



21 October 2011

Panoramic Resources

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

Savannah leads the way in steady September Q

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4,440t Ni, on track to meet 17,500 - 18,500t guidance, still awaiting catalyst

PAN has reported group Ni in conc. of 4.4kt (DBe 4.3kt) with a 2.4kt contribution from Lanfranchi and 2kt from Savannah (9% increase qoq). Costs of A\$6.32/lb were up slightly on last quarter (A\$6.25/lb) largely due to longer than anticipated maintenance at Lanfranchi. We continue to believe the company is on track to at least hit the bottom end of guidance (DBe 17.5kt). PAN remains undemanding on valuation however we await a catalyst which would most likely come from exploration success or fast tracking the Gidgee Gold Project. Hold; PT \$1.61/sh.

PAN production of 4,440t Ni (-4% qoq) at US\$6.32/lb payable cash costs

In 1Q 2012, PAN is running at a run rate that should see it hit the bottom of the 17.5-18.5kt guidance following 1Q production of 4,440t Ni, 1,335t Cu and 113t Co. Upside exists if Savannah grades are maintained (1.5% for 1Q). The Lanfranchi capital works are now complete so the stopping disruptions should be behind it which could see reduced cash costs (DBe FY12 group cash costs A\$6.20/lb).

Exploration and business development remain key value drivers

While the low end of PAN FY12 guidance (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 (~\$15m budget) continues to focus on Savannah (near mine), Deacon/Schmitz and Helmut South at Lanfranchi, the East Kimberly JV, and Scandinavian targets.

Gidgee Gold Project could be closer than first thought

At Gidgee a ~500koz reserve with grades ~5g/t for ~100kozpa production from mid 2014 was the initial target, however it is possible that this may be fast tracked. Drilling is commencing late October (~\$4m budget), an updated resource is then due 1Q 2012 before the feasibility outcome in late 2Q. A 12-18 month construction period is then possible for a late 2013 startup. The plant (600ktpa) upgrade capex should be ~\$20m with further spending required for mine and infrastructure which would be funded by the strong net cash position (~A\$100m).

PT A\$1.61/sh (prev. A\$1.66/sh) set in line with DCF valuation retain; HOLD

Our \$1.61/sh PT is broadly based on our \$1.61/sh DCF using our long term nickel price of US\$7.71/lb, AUDUSD of 0.80 and 10% discount rate. Downside risks include lower grades and/or higher mining and development costs at both the Lanfranchi and Savannah operations. Upside risks surround higher prices and or new discoveries. Macro risks revolve around the nickel price, and AUDUSD (p.4).

Forecasts and ratios

Year End Jun 30	2011A	2012E	2013E	2014E	2015E
Net Profit (AUDm)	22	25	36	29	40
EPS (AUD)	0.11	0.12	0.17	0.14	0.19
% Change	0.0%	1.9%	-1.3%	0.0%	0.0%
PER (x)	21.5	10.6	7.3	9.0	6.6
EV/EBITDA (x)	5.1	2.4	2.0	2.1	2.2

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, except P/B

Company Update

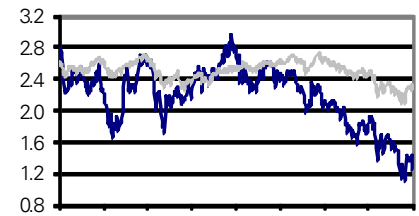
Hold

Price at 21 Oct 2011	1.27
Price target - 12mth	1.61
52 week range (AUD)	2.69 - 1.10
ALL ORDINARIES	4.207

Key changes

Price target	1.66 to 1.61	↓	-3.0%
Sales (FYE)	277 to 279	↑	0.5%
EBIT margin (FYE)	11.4 to 11.6	↑	1.6%

Price/price relative



10/09 1/10 4/10 7/10 10/10 1/11 4/11 7/11

— Panoramic Resources
— ALL ORDINARIES (Rebased)

Performance (%)	1m	3m	12m
Absolute	-11.6	-30.4	-53.3
ALL ORDINARIES	2.0	-8.9	-10.4

Stock data

Market cap (AUDm)	263
Market cap (USDm)	268
Shares outstanding (m)	207.1
Daily volume (USDm)	1.52
Free float	100.00

Key indicators (FY1)

ROE (%)	8.0
ROA (%)	9.6
Net debt/equity (%)	-24.9
Book value/share (AUD)	1.50
Price/book (x)	0.8
Net interest cover (x)	-11.2
EBIT margin (%)	11.6

