e	4.4 e
<b>Australian Miners</b>										
Minara Resources *	AUD 0.77	924	15.3	6.9	9.8	10.7	5.3	2.5	3.1	3.1
Western Areas *	AUD 6.76	1,257	84.5	7.6	8.1	9.0	17.3	4.8	4.6	4.8
Panoramic Resources *	AUD 2.27	486	8.3	8.9	6.9	7.9	2.8	3.2	2.5	2.4
Independence Group	AUD 6.59	946	26.2	20.4	16.1	13.0	11.6	7.4	5.1	4.1
Mirabela Nickel	AUD 1.96	996	(16.6)	30.6	9.7	8.0	44.7	11.0	5.9	5.5
Mincor Resources	AUD 1.38	285	9.8	16.5	7.8	7.0	2.2	2.8	2.0	2.1
<i>Weighted Avg. (All Miners)</i>			10.9	9.2	9.3	10.1	7.6	5.7	5.6	5.8
<i>Weighted Avg. (Aust. Miners)</i>			27.7	15.3	10.2	9.7	17.2	5.8	4.3	4.1

Source: FactSet – consensus data, Morgan Stanley ModelWare estimates  
NB: \* Morgan Stanley covered companies and estimates

## Company Snapshot

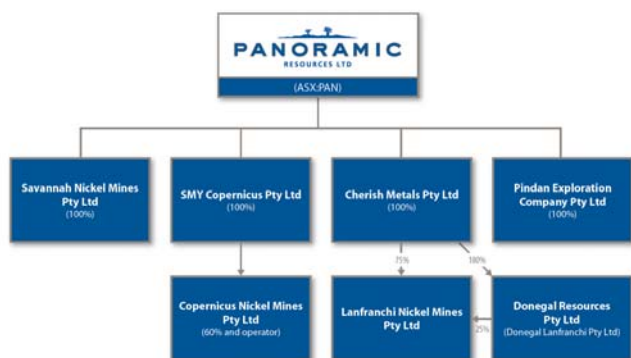
### Corporate Structure

Panoramic Resources is an Australia-based nickel sulphide explorer and producer, listed on the ASX (ASX code: PAN). Panoramic Resources is included in the S&P ASX 200 as well as the ASX Small Ordinaries and ASX All Ordinaries Indexes.

Panoramic has grown significantly from its early beginnings in September 2001, when it listed on the ASX with a market capitalization of A\$8mn and one employee. The company now has a market capitalization of ~A\$437mn and employs ~500 people.

Exhibit 32

### PAN Company Structure (as at 30/6/2009)



Source: Panoramic Resources

### Shareholder Base

As at 31 December 2010, PAN had 206.5m ordinary shares on offer.

Exhibit 33

### PAN Substantial Shareholders (17/3/2011)

Investor	Interest
M&G Investment Management Ltd	18.94%
Eley Griffiths Group Pty Ltd	6.36%
AMP Capital Investors	6.15%
BlackRock Investment Management	4.44%
Peter J Harold+	1.56%
<b>Percentage Held by Top 10</b>	<b>41%</b>

Source: Company data, Morgan Stanley Research  
\* Peter Harold is Managing Director of PNA.

### Operations

Panoramic is an established Western Australian nickel sulphide producer operating two mines. The company has two underground mines; the Savannah Project (100%) in the Kimberley and the Lanfranchi Project (100%) south of Kambalda, along with the Copernicus Project (60%) open pit mine, which is a satellite operation, currently on care and maintenance, near Savannah.

Exhibit 34

### Panoramic Resources Asset Locations



Source: PAN company presentation.

### Savannah Project

The Savannah project is located approximately 240km south of Kununurra in the East Kimberley region of Western Australia. Mining first commenced in 2004 and the company estimates mine life extending out beyond 2018e based on current production volumes and reserves. In FY2010, the Savannah project produced 7,273t contained nickel in concentrate, 4,019t contained copper and 387t contained cobalt. The company is targeting annual production from Savannah of greater than 10ktpa of nickel in concentrate

### Mining

The Savannah Project is owned 100% by PAN and is an underground nickel sulphide mine, comprising an upper and lower zone. The primary mining method currently used is long-hole open stoping. Ore is extracted through drill and blast methods, whilst the remaining stopes are then filled with paste. Waste material mined is either stockpiled underground or trucked to the surface.

## Processing

The Savannah project includes its own processing plant, comprising a single stage crusher, SAG mill, flotation, thickening and filtering stages. Bulk nickel, copper and cobalt concentrate from the Savannah mine are all processed here. Recoveries average approximately 86% for nickel, 90% for cobalt and 97% for copper.

