



27 July 2011

Panoramic Resources

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

Improved June Q production but cost pressures evident

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17,027kt for FY11 scraping into bottom end of guidance

PAN has reported an 11% qoq improvement in group nickel in concentrate of 4.6kt (DBe 4.1kt) with a 2.76kt contribution from Lanfranchi and 1.9kt from Savannah. Costs of US\$6.63/lb were however up 11% qoq and higher input costs, forex and provisional pricing impacts have seen us decrease FY11 earnings. While we back management to add value through exploration (both near mine and regionally) or an acquisition, the stock is currently fairly priced, in our view, and we downgrade from Buy to a Hold, PT\$2.00/sh.

PAN production of 4,646t Ni (+11%) at US\$6.63/lb payable cash costs (+11%)

Savannah produced 1,886t Ni, 1,001t Cu and 106t Co. This was up 8% qoq on the back of higher head grades (1.42%) and at Lanfranchi nickel in conc was up 14% qoq at 2,759t (DBe 2,300t). Group cash costs were up 11% in US\$ terms due to forex, labour, and consumable price pressures. Despite the improved production, cost pressures have seen us increase our FY12E group cash costs to US\$6.29/lb.

Exploration and business development remain key value drivers

While the low end of PAN FY12 guidance of 17.5-18.5kt appears attainable, sustaining this is becoming increasingly more difficult. Stock catalysts continue to be most likely from exploration success or corporate action. Nickel exploration continues to focus on Savannah (near mine), Deacon/Schmitz and Helmut South at Lanfranchi, the East Kimberly JV, and Scandinavian targets.

Gidgee Gold Project and other investments

At Gidgee a ~500koz reserve with grades ~5g/t for an initial 5 year, 100kozpa is being targeted for a potential restart within a 3 year timeframe. The plant upgrade capex could be ~\$20m with further spending required for mine and infrastructure. The program starts out with a \$4m/15,000m exploration program but given the \$100m net cash position further funds are readily available if results warrant. Old pits will also be re-modeled with higher gold prices (previously US\$500/oz).

PT reduces to A\$2.00/sh (prev. A\$2.12/sh), downgrade to Hold on valuation

Our \$2.00/sh PT is broadly based on our \$2.00/sh DCF valuation. This assumes a long term nickel price of US\$7.71/lb, and AUDUSD of 0.78. We discount the life of mine cash flow from PAN's operations using a real discount rate of 10%, consistent across the mining companies in our coverage universe. Macro risks include movements in the nickel, copper, and AUDUSD. Upside risks centre around operational outperformance while downside risk are higher costs and forex. See page 4.

Forecasts and ratios

Year End Jun 30	2009A	2010A	2011E	2012E	2013E
EBITDA (AUDm)	81	127	75	106	131
Net Profit (AUDm)	24	56	29	61	79
EPS (AUD)	0.12	0.27	0.14	0.30	0.39
% Change	0.0%	0.0%	-35.2%	-19.7%	-11.1%
PER (x)	13.0	8.5	13.4	6.4	5.0

Source: Deutsche Bank estimates, company data

¹ Pre-exceptionals/extraordinaries² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years

Recommendation Change

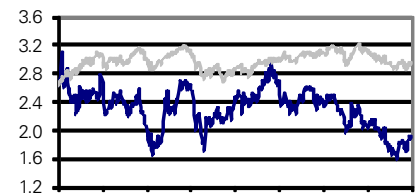
Hold

Price at 27 Jul 2011	1.91
Price target - 12mth	2.00
52 week range (AUD)	2.96 - 1.58
ALL ORDINARIES	4,646

Key changes

Rating	Buy to Hold	↓
Price target	2.12 to 2.00	-5.7%
Sales (FYE)	267 to 268	0.4%
EBIT margin (FYE)	22.7 to 14.2	-37.5%
Net profit (FYE)	44.9 to 29.1	-35.2%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	19.0	-5.9	-22.7
ALL ORDINARIES	2.9	-6.2	2.9

Stock data

Market cap (AUDm)	390
Market cap (USDm)	426
Shares outstanding (m)	204.0
Daily volume (USDm)	1.56
Free float	100.00

Key indicators (FY1)