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: 21 October 2011

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

Reuters: PAN.AX

Bloomberg: PAN AU

Hold

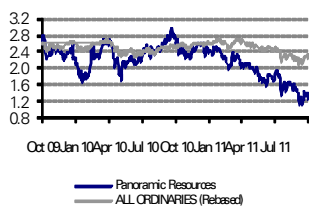
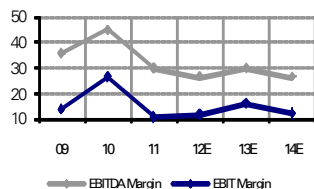
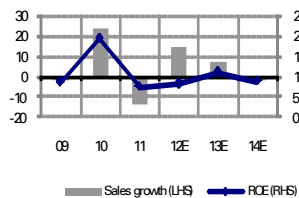
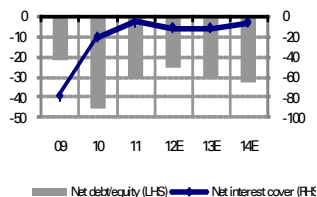
Price (21 Oct 11) AUD 1.27

Target price AUD 1.61

52-week Range AUD 1.11 - 2.69

Market Cap (m) AUDm 263
USDm 268**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	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (AUD)	0.12	0.27	0.11	0.12	0.17	0.14
Reported EPS (AUD)	0.03	0.27	0.11	0.12	0.17	0.14
DPS (AUD)	0.06	0.17	0.06	0.10	0.10	0.10
BVPS (AUD)	1.40	1.42	1.46	1.50	1.57	1.61
Valuation Metrics						
Price/Sales (x)	1.4	1.7	2.0	0.9	0.9	0.9
P/E (DB) (x)	13.0	8.5	21.5	10.6	7.3	9.0
P/E (Reported) (x)	55.7	8.5	21.5	10.6	7.3	9.0
P/BV (x)	1.6	1.5	1.2	0.8	0.8	0.8
FCF yield (%)	5.7	27.8	25.4	24.2	25.9	20.3
Dividend yield (%)	3.9	7.1	2.6	7.9	7.9	7.9
EV/Sales	1.0	1.3	1.5	0.6	0.6	0.5
EV/EBITDA	2.9	3.0	5.1	2.4	2.0	2.1
EV/EBIT	7.4	5.1	14.1	5.5	3.7	4.4

Income Statement (AUDm)

Sales	229	283	243	279	299	295
EBITDA	81	127	72	73	89	77
EBIT	31	75	26	32	48	36
Pre-tax profit	5	78	31	35	52	42
Net income	6	56	22	25	36	29

Cash Flow (AUDm)

Cash flow from operations	34	140	52	68	82	67
Net Capex	-16	-7	70	-4	-14	-14
Free cash flow	18	133	122	64	68	53
Equity raised/(bought back)	0	1	3	0	0	0
Dividends paid	-12	-25	-22	-18	-21	-21
Net inc/(dec) in borrowings	-5	-5	-3	0	0	0
Other investing/financing cash flows	-60	-102	-48	-43	-10	-10
Net cash flow	-61	0	41	-13	21	11
Change in working capital	0	0	0	0	0	0

Balance Sheet (AUDm)

Cash and cash equivalents	67	137	92	78	100	110
Property, plant & equipment	59	52	66	54	51	49
Goodwill	0	0	0	0	0	0
Other assets	254	227	251	285	287	284
Total assets	380	417	409	417	438	443
Debt	7	5	1	1	1	1
Other liabilities	87	121	104	106	111	108
Total liabilities	94	126	106	107	112	109
Total shareholders' equity	286	291	303	310	326	334
Net debt	-61	-133	-90	-77	-99	-109

Key Company Metrics

Sales growth (%)	-1.6	23.9	-14.1	14.4	7.3	-1.4
DB EPS growth (%)	-57.9	132.6	-60.7	10.8	46.2	-19.1
Payout ratio (%)	217.1	60.3	55.7	83.8	57.3	70.9
EBITDA Margin (%)	35.3	44.9	29.5	26.3	29.7	26.1
EBIT Margin (%)	13.7	26.4	10.7	11.6	15.9	12.1
ROE (%)	8.4	19.3	7.4	8.0	11.1	8.7
Net debt/equity (%)	-21.2	-45.6	-29.8	-24.9	-30.3	-32.7
Net interest cover (x)	-79.2	-20.8	-5.5	-11.2	-12.1	-6.0

