



Nickel : Panoramic Resources Limited (PAN)

By : Eagle Research (Keith Goode)	VISIT TO SAVANNAH & LANFRANCHI JUNE 2010			29 July 2010
Year Low/High:	\$1.64 - \$3.13	Shares :	Recommendation	BUY
Diluted No. Shares	208.3m	205.3m ords	Share Price	\$2.47
Diluted Mkt Cap :	A\$514m	4.4m options	Target price (7.5%NPV: \$2.81)	> A\$2.80
Net Cash (31 Dec 09)	\$107.3m	(3m-in-money)	www.panoramicrosources.com	T: (+618) 9225 0999

Panoramic Resources Limited (PAN) – Settling into a Production Range ~19,000tpaNi

- *Accepting that production in FY2010 was lower than expected, and having given guidance for FY2011 of 18,000t to 19,000tNi, Panoramic appears to be settling into a nickel production range of ~18,500tpaNi to 19,500tpaNi or ~19,000tpaNi as shown in our/ERA production scenario forecast.*
- *Lanfranchi could produce more tonnage (given it was producing at ~80,000tpm on the day of our visit, applying a revised sub-level stoping method), and grades could be higher as the mine moves into the higher grade keel zone of Deacon, while Savannah's grades may also be higher.*
- *Although Deacon remains open at depth, as do the other orebodies of Schmitz and the namesake Lanfranchi, PAN's Lanfranchi mine continues to search for another significant orebody. A new approach has shown that the nickel mineralisation at Lanfranchi appears to be controlled both N/S and NNW/SSE, which has resulted in a number of new targets, along with the Lanfranchi West extension.*
- *The intersection of 2.9m @ 3.0%Ni in drillhole KUD 810 and EM plate into the deeps below the 900 fault at Savannah opens up another extension to Savannah's life. A drill drive is planned to be developed in the coming FY to June 2011 to further delineate the upside depth potential at Savannah.*
- *Panoramic intends to have a significant exploration programme during the coming year of 2010/2011, undertaking deep drilling at Lanfranchi plus drill drives to probe the extensions of the known lava channels. While at Savannah, aside from the drilling beyond the 900 fault, a number of new near mine and regional targets are to be tested following results from the recent higher resolution gravity survey.*

FINANCIAL ESTIMATES : (Note : This ERA scenario is just one of a number of possible scenarios that could occur)

Year end June		2009a	DH09a	JH10f	2010f	2011f	2012f	2013f
Lanfranchi NM Ni Prodn (ore) (100%)	t	10691	4706	5615	10321	11094	11250	11250
Savannah NM Ni Prodn (cons) (100%)	t	8062	3897	3422	7319	7633	8050	8050
Ni Prodn (100% basis)	t	18753	8603	9036	17639	18727	19300	19300
Payable Ni	t	11484	5341	5608	10949	11672	12047	12047
Ni Price	US\$/t	13358	17587	21647	19617	19836	19836	19836
Ni Price	US\$/lb	6.06	7.98	9.82	8.90	9.00	9.00	9.00
Lanfranchi Cost Payable Ni	US\$/lb	4.09	5.30	5.20	5.25	4.90	4.75	4.75
Savannah Cost Payable Ni	US\$/lb	3.90	4.16	5.29	4.69	4.60	4.41	4.35
NPAT	A\$m	5.3	23.1	33.6	56.7	43.9	63.8	65.4
EPS (205m shares)	Ac	3	11	16	28	21	31	32
DPS	Ac	2	10	5	15	10	15	15
P/E ratio @ A\$2.47	x	n/a	n/a	n/a	8.9	11.6	7.9	7.8

OTHER KEY POINTS:

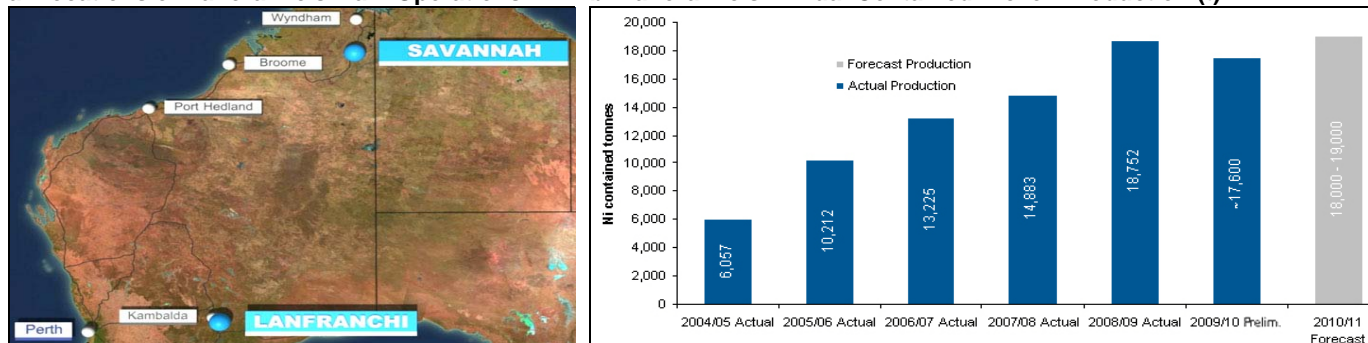
- PAN's 7.5%NPV using a Ni price of US\$9.00/lb (~US\$19,800/t) is ~A\$2.81 but it is significantly sensitive to the nickel price, *rising by ~A\$0.60 per US\$1/lbNi increase.*
- Panoramic is making steady progress in its other joint ventures and expects to drill a number of nickel targets near Skellefteå in Northern Sweden during the coming year.
- PAN is expected to continue with its dividend policy of paying ~ 40% to 50% of its earnings in dividends, which could result in a 5c final for y/e June 2010, and possibly ~10c to 15cpa from 2011.
- PAN's Savannah Lower Zone reserves should be included in the July 2010 revised resources, reducing D & A provisions.

Corporate Overview

Since our last report on Panoramic Resources Limited (PAN) dated 15 July 2009, no further placements or raisings have been made, resulting in the current **205.3m fpo shares** and **4.4m options** in issue (all in-the-money, being 1.4m at A\$2.20 by 31 December 2010, and 3m at \$1.50 by 31 December 2012).

PAN still has its two wholly owned (100%) operating nickel mines, being Savannah Nickel Mines (SNM) about 120km north of Halls Creek in northern WA, and Lanfranchi Nickel Mines (LNM) about 52km south of Kambalda, as shown in Figure 1a, plus a number of exploration joint ventures, mostly in Australia.

Figure 1. Locations of Panoramic's Main Operations, & Panoramic's Annual Contained Nickel Production (t)



Panoramic's Production Capabilities

On the days of our site visits to Panoramic's Lanfranchi and Savannah operations in June 2010, both of the mining operations were coincidentally producing/treating ~2800tpd which is equivalent if sustained to ~80,000tpm, or approaching 1mtpa. When combined with higher grades at Deacon, production **could be in the range of 19,000t to 20,000t Ni in y/e 2011**, which could have a material impact on profitability.