Although the original design capacity for the plant was 750kt per annum, the company has expectations of its ability to operate up to the range of 900-950kt.

## Product

The Savannah concentrate averages 7-8% nickel, 3-4% copper and 0.4-0.8% cobalt. The concentrate is trucked to Wyndham, 240 kilometers to the north of the Project. The company has its own concentrate storage facility at the Wyndham port, which is managed by Savannah personnel and is expected to be completed and operational by mid-CY2011e. Bulk shipments to Jinchuan in China are made on a monthly basis.

## Customers

The Savannah concentrate is contracted for sale to the Jinchuan Group of China until April 2020. The Jinchuan smelter/refinery is located in China's northwestern province of Gansu, with concentrate shipped there from Savannah's Wyndham port.

Key features of the off-take agreement include:

- Product: Sulphide concentrate with typical specifications of 7-8% nickel, 4-5% copper, 0.5-1% cobalt, 40% iron and 0.5-1% magnesium.
- Quantity: ~100kt per annum (no upper or lower limit).
- Payable metals: Nickel, copper and cobalt.
- Pricing: Agreed percentage of LME cash price for nickel and copper, and agreed percentage of Metal Bulletin cobalt price.

Current reserves and resources for the Savannah asset are as per the following tables:

Exhibit 35

### Savannah Resources

Resources	kt	Nickel (%)	Copper (%)	Cobalt (%)	Nickel (kt)	Copper (kt)	Cobalt (kt)
Measured	1769	1.59	0.77	0.08	28.1	13.6	1.4
Indicated	3643	1.51	0.78	0.08	55.0	28.4	2.9
Inferred	0	0.00	0.00	0.00	0.0	0.0	0.0
<b>Total</b>	<b>5412</b>	<b>1.54</b>	<b>0.78</b>	<b>0.08</b>	<b>83.1</b>	<b>42.0</b>	<b>4.3</b>

Source: Company data, Morgan Stanley Research

Exhibit 36

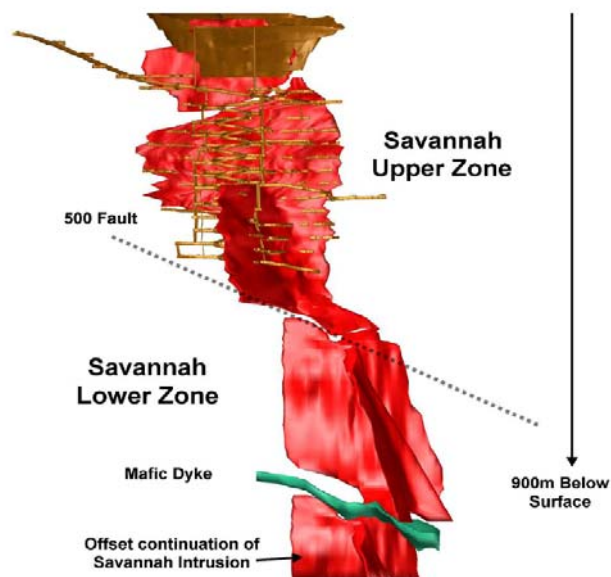
### Savannah Reserves

Reserves	kt	Nickel (%)	Copper (%)	Cobalt (%)	Nickel (kt)	Copper (kt)	Cobalt (kt)
Upper Zone	1607	1.26	0.61	0.06	20.2	9.8	1.0
Lower Zone	3694	1.17	0.64	0.06	43.2	23.6	2.2
<b>Total</b>	<b>5301</b>	<b>1.54</b>	<b>0.78</b>	<b>0.08</b>	<b>63.4</b>	<b>33.3</b>	<b>3.2</b>

Source: Company data, Morgan Stanley Research

Exhibit 37

### Savannah Existing Ore Body



Source: Morgan Stanley Research.

## Lanfranchi Project

The Lanfranchi project is located approximately 42km south of Kambalda in Western Australia. Mining first commenced in 2005, and the company expects mine life to extend out for another 10 years based on current reserves, current production expectations, as well as projected exploration success.

### Mining

The Lanfranchi project is 100% owned by Panoramic and is an underground nickel sulphide mine currently producing approximately 10kt-12kt nickel per annum and approximately 1,000t cobalt per year. Panoramic is targeting annual nickel production to grow to greater than 15kt.

The Deacon Orebody is the engine room of the Lanfranchi operation and is now in full production, averaging 30,000 to 40,000 tonnes of ore a month. Based on the Life of Mine Plan, it is anticipated that the Deacon Decline development will be completed by 2012, which will provide full access to the Deacon Orebody and greater production flexibility.