ROE (%)	9.5
ROA (%)	11.7
Net debt/equity (%)	-27.9
Book value/share (AUD)	1.50
Price/book (x)	1.3
Net interest cover (x)	-7.3
EBIT margin (%)	14.2

Deutsche Bank AG/Sydney

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

Model updated: 27 July 2011

Running the numbers**Australasia****Australia****M&M - Other Metals****Panoramic Resources**

Reuters: PAN.AX

Bloomberg: PAN AU

Hold

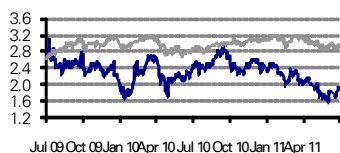
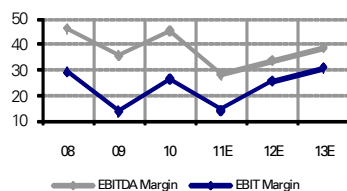
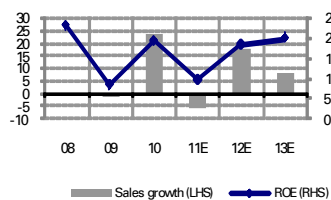
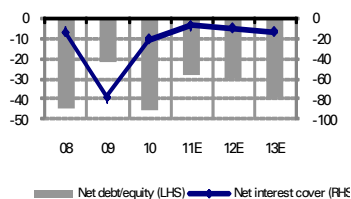
Price (27 Jul 11) AUD 1.91

Target price AUD 2.00

52-week Range AUD 1.58 - 2.96

Market Cap (m) AUDm 390
USDm 426**Company Profile**

Panoramic Resources Limited operates the Savannah nickel project in the Kimberly and the Lanfranchi nickel project south of Kambalda. The company also owns the Gidgee Gold Project in Western Australia with exploration and evaluation continuing over the coming years.

Price Performance**Margin Trends****Growth & Profitability****Solvency**

Fiscal year end 30-Jun

	2008	2009	2010	2011E	2012E	2013E
Financial Summary						
DB EPS (AUD)	0.28	0.12	0.27	0.14	0.30	0.39
Reported EPS (AUD)	0.28	0.03	0.27	0.14	0.30	0.39
DPS (AUD)	0.19	0.06	0.17	0.09	0.10	0.10
BVPS (AUD)	1.21	1.40	1.42	1.50	1.65	1.94
Valuation Metrics						
Price/Sales (x)	3.9	1.4	1.7	1.5	1.2	1.1
P/E (DB) (x)	16.9	13.0	8.5	13.4	6.4	5.0
P/E (Reported) (x)	16.9	55.7	8.5	13.4	6.4	5.0
P/BV (x)	3.3	1.6	1.5	1.3	1.2	1.0
FCF yield (%)	8.2	5.7	27.8	28.2	21.9	25.2
Dividend yield (%)	4.0	3.9	7.1	4.7	5.2	5.2
EV/Sales	3.4	1.0	1.3	1.0	0.9	0.8
EV/EBITDA	7.5	2.9	3.0	3.7	2.8	2.0
EV/EBIT	11.9	7.4	5.1	7.4	3.7	2.5

Income Statement (AUDm)

Sales	232	229	283	268	315	340
EBITDA	107	81	127	75	106	131
EBIT	67	31	75	38	79	104
Pre-tax profit	71	5	78	43	87	112
Net income	53	6	56	29	61	79

Cash Flow (AUDm)

Cash flow from operations	96	34	140	38	89	112
Net Capex	-22	-16	-7	72	-4	-14
Free cash flow	74	18	133	110	85	98
Equity raised/(bought back)	4	0	1	3	0	0
Dividends paid	-36	-12	-25	-23	-21	-21
Net inc/(dec) in borrowings	-7	-5	-5	-1	-1	0
Other investing/financing cash flows	-37	-60	-102	-53	-32	-10
Net cash flow	-9	-61	0	24	16	51
Change in working capital	0	0	0	10	-10	0

Balance Sheet (AUDm)