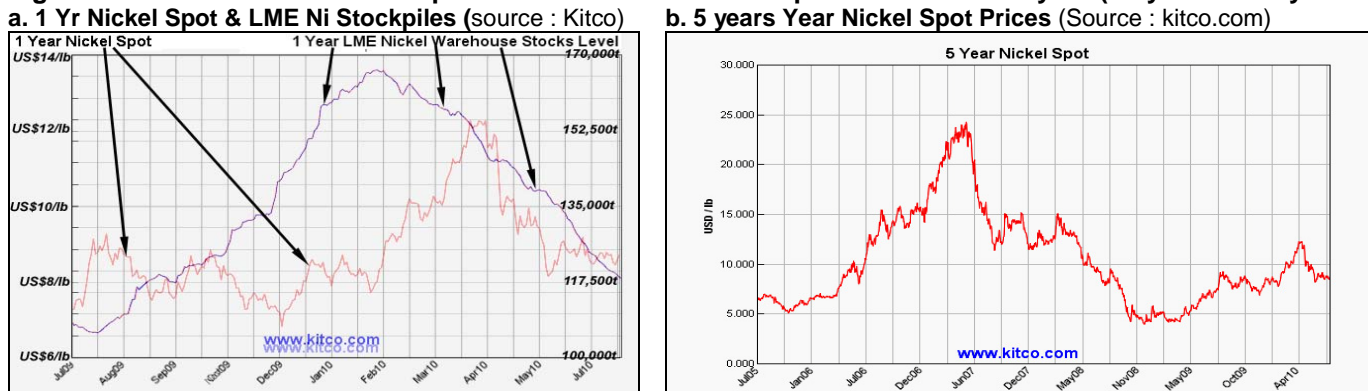
In **Savannah's** case the treatment rate was a function of the plant still running on a 2 weeks on, 1 week off basis, with the mine production closer to 2,000tpd **or 60,000tpm**. The resulting 720,000tpa from Savannah was expected to be maintained, and may increase to 65,000tpm when some Atlas Copco trucks are expected to be purchased during 2H2010.

It is possible that the spare capacity at Savannah could be used to treat **Copernicus** ore, being a resource of 0.81mt @ 1.23%Ni of which 0.39mt @ 1.08%Ni is measured **and 0.37mt @ 1.03%Ni** is probable reserve. However, Copernicus (60PAN/40Thundelarra JV) ore has to be batch treated as it could reduce Savannah ore's recovery due to Copernicus' higher MgO content requiring the addition of guar to suppress the MgO. **We have not included Copernicus treatment** in our modelling.

At **Lanfranchi**, the recent production trucking ore to the Nickel West concentrator in Kambalda was interesting as to **what capacity can Lanfranchi sustain** as the achievement of ~2800t within a day is with the ramp-up of the revised sub-level stoping production method at Deacon. Lanfranchi's target is ~35,000tpm to 40,000tpm and we have increased production to ~450,000tpa by 2012, however, the production rates could be much higher. In our sensitivity analysis in Table 4 on page 9 of this report, an **additional 25,000tpa** can increase the NPV by ~14c & the after-tax profits from y/e 2011 by **~\$4.1mpa**.

Nickel Market and Metal Prices

Figure 2. One and 5 Year Nickel Spot Prices and LME Ni Stockpiles over the Past year (July 2009 / July 2010)



During the past year to July 2010, the nickel price has appeared to continue ignoring the falling level of the LME nickel stockpiles as shown in Figure 2a (it used to logically have a classic inverse correlation). Possibly it is because that when the nickel LME stockpile holdings reached very low levels and very high nickel prices as shown in Figure 2b ahead of the GFC, the LME warehouse holding rules for nickel were

relaxed – twice, thus altering the classic correlation. Alternatively the price movements may have more fundamental controls behind them. China has stated that it intends to have annual GDP growth averaging 8%pa and periodically needs to rein it back if it accelerates too much (recently it has been ~14%pa).

Feedback we have from China is that parts of it still appear to be powering ahead, and in the last China Mining Conference in October 2009, China stated that it expected growth in iron ore and steel to increase materially in 2011, at a time when Europe should also be beginning to recover.

Based on ERA's observations, the nickel sulphide companies appear to mostly need a nickel price of ~US\$6/lb to break even and hence US\$8/lb to achieve a return, while new nickel laterite plants may need a nickel price of US\$12/lb to achieve a return due to the capex range of US\$2bn to US\$5bn per plant.

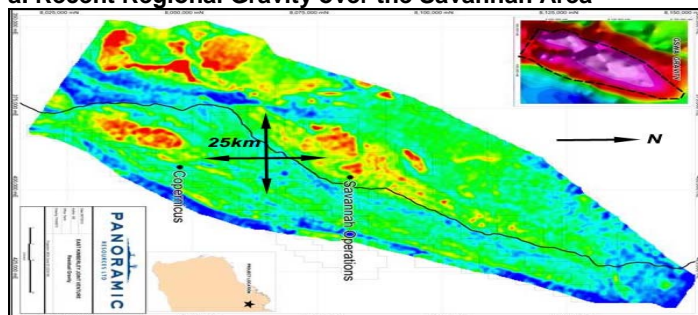
Consequently, when nickel prices exceed US\$12lb, the new nickel laterite operations may become viable, and market dynamics may hence restrict nickel prices at that area. **Hence we have assumed that nickel prices may stay in the US\$9/lb to US\$10/lb region for the coming year to June 2011** and have projected forward on the basis of a base case of US\$9.00/lb with +/- US\$1/lb sensitivities. For our other model parameters, we have left the exchange rate at US\$0.85c per A\$, the cobalt price at US\$40,000/t (~US\$18.15/lb) and copper at about its recent current levels of US\$6800/t (US\$3.09/lb, it has been ~US\$3.10/lb for the past year and overall higher than that for most of the past 5 years).

Other Projects

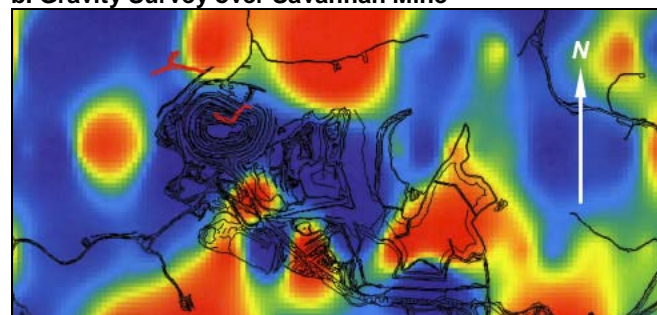
PAN has established a number of exploration JVs throughout the world in addition to the ongoing exploration of its properties. Of particular note in the coming year to June 2011, despite the deep extensional drilling at **Lanfranchi** is the redrill and re-evaluation of the **near surface low grade prospects** of Gigantus and Cruickshanks and whether they can be treated; and the numerous new drilling targets at **Savannah**, following the recent regional gravity survey shown in Figure 3a, with the Savannah mineralisation actually in a gravity low as shown in Figure 3b.

Figure 3. Recent Higher Resolution Regional Gravity Surveys over the Savannah Area and Mine

a. Recent Regional Gravity over the Savannah Area



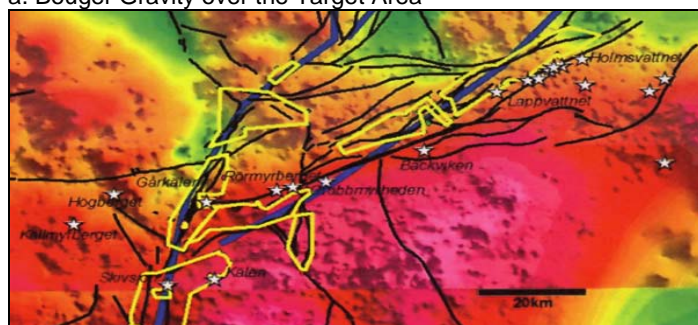
b. Gravity Survey over Savannah Mine



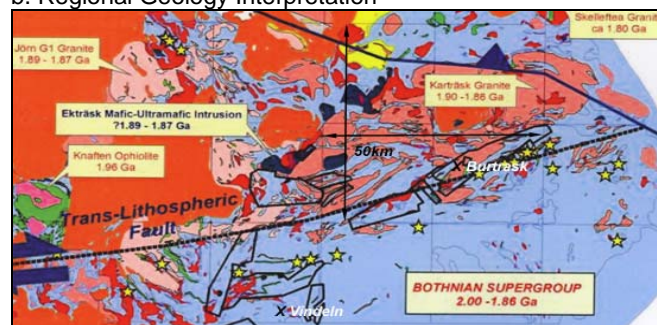
In PAN's Norrland JV (with the Mitchell Group – they established Sally Malay, Albidon and Mirabella) in the Vasterbotten Igneous Complex near Skellefteå (apparently resembles Canada's Thompson Nickel Belt) in **NE Sweden**, **~10 drill ready targets have been identified**. This followed analysis of coincident gravity and mag intensity anomalies over two major intersecting faults on a craton margin as shown in Figures 4a and 4b. Follow-up EM narrowed down the selection, resulting in the drill targets in the vicinity of Vindelns and Burträsk, to be drilled in the coming year (after winter).