Mining continued from the Lanfranchi Orebody during the year, producing high-grade ore to blend with Deacon ore.

Mining recommenced from the Schmitz Orebody during the year. It is being mined by the narrow underhand cut-and-fill method utilising paste, from the paste system that is already in place.

With production from the Schmitz and Lanfranchi Orebodies, there will be a consistent feed of higher-grade ore to blend with Deacon for the next four years. The company is confident that this will be extended with further exploration being planned for these two orebodies. All mining activities are owner operated.

### Processing

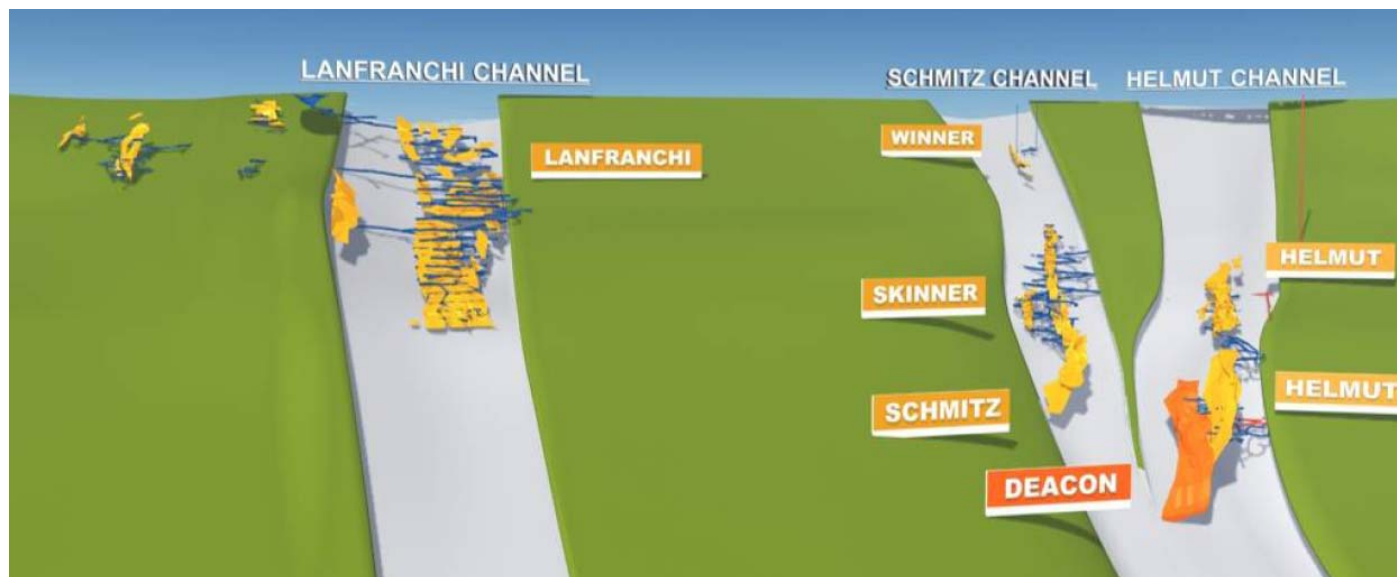
The Lanfranchi project does not have its own processing facilities. Instead, mined ore is delivered to BHPB's Nickel West Kambalda concentrator and PAN is charged a tolling fee for processing. The Kambalda concentrator is located 40km away from the Lanfranchi project, with mined ore transported there via road.

### Customers

Panoramic Resources have an ore tolling and concentrate purchase agreement with BHPB's Nickel West for ore from the Lanfranchi deposit project. The current agreement covers concentrate out until 2019, with Nickel West also having a first right of refusal to take additional ore above the 350kt per annum level.

Exhibit 38

## Lanfranchi Project Deposits



Source: PAN company presentation.

Exhibit 39

## Lanfranchi Resources

Resources	Tonnes (Mt)	Ni Grade (%)	Nickel (t)
Measured	1.562	2.99	46,643
Indicated	0.934	3.08	28,769
Inferred	5.002	1.33	66,345
<b>Total</b>	<b>7.498</b>	<b>1.89</b>	<b>141,757</b>

Source: Company data, Morgan Stanley Research

Exhibit 40

## Lanfranchi Reserves

Reserves	Tonnes (Mt)	Ni Grade (%)	Nickel (t)
<b>Total</b>	<b>2.247</b>	<b>2.45</b>	<b>55,000</b>

Source: Company data, Morgan Stanley Research

### Nickel Exploration

Panoramic has committed to spend at least A\$12 million on exploration in 2010/11, up from A\$7 million in 2009/10. Approximately 50% of the funds are allocated to the Savannah and Lanfranchi Projects, with the goal of increasing the resource base through drilling and the application of the latest exploration techniques to develop new targets. The remaining funds have been allocated to diversified growth investments through joint ventures with other companies in Australia and around the world.