Cash and cash equivalents	111	67	137	88	104	156
Property, plant & equipment	62	59	52	47	41	45
Goodwill	0	0	0	0	0	0
Other assets	159	254	227	277	310	320
Total assets	332	380	417	412	455	520
Debt	8	7	5	2	2	2
Other liabilities	92	87	121	103	115	123
Total liabilities	100	94	126	106	117	125
Total shareholders' equity	232	286	291	307	337	395
Net debt	-103	-61	-133	-86	-102	-154

Key Company Metrics

Sales growth (%)	nm	-1.6	23.9	-5.5	17.7	7.9
DB EPS growth (%)	na	-57.9	132.6	-47.9	110.3	28.6
Payout ratio (%)	67.9	217.1	60.3	63.1	33.4	25.9
EBITDA Margin (%)	45.9	35.3	44.9	28.1	33.5	38.4
EBIT Margin (%)	28.7	13.7	26.4	14.2	25.2	30.7
ROE (%)	23.0	8.4	19.3	9.5	18.1	19.9
Net debt/equity (%)	-44.2	-21.2	-45.6	-27.9	-30.3	-38.9
Net interest cover (x)	-14.4	-79.2	-20.8	-7.3	-10.1	-13.2

DuPont Analysis

EBIT margin (%)	28.7	13.7	26.4	14.2	25.2	30.7
x Asset turnover (x)	0.7	0.6	0.7	0.6	0.7	0.7
x Financial cost ratio (x)	1.1	1.0	1.0	1.1	1.1	1.1
x Tax and other effects (x)	0.7	0.2	0.7	0.7	0.7	0.7
= ROA (post tax) (%)	16.1	1.5	13.5	7.1	13.5	15.1
x Financial leverage (x)	1.4	1.3	1.4	1.3	1.2	1.2
= ROE (%)	23.0	2.0	19.3	9.4	16.5	18.2
annual growth (%)	na	-91.5	885.0	-51.2	75.5	10.2
x NTA/share (avg) (x)	1.2	1.4	1.4	1.5	1.8	2.1
= Reported EPS	0.28	0.03	0.27	0.14	0.30	0.39
annual growth (%)	na	-90.2	895.5	-47.9	110.3	28.6

Source: Company data, Deutsche Bank estimates

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PANORAMIC OPERATIONAL AND FINANCIAL SUMMARY DATA

		2008A	2009A	2010A	2011F	2012F	2013F	2014F	2015F	2016F	2017F
COMMODITY & CURRENCY											
Nickel	US\$/lb	13.01	6.03	8.82	10.89	12.31	12.70	11.80	9.53	7.71	7.71
Nickel	A\$/lb	14.51	8.08	9.99	11.04	11.82	12.67	11.78	9.89	9.89	9.89
Copper	US\$/lb	3.53	2.23	3.04	3.94	4.81	4.48	3.97	2.95	2.27	2.27
Cobalt	US\$/lb	37.86	21.86	20.52	18.56	17.50	15.00	14.00	13.00	13.00	13.00
AUDUSD		0.90	0.75	0.88	0.99	1.04	1.00	0.91	0.81	0.78	0.78

PRODUCTION

Savannah											
Ore mined & processed	kt	688	684	674	601	690	690	690	680	680	680
Ni grade	%	1.26%	1.35%	1.25%	1.34%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%
Cu grade	%	0.6%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Co grade	%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Ni recovery	%	87.3%	87.8%	86.4%	85.7%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Cu recovery	%	96.1%	96.5%	96.3%	95.7%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Co recovery	%	89.2%	90.4%	90.0%	88.7%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Nickel (in conc.)	kt	7.6	8.1	7.3	6.9	7.4	7.4	7.4	7.3	7.3	7.3
Copper (in conc.)	kt	4.1	4.2	4.1	3.7	4.2	4.2	4.2	4.1	4.1	4.1
Cobalt (in conc.)	kt	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4

Lanfranchi											
Ore mined	kt	286	406	399	412	410	410	410	400	380	380
Ni grade	%	2.55%	2.63%	2.54%	2.46%	2.45%	2.45%	2.45%	2.45%	2.45%	2.45%
Nickel (in feed)	kt	7.3	10.7	10.1	10.1	10.0	10.0	10.0	9.8	9.3	9.3