Figure 4. Gravity and Interpreted Regional Geology Plans over the Norrland JV's Skellefteå area

a. Bouguer Gravity over the Target Area



b. Regional Geology Interpretation



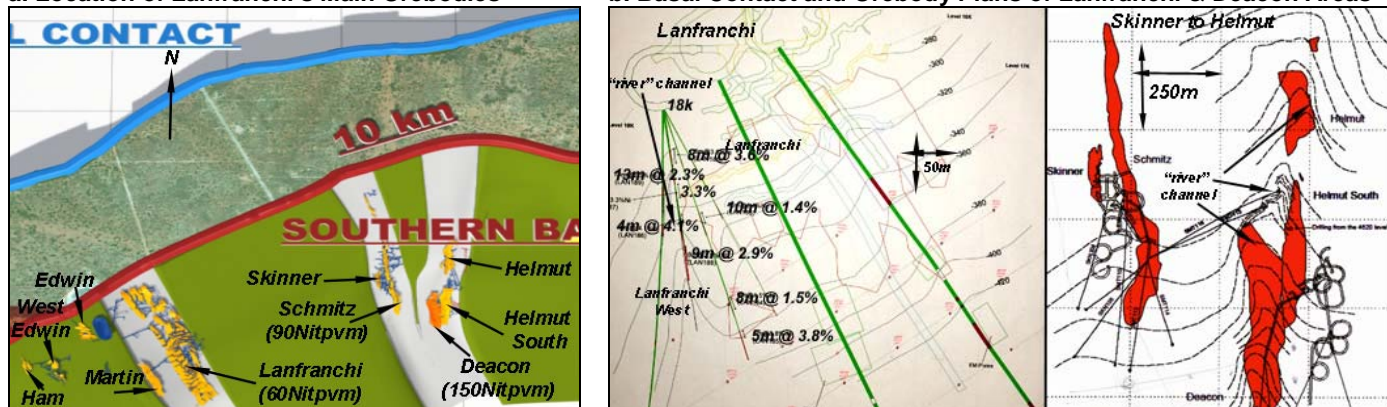
Progress has also been made in the IOCG (copper-gold) **Bluebush JV** in NT, and the **Cowan JVs**, especially on **Lake Zot** (east of Mincor's Mariners in WA) as part of total expected exploration expenditure of **~\$12m** in the coming year. PAN announced two new JVs in late July 2010, being a farm-in with Triton (TON) over their Tushtena gold project in Alaska, and an exploration alliance with Drake Resources in Scandinavia (mostly projects in Sweden). In addition to its exploration joint ventures, Panoramic has completed a number of projects in the past year to reduce costs and improve efficiencies on its operations and expects to gradually implement them, such as having a \$6m **camp** at Lanfranchi (pay-back ~3 years).

Lanfranchi Nickel Mines (LNM owned 100% by PAN)

Geology

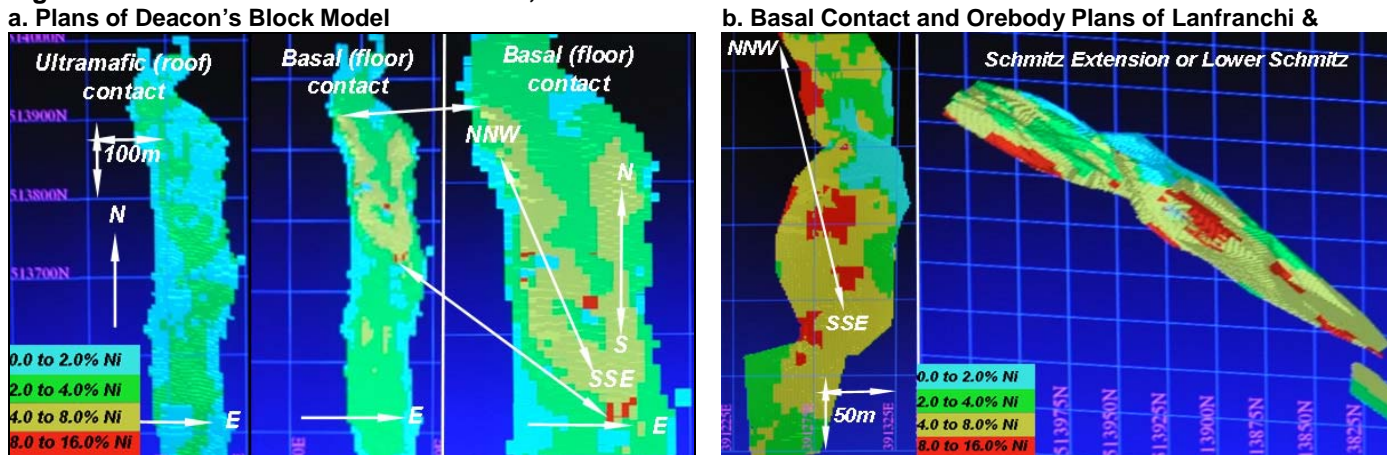
Since our last visit in June 2009, a new approach has been applied to understanding Lanfranchi and its ore controls, and has resulted in a number of new targets. The approach has shown that the NNW/SSE mineralisation trend present in the Lanfranchi namesake mine is also present within the N/S trending orebodies of Schmitz and Deacon, as shown in Figure 5a, and may explain what happened north and south to Skinner.

Figure 5. Location of Lanfranchi's Main Orebodies, Basal Contact and Orebody Plans of Lanfranchi/Deacon
a. Location of Lanfranchi's Main Orebodies **b. Basal Contact and Orebody Plans of Lanfranchi & Deacon Areas**



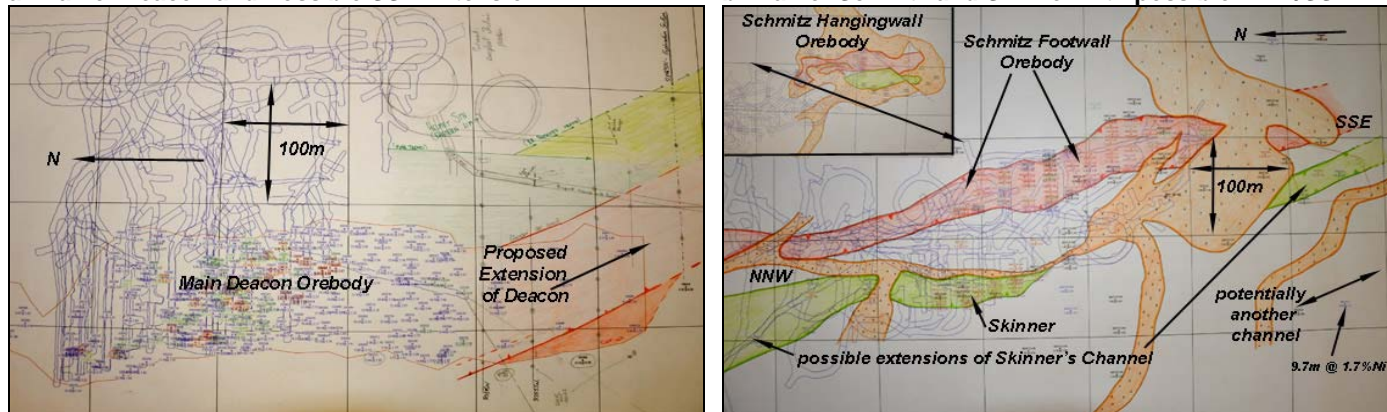
Although it can be seen that most of the Lanfranchi orebodies lie within the "river" channels of the basal contact's topography as shown in Figures 5a and 5b, the potential interpretation breakthrough has been the NNW/SSE trend within Schmitz and Deacon. As shown in the block model of Deacon in Figure 6a, there clearly appears to be two trends within the mineralisation, being NNW/SSE, and N/S, and in the block model of Schmitz Extension, again NNW/SSE.