At Savannah, PAN intends to develop a new drill drive in 1H 2011 to enable the drilling of the Lower Zone Extension. At Lanfranchi, drilling in 2011 will test the down plunge extensions of both Schmitz and Deacon Channels.

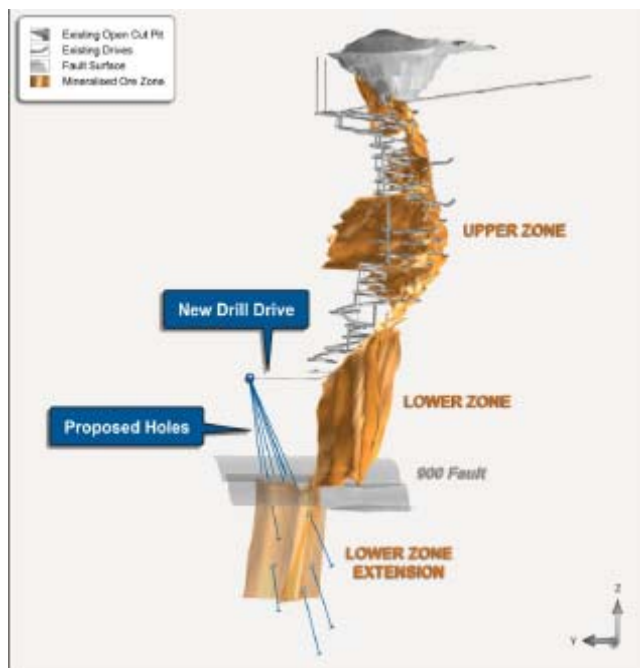
### Gidgee Gold Project

PAN acquired 100% of the Gidgee Gold Project in February 2011 for A\$15.5m. The Gidgee Project is located 640 kilometres northeast of Perth and includes a 600,000tpa process facility (not in operation), a 150 person camp, and a significant tenement package, which contains 310,000oz of gold in resource and exploration upside.

The Gidgee Project was mined almost continuously from 1987 to 2005 and produced over one million ounces of gold. Approximately 20 open pits were mined on near surface gold mineralisation, and underground mining was undertaken beneath the Swan Bitter and Kingfisher pits. In 2005, the project was placed on care and maintenance due to the low gold price. PAN will recommence exploration in the area and look to re optimize the project with current gold prices, ~US\$1,400/oz.

Exhibit 41

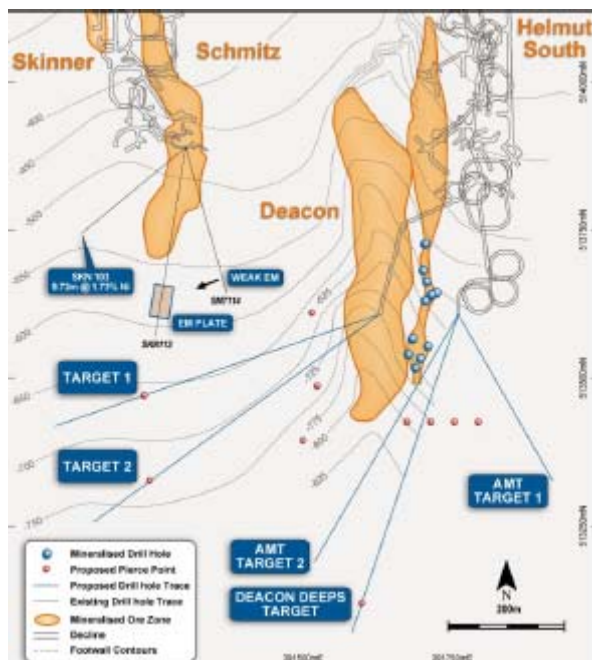
## Exploration Drilling at Savannah



Source: Panoramic

Exhibit 42

## Exploration Drilling at Lanfranchi



Source: Panoramic

## Improving Fundamentals Lift Nickel Market Outlook in 2011

The following is an extract from a recent report from our Commodity team published February 21, 2011.

In our view, while some of nickel's recent price strength is a direct result of a favourable view of the metal taken by the speculative community, we believe this view and the metal's price performance is explained by favourable fundamental supply and demand developments.