DuPont Analysis

EBIT margin (%)	13.7	26.4	10.7	11.6	15.9	12.1
x Asset turnover (x)	0.6	0.7	0.6	0.7	0.7	0.7
x Financial cost ratio (x)	1.0	1.0	1.2	1.1	1.1	1.2
x Tax and other effects (x)	0.2	0.7	0.7	0.7	0.7	0.7
= ROA (post tax) (%)	1.5	13.5	5.5	5.9	8.2	6.6
x Financial leverage (x)	1.3	1.4	1.3	1.1	1.0	0.9
= ROE (%)	2.0	19.3	7.2	6.7	8.4	6.0
annual growth (%)	-91.5	885.0	-62.6	-7.5	25.3	-28.8
x NTA/share (avg) (x)	1.4	1.4	1.5	1.8	2.1	2.4
= Reported EPS	0.03	0.27	0.11	0.12	0.17	0.14
annual growth (%)	-90.2	895.5	-60.7	10.8	46.2	-19.1

Source: Company data, Deutsche Bank estimates

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PANORAMIC OPERATIONAL AND FINANCIAL SUMMARY DATA

		2009A	2010A	2011A	2012F	2013F	2014F	2015F	2016F	2017F	2018F
COMMODITY & CURRENCY											
Nickel	US\$/lb	6.03	8.82	10.88	9.98	10.44	9.98	9.64	9.64	9.87	8.85
Nickel	A\$/lb	8.08	9.99	10.97	9.99	10.89	10.78	10.75	11.10	11.78	10.93
Copper	US\$/lb	2.23	3.04	3.94	3.92	4.08	3.87	3.65	3.64	3.86	3.12
Cobalt	US\$/lb	21.86	20.52	18.56	17.50	15.00	15.00	14.00	13.00	13.00	13.00
AUDUSD		0.75	0.88	0.99	1.00	0.96	0.93	0.90	0.87	0.84	0.81

PRODUCTION

Savannah											
Ore mined & processed	kt	679	674	601	675	690	690	680	680	680	680
Ni grade	%	1.35%	1.25%	1.34%	1.31%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%
Cu grade	%	0.7%	0.6%	0.6%	0.7%	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	%	88.2%	86.3%	85.6%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%
Cu recovery	%	96.2%	96.2%	95.7%	96.2%	96.0%	96.0%	96.0%	96.0%	96.0%	96.0%
Co recovery	%	90.7%	90.1%	88.6%	90.1%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Nickel (in conc.)	kt	8.1	7.3	6.9	7.6	7.4	7.4	7.3	7.3	7.3	7.3
Copper (in conc.)	kt	4.2	4.0	3.7	4.3	4.2	4.2	4.1	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	406	399	412	408	410	410	400	380	380	0
Ni grade	%	2.65%	2.55%	2.45%	2.43%	2.45%	2.45%	2.45%	2.45%	2.45%	0.00%
Nickel (in feed)	kt	10.7	10.1	10.1	9.9	10.0	10.0	9.8	9.3	9.3	-

Total Ni in conc.	kt	18.7	17.4	17.0	17.5	17.4	17.4	17.1	16.6	16.6	7.3
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CASH COST

Savannah											
C1 - pre metal credits	US\$/lb	4.95	5.85	7.89	7.94	7.74	7.95	7.99	7.90	7.80	7.76
C1 - net metal credits	US\$/lb	3.15	3.67	5.44	6.05	5.81	6.09	6.24	6.20	6.02	6.25

Lanfranchi											
C1 - pre metal credits	US\$/lb	3.92	4.91	5.82	6.57	6.48	6.54	6.43	6.36	6.21	-
C1 - net metal credits	US\$/lb	3.98	4.99	5.89	6.45	6.33	6.40	6.31	6.24	6.07	-

Average cash cost	US\$/lb	3.53	4.28	5.66	6.23	6.05	6.23	6.27	6.21	6.05	6.25
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CAPEX

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

Lanfranchi											
Development	A\$m	10.0	10.0	6.0	15.0	5.0	5.0	5.0	3.0	-	-
Sustaining	A\$m	0.8	0.8	1.4	1.4	1.4	1.4	1.4	1.3	1.3	-

Total exploration expense	A\$m	3.1	1.7	10.4	16.0	16.0	12.0	12.0	12.0	12.0	12.0
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SALES REVENUE BY ASSET

Savannah											
Nickel	A\$m	99	108	115	115	122	120	118	122	130	120
Copper	A\$m	13	15	16	18	20	19	18	19	21	17
Cobalt	A\$m	13	10	8	8	7	8	7	7	7	8