Figure 6. Plans of Deacon's Block Model, and of Schmitz Extension's Block Model



Extending this perspective further and plotting structural contacts, has resulted in a possible re-interpretation of the deeper parts of Deacon as shown in Figure 7a, possibly extending SSE at depth.

Figure 7. Plan of Deacon and Possible SSE Extension, and of Schmitz and Skinner with possible NNW/SSE
a. Plan of Deacon and Possible SSE Extension **b. Plan of Schmitz and Skinner with possible NNW/SSE**

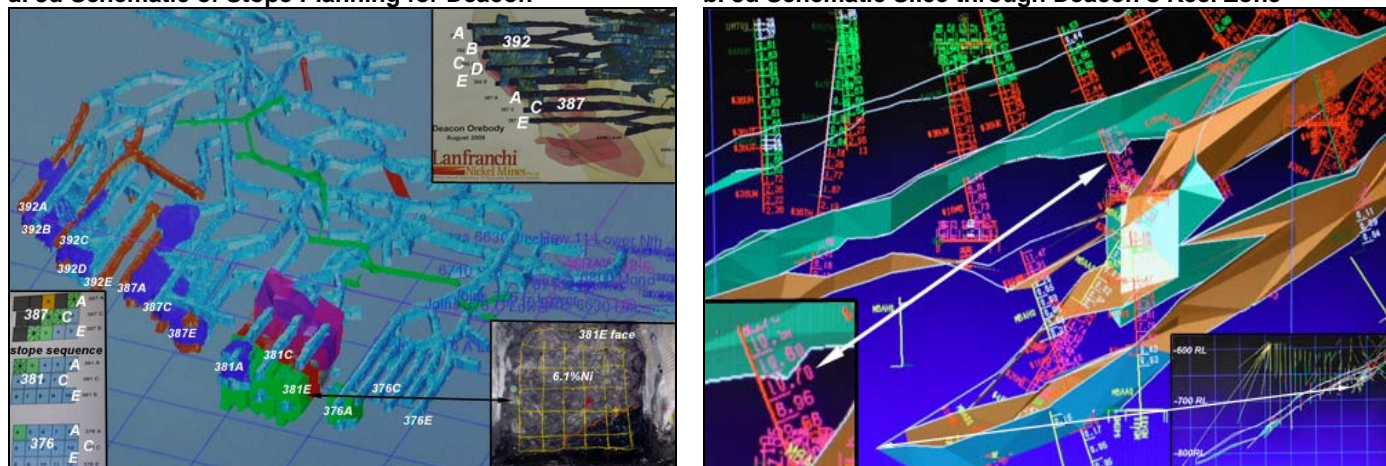


Also plotting the felsic porphyries and structures on Schmitz as shown in Figure 7b, has provided possible target channel extensions of Schmitz and Skinner, both NNW and SSE. (note : Skinner was found in development by WMC & resulted in the best year (2000) being 370,000t @ 4.5%Ni [mostly from Skinner]).

Deacon – Mining and Geology

Deacon has changed from its previous drift and fill technique to more conventional sub-level open-stopping (with geotech also giving approval to go to 30m high stopes) as it begins to enter the higher grade keel zone with its massive nickel values of up to ~11%Ni, as shown in Figure 8a (with a stope sequence from a NW to SE direction). The Deacon mineralisation (when seen) remains impressive as shown inset in Figure 8a, with the face in 381E averaging 6.1%Ni.

Figure 8. 3d Schematic of Stope Planning for Deacon, and 3d Schematic Slice through Deacon's Keel Zone
a. 3d Schematic of Stope Planning for Deacon **b. 3d Schematic Slice through Deacon's Keel Zone**

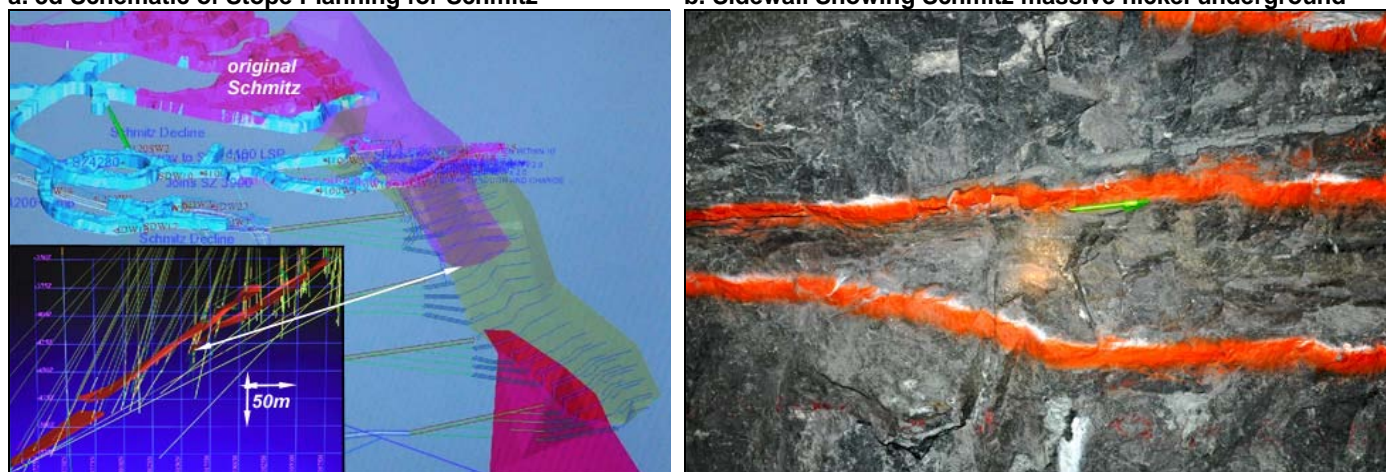


The Deacon keel zone appears to have changed into a fault structure with a basalt footwall block thrust into it as shown in Figure 8b, which may lend itself more easily to sub-level open-stopping. With Winner stoped out and Helmut South also coming to an end, Lanfranchi is focusing on the extensions to Schmitz and its original Lanfranchi namesake orebodies, to supplement Deacon.

Schmitz – Mining and Geology

The deeper extension to Schmitz has mostly been in development in the past year, with resulting grades ~1%Ni, but begins to move into stoping in the 2H of 2010. As shown in Figure 9a, it consists of thin hangingwall and footwall layers, which can also be seen in the sidewall of a drive as in Figure 9b.

Figure 9. 3d Schematic of Stope Planning for Schmitz, and Schmitz Massive Ni in Sidewall Underground
a. 3d Schematic of Stope Planning for Schmitz **b. Sidewall Showing Schmitz massive nickel underground**



There are some higher grade parts to Schmitz as illustrated in its average 4.6%Ni indicated resource shown in Table 1, and in the block model shown in Figure 6b.