### Supply Side Developments

#### a. Refinery production issues

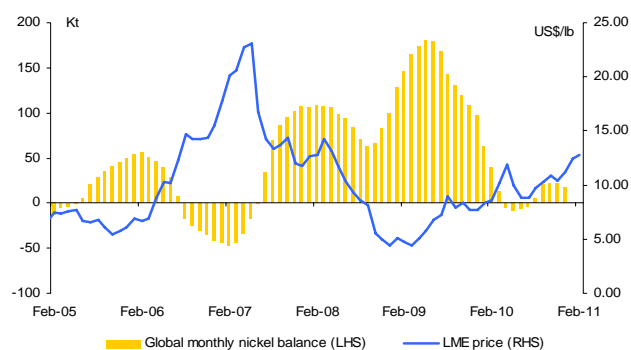
While the production loss reported by Vale on 18 February is the most serious so far this year, it is not the only production issue to impact on the future availability of refined metal. Earlier this month, the 30ktpa Queensland Nickel Refinery suspended production for two days ahead of Cyclone Yasi, with a 48-hour period to return to normal production. The total anticipated loss of output from these interruptions will be less than 500t of refined nickel.

However, 2011 output levels from the refinery, which are expected to be temporarily boosted by 4kt as a result of the delivery of mixed intermediate nickel products from Vale's Goro operation in New Caledonia, could also be impacted by ramp-up delays and production difficulties from the troubled laterite project. So far Vale has been silent on the progress of the start-up of the plant after its briefing to the New Caledonia Nickel Conference in November 2010. At that time, the company indicated that post the collapse of the SX stripping column no.10 in April 2010 that it would follow a complex three stage, simultaneous ramp up strategy during 2011.

Initially, the company planned to produce an intermediate nickel hydroxide cake (NHC) in order to produce some project revenue, debottleneck the upstream facilities and provide a training opportunity for operatives. It is this NHC product that will be delivered to Queensland Nickel, with first deliveries planned for December 2010. During H1 2011, repairs to the SX stripping column will be undertaken with a review to addressing plant integrity issues and others measures taken to optimize the refinery performance to clear the path to an integrated refinery run. However, for this refined metal stage to be delivered, final commissioning of the fluidized bed roaster will also have to be completed using an externally purchased synthetic nickel feed solution to produce a nickel oxide sinter that will be processed at the Dalian nickel refinery in China for

final processing. Following a site visit to Goro in November 2010, Brook Hunt metal consultants concluded that only 12kt of nickel production in all forms was likely from the plant this year, given the complex challenges still facing the company before the second and third autoclaves can commence production.

Exhibit 43  
**The rolling 12-Month Nickel Supply/Demand Balance vs. Price, 2005-2011**

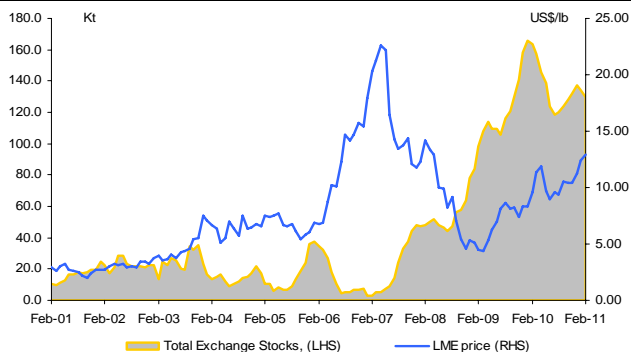


Source: INSG, Thomson Reuters, Morgan Stanley Research

#### b. Inventory Developments

After peaking at life-of-contract highs in January 2010 at 165.9kt, LME nickel warehouse inventories declined rapidly through H1 2010 as demand recovered during the protracted strike at Vale's Canadian operations. However, following settlement of the strike at Sudbury in July 2010, higher production and a slow down in stainless steel restocking in the back half of the year saw LME inventories rise from a low of 118.4kt in July to 136.9kt in December 2010.

Exhibit 44  
**LME Nickel Inventories vs. Price, 2001-2011**

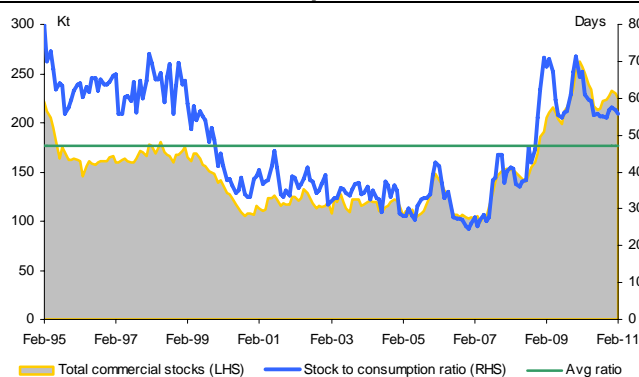


Source: Thomson Reuters, Morgan Stanley Research

April 1, 2011  
Panoramic Resources

However, the rebuild appears to have reversed in early 2011 as the limited availability of higher grade nickel stocks has once again put pressure on this type of LME product. As a result, the stock-to-consumption ratio in nickel, measured in days of current consumption has fall from 57.3 days at the end of December 2010 to 55.6 days in mid-February. This compares with a level of 55.9 days in July 2010 and 65.6 days in January 2010.