Lanfranchi											
Nickel	A\$m	149	206	144	128	141	140	136	134	142	-

OPERATING PROFIT BY ASSET

Savannah	A\$m	48.1	68.3	12.9	27.4	34.4	26.1	34.8	36.7	43.6	28.3
Lanfranchi	A\$m	14.4	42.7	52.0	23.4	33.2	27.7	33.2	34.0	41.2	-

RESOURCES & RESERVES

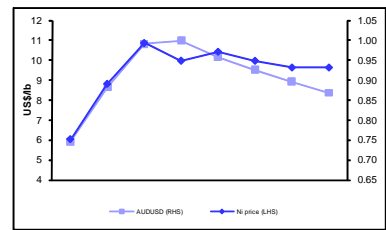
		Mt	%Ni	kt Ni	%Cu	kt Cu	%Co	kt Co
Savannah								
Resources		5.4	1.54%	83.1	0.78%	42.0	0.08%	4.3
Reserves		5.3	1.20%	63.5	0.63%	33.4	0.01%	3.2
Copernicus								
Resources		0.5	1.23%	6.0	0.82%	4.0	0.04%	0.2
Reserves		0.2	1.03%	2.3	0.63%	1.4	0.04%	0.1
Lanfranchi (other)								
Resources		8.0	1.86%	148.5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

NPV (HJ12)

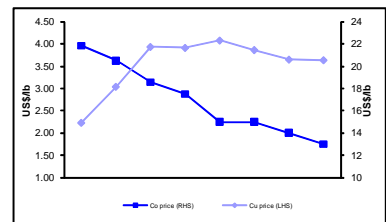
	A\$m	A\$ps	(%)
Savannah	134	0.65	52%
Lanfranchi	128	0.62	50%
Copernicus	10	0.05	4%
Gidjee	16	0.07	6%
Exploration	30	0.14	12%
Investments	8	0.04	3%
Corporate	(70)	(0.34)	-28%
Gross Asset Value	255	1.23	100%
Net debt	(77)	(0.37)	
Valuation	333	1.61	

* NPV discounting rate: 10.0%

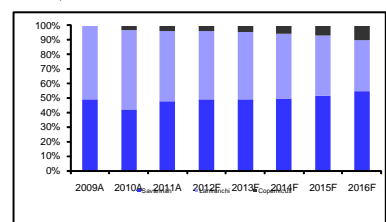
Nickel Price & AUDUSD



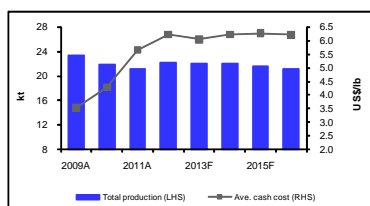
Copper Price & Cobalt Price



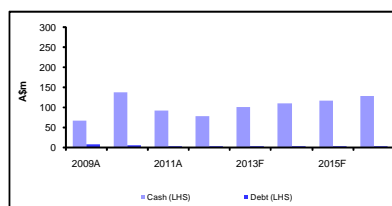
NPV by Asset



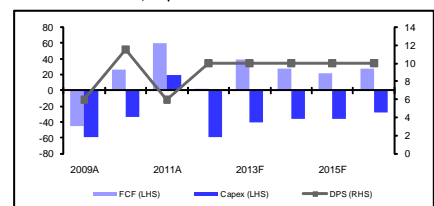
Production vs. Cash Costs



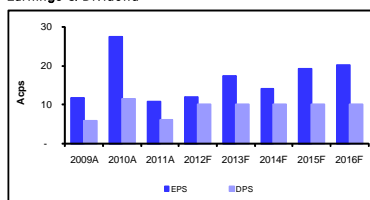
Cash and Debt



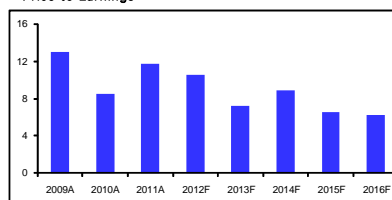
Free Cashflows, Capex & Dividend



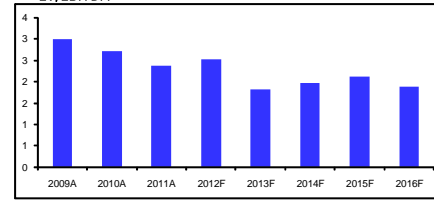
Earnings & Dividend



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 and FY11. 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 AUDUSD of 0.80. 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 AUDUSD.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Panoramic Resources	PAN.AX	1.26 (AUD) 20 Oct 11	NA