Table 1. Main Reserves and Resources at Lanfranchi Nickel Mines as at July 2009 (there are also some copper credits)

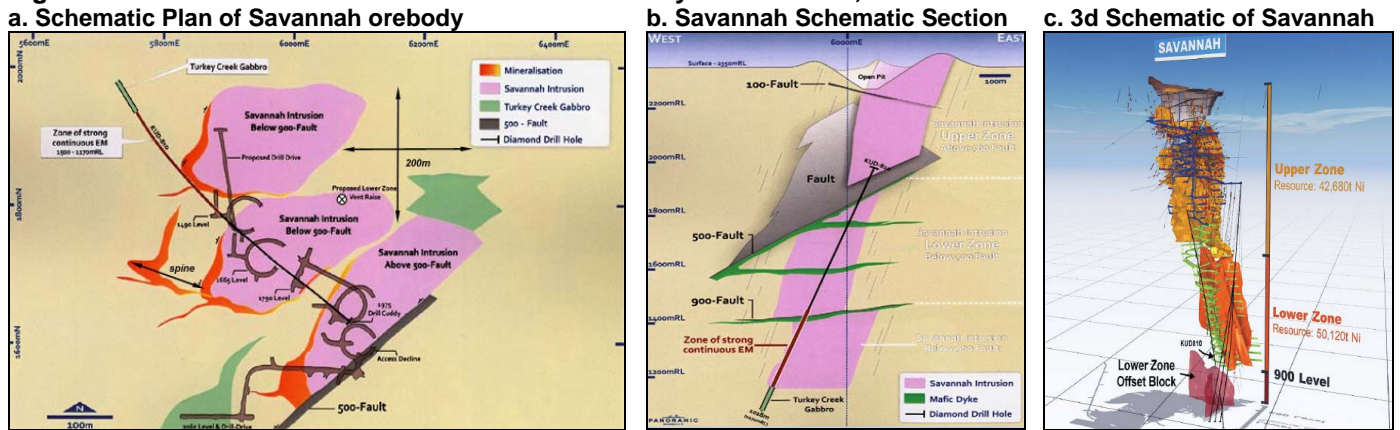
Resources (Jul 09)	000t	Ni%	Ni t	000t	Ni%	Ni t	000t	Ni%	Ni t	000t	Ni%	Ni t
	Measured Resource			Indicated Resource			Inferred Resource			Total Resource		
Deacon				2285	2.95%	67460	16	2.75%	440	2301	2.95%	67900
Helmut South	165	2.8%	4700							165	2.8%	4700
Winner				29	5.5%	1600				29	5.5%	1600
Lanfranchi	6	4.2%	254	67	5.8%	3894	11	5.2%	552	84	5.6%	4700
Sub-total	171	2.9%	4954	2381	3.1%	72954	27	3.7%	992	2579	3.1%	78900
Other Resources as at 30 June 2007 :												
Schmitz Ext				75	4.6%	3420	11	3.5%	380	86	4.4%	3800
Martin				44	3.8%	1692	6	3.5%	208	50	3.8%	1900
Remnants (Helmut, Lanfranchi, Schmitz)				253	2.7%	6816	203	2.0%	4084	456	2.4%	10900
Total	171	2.9%	4954	2753	3.1%	84882	247	2.3%	5664	3171	3.0%	95500

Note : (1). As at July 2009, Deacon's revised ore reserves were 2.44mt @ 2.52%Ni for 61,700tNi

(2). Lanfranchi also has extensive low grade (~1.4%Ni) near surface resources such as Cruickshank and Gigantus

The 2.9m @ 3.0%Ni intersection in drillhole KUD 810 through the deeps (below the 900 fault) opens up Savannah to another lease of life, plus the question as to just how deep does the mineralisation extend to, with a planned drill drive shown in Figure 12a to establish Savannah at depth.

Figure 12. Plan and Section of the Savannah orebody at Savannah, and 3d Schematic

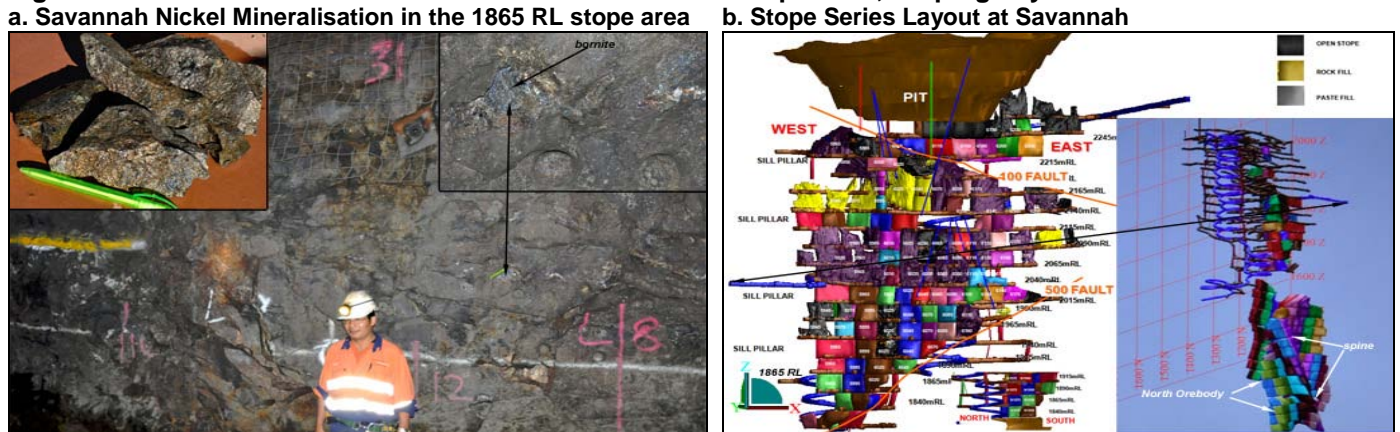


The current broad geological plan and section of the Savannah mineralisation is shown in Figures 12a and 12b, and schematically in 3d in Figure 12c. The Lower Zone below the 500 and 900 fault has a nasal type spine on the northern orebody due to tight folding shown in the Figures.

Mining and Geology

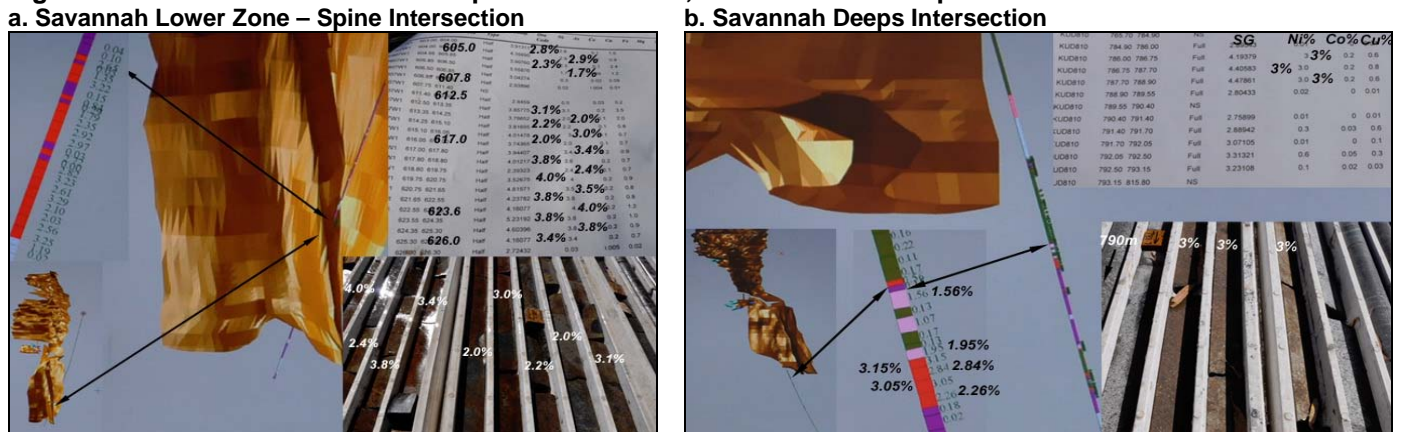
Nickel grades in the past year have been lower than expected at Savannah, below the usual mine average of ~1.3%Ni and instead closer to ~1.2%Ni partly due to a minor paste failure which also reduced recoveries, but mainly due to the blocky ore in the proximity of the 500 fault, resulting in greater than expected dilution. As the Savannah mine is currently passing through the 500 fault area, grades appear likely to initially remain closer to the revised March 2010 ore reserve grades from the Lower Zone of ~1.2%Ni as shown in Table 2, before returning back towards the usual ~1.3%Ni (or possibly higher).