Total Ni in conc.	kt	14.9	18.8	17.4	17.0	17.4	17.4	17.4	17.1	16.6	16.6
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CASH COST

Savannah											
C1 - pre metal credits	US\$/lb	6.39	4.78	5.99	7.58	8.53	8.12	7.81	7.19	7.11	7.29
C1 - net metal credits	US\$/lb	4.12	3.38	4.36	5.98	6.24	6.09	5.97	5.72	5.90	6.07

Lanfranchi											
C1 - pre metal credits	US\$/lb	4.93	4.66	4.59	5.83	6.69	6.77	6.41	5.80	5.71	5.79
C1 - net metal credits	US\$/lb	4.82	4.53	4.53	5.82	6.34	6.48	6.17	5.64	5.60	5.68

Average cash cost	US\$/lb	4.39	3.91	4.44	5.90	6.29	6.27	6.06	5.68	5.76	5.90
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CAPEX

Savannah											
Development	A\$m	25.0	10.0	10.0	24.0	20.0	5.0	5.0	5.0	3.0	3.0
Sustaining	A\$m	1.4	1.4	1.3	1.2	2.8	2.8	2.8	2.7	2.7	2.7

Lanfranchi											
Development	A\$m	28.7	10.0	10.0	6.0	8.0	5.0	5.0	5.0	3.0	-
Sustaining	A\$m	0.6	0.8	0.8	1.4	1.4	1.4	1.4	1.4	1.3	1.3

Total exploration expense											
	A\$m	6.1	3.1	1.7	11.7	16.0	16.0	12.0	12.0	12.0	12.0

SALES REVENUE BY ASSET

Savannah											
Nickel	A\$m	162	101	108	116	132	142	145	130	109	109
Copper	A\$m	18	14	16	16	21	21	20	16	13	13
Cobalt	A\$m	19	13	10	8	8	7	8	8	8	8

Lanfranchi											
Nickel	A\$m	158	151	206	145	153	165	169	150	119	119

OPERATING PROFIT BY ASSET

Savannah	A\$m	69.4	53.9	68.1	15.7	43.2	58.1	57.7	44.8	25.5	23.0
Lanfranchi	A\$m	50.0	4.1	47.1	51.6	58.2	64.3	64.1	45.4	18.2	17.0

RESOURCES & RESERVES

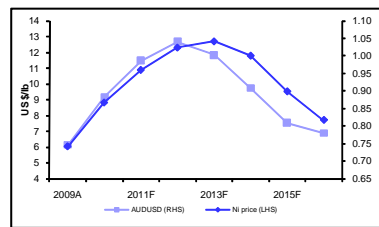
		Mt	%Ni	kt Ni	%Cu	kt Cu	%Co	kt Co
Savannah								
Resources		5.4	1.54%	83.1	0.78%	42.0	0.08%	4.3
Reserves		5.3	1.20%	63.5	0.63%	33.4	0.01%	3.2
Copernicus								
Resources		0.5	1.23%	6.0	0.82%	4.0	0.04%	0.2
Reserves		0.2	1.03%	2.3	0.63%	1.4	0.04%	0.1
Lanfranchi (other)								
Resources		8.0	1.86%	148.5				
Reserves		2.2	2.45%	55.0				

NPV (HJ12)

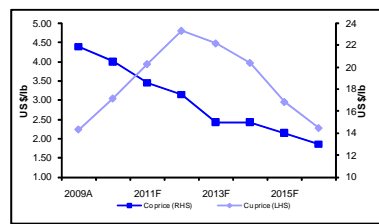
	A\$m	A\$ps	(%)
Savannah	138	0.68	45%
Lanfranchi	145	0.71	48%
Copernicus	10	0.05	3%
Exploration	60	0.29	20%
Investments	11	0.05	4%
Corporate	(59)	(0.29)	-19%
Gross Asset Value	305	1.50	100%
Net debt	(102)	(0.50)	
Valuation	408	2.00	