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

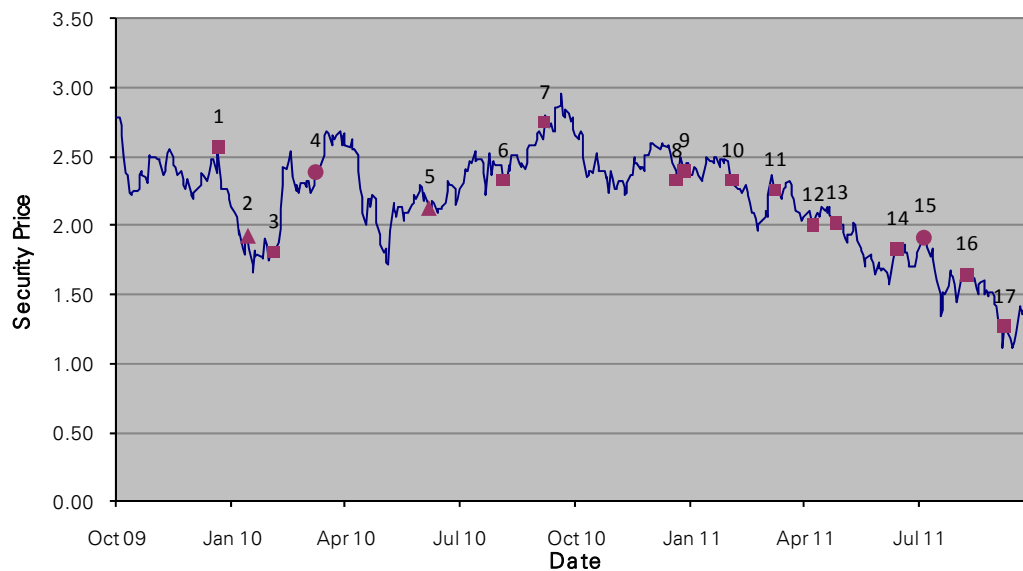
For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=PAN.AX>.

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 10/20/2011)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	12/1/2010:	Hold, Target Price Change AUD2.60	10.	24/2/2011:	Buy, Target Price Change AUD3.00
2.	4/2/2010:	Upgrade to Buy, Target Price Change AUD2.70	11.	30/3/2011:	Buy, Target Price Change AUD2.52
3.	25/2/2010:	Buy, Target Price Change AUD2.50	12.	29/4/2011:	Buy, Target Price Change AUD2.46
4.	30/3/2010:	Downgrade to Hold, Target Price Change AUD2.35	13.	18/5/2011:	Buy, Target Price Change AUD2.22
5.	29/6/2010:	Upgrade to Buy, Target Price Change AUD2.75	14.	5/7/2011:	Buy, Target Price Change AUD2.12
6.	26/8/2010:	Buy, Target Price Change AUD2.85	15.	27/7/2011:	Downgrade to Hold, Target Price Change AUD2.00
7.	28/9/2010:	Buy, Target Price Change AUD2.94	16.	29/8/2011:	Hold, Target Price Change AUD1.95
8.	11/1/2011:	Buy, Target Price Change AUD3.30	17.	28/9/2011:	Hold, Target Price Change AUD1.66
9.	17/1/2011:	Buy, Target Price Change AUD3.28			

Equity rating key

Equity rating dispersion and banking relationships

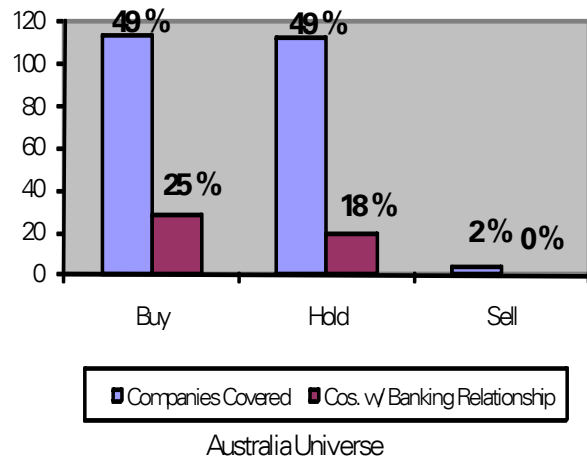
Buy: Based on a current 12- month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

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.

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 - Buy: Expected total return (including dividends) of 10% or more over a 12-month period
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