Exhibit 45  
**Nickel Stock-to-Consumption Ratio**



Source: Thomson Reuters, Morgan Stanley Research

While we expect this downward trend to continue on the back of the combined impact of supply constraints and uncertainty and strengthening demand, the key risk to this scenario is the potential of an influx of material entering the market from new projects.

While we have already discussed the on-going issues with Vale's Canadian and New Caledonian operations, it is widely known that over the next 5 years, there are a number of other greenfield and brownfield projects scheduled to come online, potentially accounting for as much 16% of total output by 2016. Exhibit 46 lists these projects. In 2011 these are anticipated to add as much as 206kt of additional output, excluding the production from Goro. However, with many of these projects ramping up production in 2011, there is a strong likelihood is that this target and timetable will not be met. Furthermore, with the vast majority of these projects based on the mining of laterite ores the likelihood of future production disappointments remains high. Brook Hunt recently described these projects complex and high-cost mining process that will require "very impressive feat[s] of engineering." In our view, the execution of this supply pipeline profile will dominate the degree of price strength over the next several years, with the risks skewed to the upside if any new project delays materialize.

Exhibit 46

**Selection of Key Laterite Projects in Supply Pipeline vs. Morgan Stanley Market Balance Forecast**

Project (Kt)	2011e	2012e	2013e	2014e	2015e	2016e
Onca-Puma (Brazil)	11	28	48	57	63	59
Barro Alto (Brazil)	16	28	39	45	50	54
Goro (New Caledonia)	11	16	27	37	50	54
Larymna (Greece)	16	18	19	22	24	26
Antam (Indonesia)	65	73	75	77	79	79
Soroaka (Indonesia)	80	90	99	101	102	102
Ambatovy (Madagascar)	7	18	28	42	53	60
Ramu (PNG)	13	23	26	31	35	35
Ravensthorpe (Australia)		16	29	36	38	36
Caldag (Turkey)			27	27	31	31
Koniambo (New Caledonia)			16	26	39	52
<b>Total New/Expansion</b>	<b>218</b>	<b>309</b>	<b>432</b>	<b>502</b>	<b>564</b>	<b>587</b>
% Share Global Prod	13%	17%	23%	26%	28%	28%
<b>MS Market Balance</b>	<b>-22</b>	<b>23</b>	<b>75</b>	<b>42</b>	<b>-14</b>	<b>-27</b>

Source: Brook Hunt, INSG, Morgan Stanley Research

**b. Nickel Pig Iron**

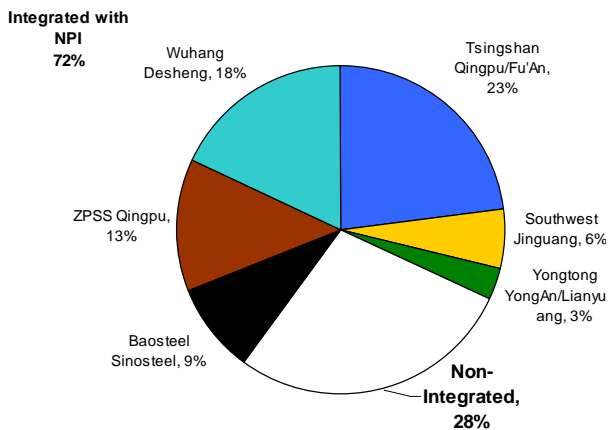
Since emerging in 2006-7 following escalating primary nickel prices, China's nickel pig iron (NPI) industry has matured from a temporary substitute for primary nickel to a viable alternative source for Chinese stainless steel mills. As much as 70% of Chinese steel production now relies on integrated NPI feed for much of its ferro-nickel supply. However, this product remains costly to produce given its high level of energy intensity in EAF form and high sensitivity to changing coke prices for blast furnace producers. We estimate that the break-even price for a blast furnace NPI producer producing ferro-nickel with 5% nickel content is US\$8.65/lb at current LME nickel prices, indicating that NPI is a very competitive source of nickel supply in the current environment. According to Brook Hunt, NPI accounted for 45% of Chinese nickel production in 2010.