Figure 13. Savannah Nickel Mineralisation in the 1865 RL Stope Area, Stopping Layout at Savannah



Average grades could easily be higher than 1.3%Ni as in-situ grades appear to be closer to 3% to 4%Ni, together with higher copper values (as indicated by the copper mineral, bornite) in the orebody, as shown in Figure 13a on the 1865m RL. Savannah does of course mine a patchwork of sub-level open stopes on different levels as shown in Figure 13b, resulting in its average annual grade, however grades do appear to be improving with depth.

Figure 14. Savannah Lower Zone – Spine Intersection, and Savannah Deeps Intersection



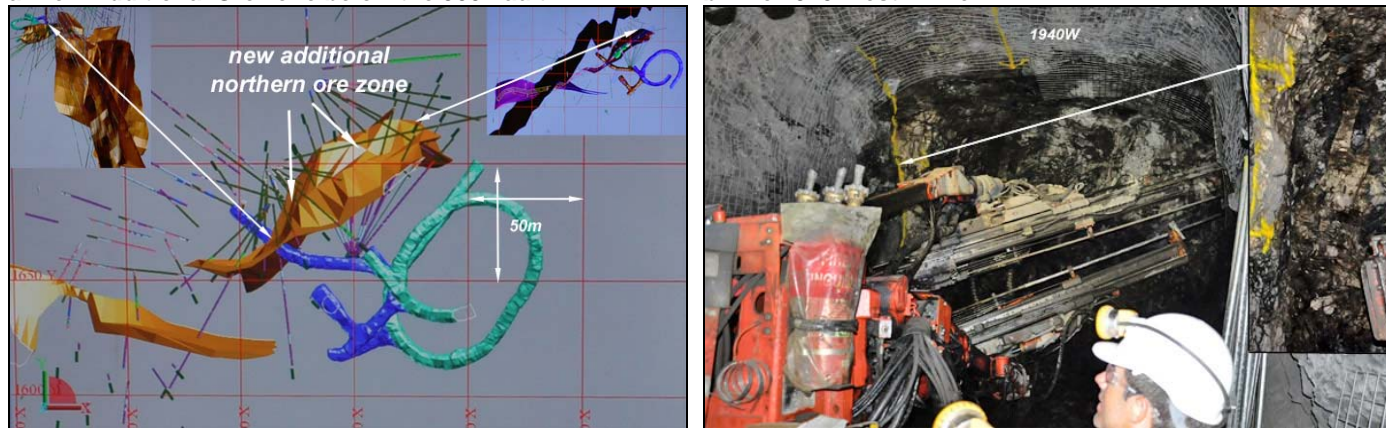
We examined some of the drill core for ground conditions and the blockiness viewed underground can be seen in the vicinity of the 500 fault in both the hangingwall and the footwall, where it appears to mainly be due to dyke infill. Whereas the drill core of the spine area appears to be good ground (plus the ~13m @ 2% to 4%Ni intersection shown in Figure 14a) as does the intersection below the 900 fault in Figure 14b.

The understanding of the Savannah mineralisation at depth is still evolving as indicated by the nickel sulphide unexpectedly encountered in the decline immediately below the 500 fault, giving rise to an additional reasonably developed northern orebody on the boundary between the purple (coloured drill core) Tickalara and green Savannah intrusion host rocks as shown in Figure 15a.

Figure 15. New Additional ore zone below the 500 Fault, and the 1940 West Drive

a. New Additional Ore zone below the 500 Fault

b. The 1940 West Drive



While in the 1940West drive, nickel mineralisation appeared in the roof at what was believed to be the western extremity of the orebody and has opened out in the sidewall into an impressive looking golden nickel colour (assays pending – nickel sulphide is one of those minerals that can look good, but have lower than expected assays). There is a possibility that it may lend itself to narrow vein mining.

Treatment and Upside Potential

Mine production at Savannah was ~2,000tpd or 60,000tpm and was expected to remain at that (~720,000tpa). There was a possibility that a different type of truck being included in 2H 2010 may increase production to 65,000tpm, but otherwise, Savannah needs another orebody if it is to fill its plant (which was running at ~2800tpd, because it broadly operates 2 weeks on/1 week off). At this stage Savannah’s life has been estimated by PAN as lasting until 2018, however with the discovery of the new deeps, under the 900 fault, just how “deep” Savannah extends to, is not yet known.

The plant was still being tweaked, replacing cyclones to improve the grind, blending the copper grades lower, and trying other projects but there has not yet been an effective way to remove the paste (which when excessive, lowers recoveries). Copernicus remains an option that is dependent on the nickel price.

Financial Considerations

Panoramic had ~\$107m in net cash (being cash and receivables less any form of debt) at 31 December 2009 [and has reported cash and receivables ~\$160m at 30 Jun 2010], and has been paying ~50% of its eps as fully franked dividends, which means that even with a relatively heavy capex programme (possibly up to ~\$40m) for the coming year to June 2011, it can easily internally finance its own requirements.

PAN’s mark-to-market hedge (it hedges Ni metal and currency basically to cover costs) was -\$1m as at 30 June 2010 and may be lower by June 2011 (depending on what nickel price scenario is chosen) as shown in Table 4. However, its hedging to date has been extremely successful, generating (according to ERA estimates) possibly ~\$30m in FY10, and ~\$25m in FY09.

Table 3. Hedging as at 31 March 2010

Category	Nickel Fwds	Bought Ni Puts	Sold Ni Calls	US\$ Puts & Calls	Diesel Puts & Calls
Delivery	Apr 10 to Jun 11	Jul 10 to Jun 11	Jul 10 to Jun 11	Apr 10 to Dec 10	Apr 10 to Mar 12
Amount	3096	1800	1338	US\$61.1m	375,000 litres/mth
Average Price	US\$8.47/lbNi	US\$8.24/lbNi	US\$11.11/lbNi	Bought @ US\$0.85 /Sold @ 0.71	Bought @ US\$0.60/ltr /Sold @ 0.436
Mark to Market (A\$-17.9m)	-A\$21.2m	A\$1.3m	-A\$4.9m	Nett : A\$6.4m	Nett : A\$0.5m

Although it should be recognised that the production scenario shown in Table 4 is an ERA scenario, and is just one of a number of possible scenarios that could occur, the sensitivities that PAN has are **significant** as shown in Table 5, **with the NPV increasing by 60c per US\$1/lb Ni, 50c per 0.2% increase in Savannah’s Ni grades, 30c per 0.25% increase in Lanfranchi’s Deacon’s Ni grades, and 15c per 25,000tpa increase in Lanfranchi’s annual production (all of which appear to be achievable).**

Table 4. Production and Cashflow Estimate for Panoramic Resources (PAN)

Although annual production appears to be settling down

...the actual grades received by both Lanfranchi and Savannah have the capability to be higher...

...we have simply used 1.3% for Savannah, whereas 1.4% (or higher with depth), could be achieved...