*NPV discounting rate: 10.0%

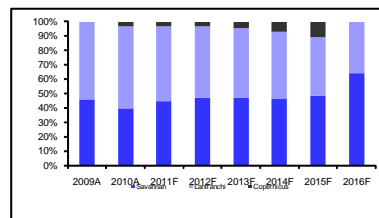
Nickel Price & AUDUSD



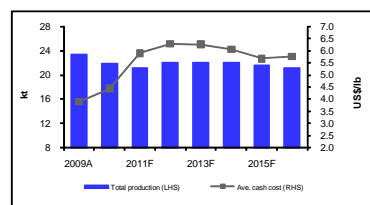
Copper Price & Cobalt Price



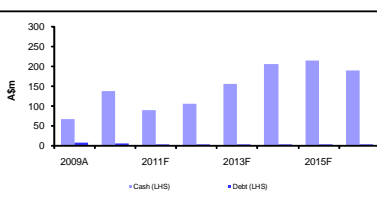
NPV by Asset



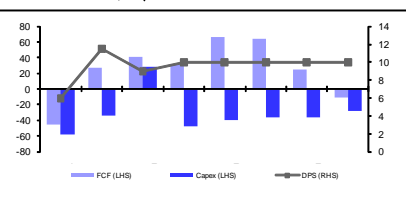
Production vs. Cash Costs



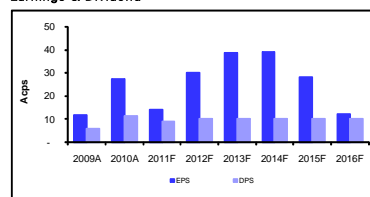
Cash and Debt



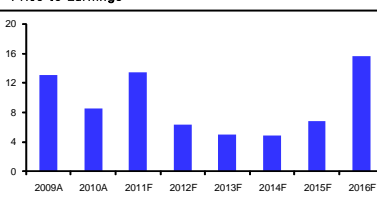
Free Cashflows, Capex & Dividend



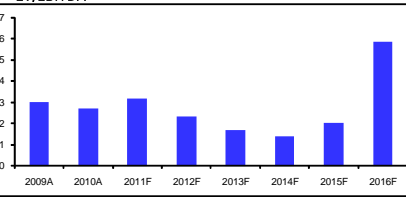
Earnings & Dividend



Price to Earnings



EV/EBITDA



Source: Deutsche, company data

Investment thesis

Outlook

PAN is one of Australia's largest nickel producers; however, it has high costs. Group production has steadily increased from ~10kt in FY2005 to 18.8kt (100% basis) in FY2009 before steadying to 17.0kt in FY10. Increases were mainly due to the discovery and first production from the large (72kt Ni) Deacon orebody at Lanfranchi. We forecast FY12 group production of 17.4kt. PAN has total reserves supporting 17-18kt of nickel production for at least 8 years (Savannah 9 years, Lanfranchi 7 years). The balance sheet is strong with no debt. However the stock is trading in line with our PT and we rate PAN a HOLD.

Valuation

Our price target is set broadly in line with our DCF valuation. Our DCF assumes a long-term nickel price of US\$7.71/lb, and AUD/USD of 0.78. We discount the life of mine cash flow from PAN's operations using a real discount rate of 10%, consistent across the mining companies in our coverage universe.

Risks

Downside risks include potential weakness in the nickel price plus lower grades and/or higher mining and development costs at both the Lanfranchi and Savannah operations. Upside risks centre around operational outperformance, i.e. higher tonnes and grades. Macro risks include movements in the nickel, copper, and AUD/USD.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Panoramic Resources	PAN.AX	1.91 (AUD) 27 Jul 11	NA