While still a discernible threat to primary nickel usage in China, we believe substitution to NPI has likely peaked. The immediate factor slowing the future growth of NPI is government legislation aimed at shutting outdated and pollution intensive facilities. Furthermore, the supply of low quality nickel laterite ore to feed to the Chinese NPI plants come s not from domestic ore sources but from the Philippines, Indonesia and New Caledonia. However, the Indonesian government has recently announced a plan to introduce a monthly benchmark price for key base metals to reflect international price developments, with the nickel price set to follow LME price movements. Although it is unclear to what extent the price benchmarking will affect current sales contracts, the ministry has indicated that once issued the new benchmark will be implemented immediately. Chinese NPI buyers of nickel ore will be most impacted by this ruling as ore is typically sold on a spot basis on a fixed negotiated price, not linked to an LME price. An LME linkage will, in our view, put more upward pressure on the cost of NPI production in the current environment.

April 1, 2011  
Panoramic Resources

Exhibit 47

## Chinese NPI Consumption by Company in 2010



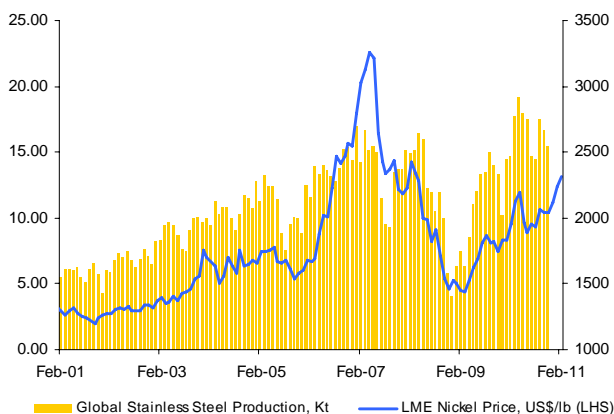
Source: Wood Mackenzie Brook Hunt

## 2. Stronger than expected global stainless steel production/demand.

The other factor driving strong nickel prices in 2011 is expected to be record levels of stainless steel melt production. In 2010, global production surpassed pre-crisis levels following strong restocking activity along the entire supply chain and we expect strong growth to continue this year. CRU expects global production to increase 7.4% YoY in Q1 2011.

Exhibit 48

## Global Stainless Steel Production vs. Nickel Price, 2001-2011



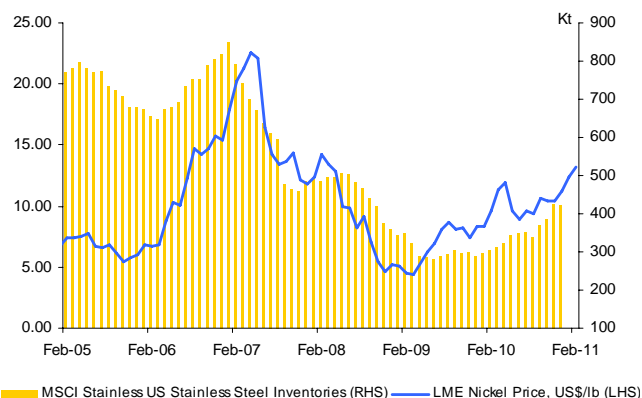
Source: CRU, Morgan Stanley Research

We believe China will drive 2011 demand growth, particularly given the stainless distribution sector de-stocked during H2 2010. As evident from January's strong HSBC PMI

manufacturing survey, industrial activity is rising suggesting Chinese distributors will need to re-stock soon. Elsewhere, robust end-user demand from the construction and automotive sectors in Germany and consumer durables in France are piloting stainless consumption growth in Europe. Indeed lead times in Europe are already extended into Q2 suggesting further increases in transaction prices will follow. In the US, much stronger than expected stainless purchases in January (despite the disruptive weather) boosted consumption expectations early in the year, especially as many end-users are beginning to re-stock ahead of anticipated higher prices. US inventories at 423kt at the end of December remains well below the 10-year average of around 600kt.

Exhibit 49

## US Stainless Steel Inventories vs. Nickel Price, 2005-2011



Source: MSCI, Thomson Reuters

## Market Implications

As a result of the recent improvement in these fundamentals, we undertook a full review of our global nickel supply and demand model. We are now expecting a market deficit of 21.7kt in 2011 vs. a 6.8kt deficit previously, a development that prompted us to raise our 2011 price forecast by 10.5% to US\$12.15/lb from US\$11.00/lb previously. Also, given the potential difficulties with the key laterite projects identified above, we modestly lowered our production profile throughout the active forecast period that generated deficit conditions in 2015 and 2016. We therefore upwardly adjusted our price forecasts in those years to reflect that dynamic. We made no changes to our long-term price forecast of US\$9.82/lb in nominal dollars.