...and Lanfranchi's 2.5% Kambalda average may be up to 3% with Deacon's keel zone this year

Cash costs benefit significantly for Savannah from by-product credits...

...compared to Lanfranchi

The NPAT depends on the D & A, which should reduce with the reserve upgrades

We also think that our capex estimates are probably too conservative...

...and should become clearer as the year progresses

Panoramic Resources		2009a	DH09a	JH010f	2010f	2011f	2012f	2013f
Total Mines Production		\$2.47				1	2	3
Nickel Price	US\$/lb	6.06	7.98	9.82	8.90	9.00	9.00	9.00
	US\$/t	13358	17587	21647	19617	19836	19836	19836
	A\$/t	17717	19311	24260	21760	23336	23336	23336
Copper Price	US\$/lb	5000	6255	7180	6717	6800	6800	6800
	US\$/t	2,371	2,884	3,276	3,055	3,093	3,093	3,093
	A\$/t	6869	8046	9451	8745	8000	8000	8000
Cobalt Price	US\$/lb	19.32	17.34	20.29	18.81	18.15	25.12	25.12
	A\$/t	56475	41953	50115	45992	47059	47059	47059
A\$ Exchange Rate	A\$/US\$	0.754	0.911	0.892	0.902	0.850	0.850	0.850
Nickel Produced (100%)								
SNM (in concentrate)	t	8062	3897	3422	7319	7633	8050	8050
LNM (in ore)	t	10691	4706	5615	10321	11094	11250	11250
Total Nickel Produced (100% basis)		18753	8603	9036	17639	18727	19300	19300
Payable Ni	t	11484	5341	5608	10949	11672	12047	12047
Savannah (SNM)								
Tonnes milled	000t	679	341	334	676	710	720	720
Ni Grade	%	1.35%	1.32%	1.19%	1.26%	1.25%	1.30%	1.30%
Ni Recovery	%	87.9%	86.5%	85.7%	86.1%	86.0%	86.0%	86.0%
Ni contained in cons	t	8062	3897	3422	7319	7633	8050	8050
Payable Ni	t	5474	2646	2323	4970	5182	5466	5466
Payable Ni	lb	12065	5832	5121	10953	11422	12046	12046
Cu contained	t	4178	2177	1958	4135	4041	4096	4737
Co contained	t	411	206	201	407	383	389	421
Costs (u/g mining 50, milling 25, haulage 5, port 6, admin 24)								
Operating Costs	A\$/t	117.3	103.5	111.8	107.6	109.0	109.0	109.0
Royalties	A\$/m	6.3	3.4	3.6	7.1	8.0	8.4	8.4
Net By-prod credits	A\$/m	-23.7	-11.9	-10.9	-22.8	-23.5	-24.4	-25.3
Operating Cash Costs	A\$/m	62.5	26.6	30.4	57.0	61.9	62.5	61.6
per Payable Ni lb	A\$/lb	5.18	4.57	5.93	5.20	5.42	5.19	5.11
	US\$/lb	3.90	4.16	5.29	4.69	4.60	4.41	4.35
Lanfranchi (LNM, PAN was 75%, now 100% effectively from DH09)								
Tonnes milled	000t	391	184	226	410	430	450	450
Ni Grade	%	2.63%	2.50%	2.49%	2.49%	2.58%	2.50%	2.50%
Ni contained in cons	t	10274	4606	5615	10221	11094	11250	11250
Payable Ni	t	6010	2695	3284	5979	6490	6581	6581
Payable Ni	lb	13247	5939	7239	13178	14304	14505	14505
	t	821	387	452	838	946	945	945
Costs (u/g mining 125, milling 35, haulage 6, admin 8)								
Operating Costs	A\$/t	171.3	188.1	181.5	184.5	183.9	172.3	172.3
Royalties	A\$/m	4.3	2.2	3.1	5.3	6.0	6.1	6.1
Net By-prod credits	A\$/m	-2.1	-1.1	-1.5	-2.6	-2.6	-2.6	-2.6
Operating Cash Costs	A\$/m	71.8	34.6	42.2	76.7	82.4	81.0	81.0
per Payable Ni lb	A\$/lb	5.42	5.82	5.83	5.82	5.76	5.58	5.58
	US\$/lb	4.09	5.30	5.20	5.25	4.90	4.75	4.75
Revenues								
SNM Payable Ni Sales Rev	A\$/m	97.0	51.1	56.4	108.1	120.9	127.5	127.5
LNM Payable Ni Sales Rev	A\$/m	106.5	52.0	79.7	130.1	151.5	153.6	153.6
Net By-product Rev	A\$/m	25.8	13.0	12.5	25.4	26.2	27.0	27.9
Poss Hedge Loss/Pft incl inv	A\$/m	25.2	16.2	13.8	29.9	-7.1	3.9	0.0
Sales Revenue	A\$/m	228.7	133.7	162.3	296.0	291.5	312.1	309.1
Costs								
- Operating	A\$/m	141.7	74.1	85.0	159.1	170.4	170.5	170.5
- D & A	A\$/m	49.3	27.6	26.2	53.8	46.3	42.5	37.2
Total Costs of Sales (incl inv)	A\$/m	172.2	94.2	104.2	198.4	211.8	208.0	202.7
Gross Profit	A\$/m	56.6	39.5	58.0	97.5	79.7	104.1	106.4
Exploration w/off	A\$/m	-7.6	-3.3	-3.5	-6.8	-12.0	-8.0	-8.0
Corporate Costs	A\$/m	-11.7	-3.0	-6.0	-9.0	-8.0	-8.0	-8.0
Derivatives	A\$/m	-6.0	-0.8	-3.0	-8.0	0.0	0.0	0.0
Other Net Rev	A\$/m	0.4	-0.2	2.5	2.3	3.0	3.0	3.0
NPBT	A\$/m	5.4	32.3	48.0	80.3	62.7	91.1	93.4
Income Tax	A\$/m	1.6	9.2	14.4	23.6	18.8	27.3	28.0
Tax %	%	30%	28%	30%	29%	30%	30%	30%
NPAT	A\$/m	5.3	23.1	33.6	56.7	43.9	63.8	65.4
EPS	c	2.8	11.2	16.4	27.6	21.4	31.1	31.8
Simple Cashflow	A\$/m	17.8	50.7	59.9	110.5	90.2	106.3	102.5
CFPS	c	8.7	24.7	29.2	53.8	43.9	51.8	49.9
DPS	c	2.0	10.0	5.0	15.0	10.0	15.0	15.0
No Shares	M	204.0	205.3	205.3	205.3	205.3	205.3	205.3
Cashflow								
Sales Revenue	A\$/m	209.3	135.4	162.3	297.6	291.5	312.1	309.1
+ Equity Raised	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	4.5
+ Borrowings	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Interest Received	A\$/m	3.6	1.5	2.5	4.0	3.0	3.0	3.0
Total Receipts	A\$/m	213.0	136.9	164.8	301.6	297.6	315.1	316.6
- Corporate Costs	A\$/m	-11.7	-3.0	-6.0	-9.0	-8.0	-8.0	-8.0
- Operating Costs	A\$/m	-153.8	-68.6	-80.5	-146.8	-161.4	-165.5	-165.5
- Interest Paid	A\$/m	-0.7	-0.2	0.0	0.0	0.0	0.0	0.0
- Explorn/other	A\$/m	-3.1	-4.1	-3.5	-7.6	-17.0	-8.0	-8.0
- Tax Paid	A\$/m	-24.9	3.9	-14.4	-10.5	-18.8	-27.3	-28.0
- Capitalised Development	A\$/m	-20.0	-8.0	-8.0	-16.0	-15.0	-15.0	-15.0
- SNM Capex	A\$/m	-11.0	-0.5	-0.5	-1.0	-30.0	-5.0	0.0
- LNM Capex	A\$/m	-10.4	0.0	0.0	0.0	-5.0	-5.0	0.0
- Cop Capex & explorn	A\$/m	-13.0	0.0	0.0	0.0	0.0	0.0	0.0
- Sustaining Capex	A\$/m	-2.8	-4.0	0.0	-4.0	-4.0	-4.0	-6.0
Capex Sub-total	A\$/m	-57.2	-12.5	-8.5	-21.0	-54.0	-29.0	-21.0
- Acqns & Investments	A\$/m	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Divs Paid	A\$/m	-11.6	-4.1	-20.5	-24.6	-20.5	-30.8	-30.8
- Loans Repaid	A\$/m	-22.0	-16.2	-3.0	-19.2	0.0	0.0	0.0
= Expenditures	A\$/m	-273.8	-103.5	-130.4	-229.8	-271.8	-260.7	-253.3
- Other (inventories etc)	A\$/m	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditures	A\$/m	-273.9	-103.5	-130.4	-229.8	-271.8	-260.7	-253.3
Net Cash Flow	A\$/m	-60.9	33.4	34.3	71.8	25.8	54.5	63.2
Net cash for NPV	A\$/m		33.4	34.3	141.6	46.3	85.3	94.0
NPV	Yrs	7.50%	10	A\$/m	A\$/ps	No shares (m)		
				576	2.81	205		