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

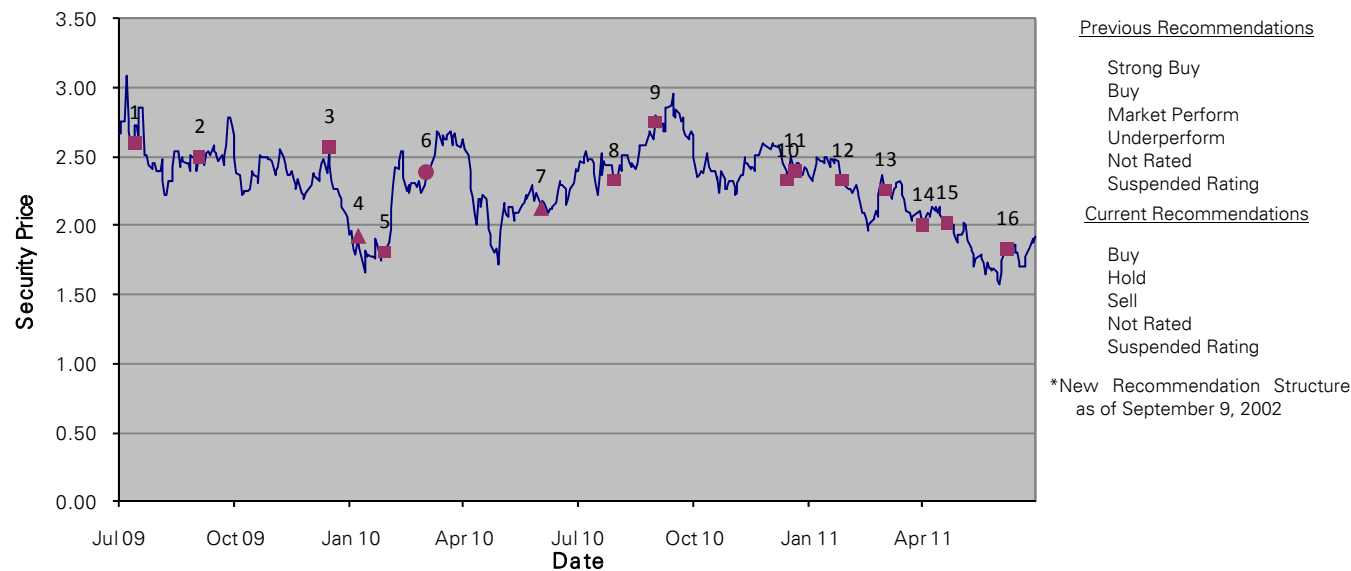
For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=PAN.AX>.

Analyst Certification

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

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

(as of 7/27/2011)



1.	10/8/2009:	Hold, Target Price Change AUD2.30	9.	28/9/2010:	Buy, Target Price Change AUD2.94
2.	1/10/2009:	Hold, Target Price Change AUD2.45	10.	11/1/2011:	Buy, Target Price Change AUD3.30
3.	12/1/2010:	Hold, Target Price Change AUD2.60	11.	17/1/2011:	Buy, Target Price Change AUD3.28
4.	4/2/2010:	Upgrade to Buy, Target Price Change AUD2.70	12.	24/2/2011:	Buy, Target Price Change AUD3.00
5.	25/2/2010:	Buy, Target Price Change AUD2.50	13.	30/3/2011:	Buy, Target Price Change AUD2.52
6.	30/3/2010:	Downgrade to Hold, Target Price Change AUD2.35	14.	29/4/2011:	Buy, Target Price Change AUD2.46
7.	29/6/2010:	Upgrade to Buy, Target Price Change AUD2.75	15.	18/5/2011:	Buy, Target Price Change AUD2.22
8.	26/8/2010:	Buy, Target Price Change AUD2.85	16.	5/7/2011:	Buy, Target Price Change AUD2.12

Equity rating key Equity rating dispersion and banking relationships

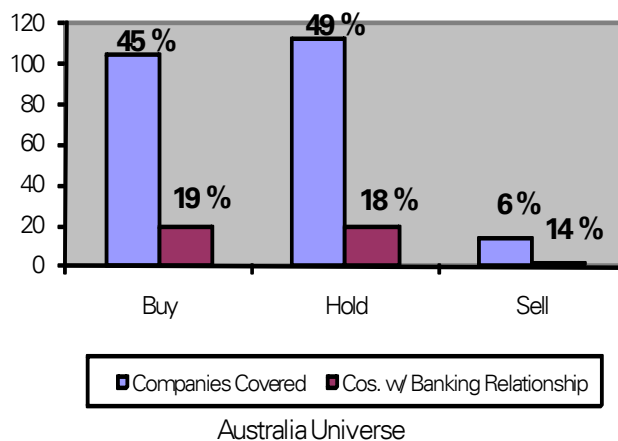
Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

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

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

Notes:

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



Regulatory Disclosures

1. Important Additional Conflict Disclosures

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