Exhibit 50

## Morgan Stanley Global Nickel Supply and Demand Model

	Unit	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e	2013e	2014e	2015e	2016e
<b>World IP growth (Adjusted PPP Weights)</b>	%	2.61	3.65	3.44	4.08	4.26	2.16	-2.22	7.11	5.59	5.69	5.11	4.87	4.29	4.18
<b>Total world mine production</b>	Kt	1,269	1,308	1,363	1,468	1,468	1,595	1,540	1,577	1,646	1,837	1,880	1,900	1,993	2,079
World mine production growth rate	%	3.3	3.1	4.2	7.7	0.0	8.7	-3.5	2.4	4.4	11.6	2.4	1.1	4.9	4.4
<b>Total world refined production</b>	Kt	1,219	1,269	1,286	1,364	1,413	1,379	1,333	1,449	1,588	1,737	1,776	1,833	1,890	1,924
World refinery capacity	Kt	1,410	1,452	1,572	1,663	1,765	1,914	2,186	2,227	2,285	2,359	2,379	2,379	2,379	2,379
World refined production growth rate	%	2.8	4.1	1.3	6.1	3.6	-2.5	-3.3	8.7	9.6	9.4	2.3	3.2	3.1	1.8
<b>Refined availability</b>	Kt	1,281	1,269	1,286	1,366	1,413	1,379	1,333	1,449	1,588	1,737	1,776	1,833	1,890	1,924
<b>Regional Production Breakdown</b>															
China (including nickel pig iron)	Kt	69	81	104	151	197	205	251	304	314	333	334	343	350	353
Russia/CIS	Kt	261	263	268	275	268	260	256	264	281	280	269	268	267	269
Europe	Kt	200	212	216	226	244	253	205	236	255	281	274	274	275	278
Canada	Kt	125	154	136	154	154	164	117	85	143	156	157	151	171	182
ROW	Kt	563	560	561	558	551	497	504	560	595	686	744	797	827	841
<b>Total world nickel usage</b>	Kt	1,232	1,253	1,232	1,401	1,401	1,323	1,278	1,481	1,610	1,713	1,701	1,791	1,905	1,951
Primary Nickel in Stainless	Kt	845	877	809	898	861	773	821	962	1,060	1,126	1,075	1,131	1,234	1,280
Primary Nickel in Non-Stainless	Kt	387	377	422	503	540	550	457	519	549	588	626	660	671	671
World nickel usage growth	%	5.2	1.7	-1.7	13.8	0.0	-5.6	-3.4	15.9	5.8	7.0	6.6	5.4	1.6	2.6
<b>Regional Usage Breakdown</b>															
China	Kt	136	161	195	243	321	296	423	472	539	582	592	651	726	781
USA	Kt	115	129	135	151	146	141	130	149	152	156	154	157	164	165
Europe	Kt	435	444	412	448	407	390	332	380	401	423	412	420	427	424
ROW	Kt	546	520	490	558	527	496	393	481	518	552	543	563	586	581
<b>Refined Nickel Market Balance</b>	Kt	-13.1	15.8	54.1	-36.7	12.3	55.9	54.7	-32.6	-21.7	23.4	75.3	42.3	-14.0	-26.9
<b>Reported total commercial stocks</b>	Kt	116	121	140	102	151	186	253	235	213	236	312	354	340	313
Change in reported Stocks	Kt	0.3	5.2	19.0	-37.5	48.9	35.0	67.1	-18.9	-21.7	23.4	75.3	42.3	-14.0	-26.9
Apparent change in off-warrant stocks	Kt	-13.3	10.6	35.1	0.8	-36.7	20.9	-12.4	-13.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported stock to usage ratio</b>	Wks	4.88	5.02	5.91	3.80	5.62	7.33	10.31	8.24	6.88	7.17	9.52	10.27	9.28	8.34
<b>Annual Average Prices</b>	US\$/t	9,637	13,840	14,751	24,237	37,255	21,087	14,414	21,873	26,786	24,692	23,810	20,393	21,495	22,046
<b>Annual Average Prices</b>	US\$/lb	4.37	6.28	6.69	10.99	16.90	9.57	6.54	9.92	12.15	11.20	10.80	9.25	9.75	10.00

Source: Wood Mackenzie Brook Hunt, INSG, CRU, Morgan Stanley Research. e = Morgan Stanley Research estimates



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