Table 5. Sensitivity Analysis of Panoramic Resources (PAN)

Apart from the understandable Ni price sensitivity (~60cper US\$/lbNi)...

...the highest sensitivity is to Savannah grades (up ~50c per 0.20% increase in Ni grades)

Sensitivity Analysis		Year	NPV	2010e	2011e	2012e	2010e	2011e	2012e
Base Nickel Price			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
-US\$19,800/t (US\$9.0/lb)	9.00	2.81	56.7	43.9	63.8	27.6	21.4	31.1	
-US\$17,600/t (US\$8.00/lb)	8.00	2.22	56.7	23.2	42.4	27.6	11.3	20.6	
-US\$22,000/t (US\$10.00/lb)	10.00	3.39	56.7	64.6	85.2	27.6	31.5	41.5	
-US\$24,200/t (US\$11.00/lb)	11.00	3.98	56.7	85.4	106.6	27.6	41.6	51.9	
Base Deacon Nickel Grade			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Base Deacon	0.00%	2.81	56.7	43.9	63.8	27.6	21.4	31.1	
0.25% higher	0.25%	3.09	56.7	52.0	72.5	27.6	25.3	35.3	
0.50% higher	0.50%	3.38	56.7	60.2	81.2	27.6	29.3	39.6	
Base SNM			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Base Savannah Grade	0.00%	2.81	56.7	43.9	63.8	27.6	21.4	31.1	
0.2% higher (1.5%)	0.20%	3.30	56.7	56.0	78.0	27.6	27.3	38.0	
0.4% higher (1.7%)	0.40%	3.79	56.7	68.2	92.2	27.6	33.2	44.9	
Operating Costs			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Base	0.0%	2.81	56.7	43.9	63.8	27.6	21.4	31.1	
5% lower	-5.0%	2.98	56.7	49.9	69.7	27.6	24.3	34.0	
10% lower	-10.0%	3.15	56.7	55.8	75.7	27.6	27.2	36.9	
Base LNM Treatment Rate			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Base LNM	0	2.81	56.7	43.9	63.8	27.6	21.4	31.1	
additional 25ktpa	25	2.95	56.7	48.0	67.9	27.6	23.4	33.1	
additional 50ktpa	50	3.09	56.7	52.1	71.9	27.6	25.4	35.0	
Base A\$/US\$ Exchange Rate			A\$	A/tax Profit (A\$m)			Earnings per Share (Ac)		
Base A\$/US\$ 0.85c	0.85	2.81	56.7	43.9	63.8	27.6	21.4	31.1	
US\$0.83c	0.83	2.95	56.7	48.6	68.9	27.6	23.7	33.5	
US\$0.87c	0.87	2.67	56.7	39.4	58.9	27.6			

Management

Board of Directors

Christopher de Guingand – Non-Executive Chairman since 2005. Christopher is an accountant who held senior management positions in marketing for CRA Metals, before forming his own consultancy (Mineral Commerce Services) in 1982 managing the shipment of nickel concentrates for several companies including the Savannah Project. Christopher holds and has held a number of directorships.

Peter Harold – Managing Director since 2001. Peter is a Chemical Process Engineer with over 19 years' corporate experience in the minerals industry. Peter has extensive experience with developing and operating laterite and sulphide nickel operations having been responsible for metals marketing and corporate functions relating to the Cawse, Silver Swan and Mt Keith nickel projects.

Christopher Langdon – Non-Executive Director since 2004. Christopher has over 20 years' experience in corporate finance, management & investment banking, and holds & has held a number of directorships.

John Rowe – Non-Executive Director since 2006. John is a mining geologist with over 30 years' experience mainly in gold and nickel mines in Australia. John has held a number of senior management and executive positions and holds other non-executive director positions.

Brian Phillips – Non-Executive Director since 2007. Brian is a mining engineer with over 40 years' experience in operational and management roles in base and precious metals. Brian also holds other Chairmanship and director positions in other resource companies.

Senior Management

Trevor Eton – CFO/Company Secretary since 2003. Trevor is an accountant with over 20 years' experience within the minerals industry and was group financial controller for MPI Mines Ltd for 10 years.

Chris Williams – General Manager Operations – since 2003. Chris is a Mining Engineer with over 25 years' experience in the mining industry and was initially Mining Manager at the Savannah Project, and then Operations Manager at Lanfranchi, having held mine managerial positions at HER's Coolgardie and HAR's South Kal.

Terry Strong – Operations Manager – Savannah Project (SNM) since 2005 – Terry is a Mining Engineer with over 16 years' experience in the mining industry and was previously Mining Manager at the Savannah Project. Terry worked at Lennard Shelf and then Argyle prior to joining PAN.

Rob Thorburn – Operations Manager – Lanfranchi Project (LNM) since 2007 – Rob is a Mining Engineer with over 20 years' experience in the mining industry. Rob has extensive experience as a Senior Mining Engineer or Underground Manager with Norilsk & Barrick, & previously in South Africa covering a range of metalliferous mines.

Simon Jessop – Manager Projects – Simon joined Panoramic in 2004 and is a Mining Engineer with over 13 years' experience in the mining industry. Simon was previously Operations Manager at Lanfranchi and has held various management roles with Byrnescut Mining Contractors in WA.

John Hicks – Exploration Manager – since 2001 – John is a Geologist with over 30 years' experience in the Australian mining and exploration industry having held various geology positions in Hammersley Iron, ACM and MPI. John was PAN's independent geological consultant from 2001 to 2005.

Wade Evans – Business Development Manager since 2006 – Wade is a geologist with over 17 years' gold & nickel exploration experience in Australia. Before joining PAN, Wade spent 8 years with Placer Dome.

Chart of Panoramic Resources over the past year (July 2009 to July 2010) (Source : www.yahoo.com)

PAN has recovered from its RSPT setback at the end of May...

..which has since been dropped for nickel companies..

...but is now waiting for the market to decide on a nickel price



Disclosure

Panoramic Resources Limited commissioned Keith Goode (who is a Financial Services Representative with Taylor Collison Ltd ACN 008 172 450, and is a consultant with Eagle Research Advisory Pty Ltd ACN 098 051 677) to compile this report, for which Eagle Research Advisory Pty Ltd has received a consultancy fee. At the date of this report Keith Goode and his associates held interests in shares issued by Panoramic Resources Limited. At the date of this report, Taylor Collison Limited or their associates within the meaning of the Corporations Act, may hold interests in shares issued by Panoramic Resources Limited.

Disclaimer

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