

2 May 2019

PANORAMIC RESOURCES LTD (PAN)

Savannah operations continues to ramp up

Panoramic Resources (PAN) continues to make operational improvements to ramp-up production at the Savannah nickel-copper mine in the Kimberley.

Mining and processing rates were below targeted levels in the recent MarQ. Mine production during the period was impacted by equipment availability, which had a flow-on effect in delaying the commissioning of the paste plant and bringing some stopes on-line. However, by the end of the quarter the paste plant was fully commissioned, equipment availability had improved (new loaders and trucking fleet upgraded) and PAN had implemented a number of production improvement initiatives. In addition, the Company recently appointed a highly experienced COO (Boyd Timler), and new senior mining staff are being recruited or being contracted to further improve the mine planning, scheduling and costs controls within the mine.

Mine production of 55k-65kt ore per month from Savannah is targeted for the JunQ, which, if achieved, will be up from the average ~36kt ore per month in the MarQ (which was 30% below forecast). Plant processing rates and recoveries are also improving, with the JunQ throughput levels expected to be higher qoq and nickel recoveries of ~84% have been reported for the month of April. The Company is targeting recoveries of 85% Ni, 95% Cu and 88% Co for the JunQ and LOM recoveries are expected to average 83% Ni, 98% Cu and 92% Co, based on former plant performance and met-testwork.

Two bulk Ni-Cu-Co concentrate shipments were delivered in the MarQ, for provisional value of A\$15.8M, and at the end of the quarter PAN had some 1,320wmt of concentrate on hand (worth ~A\$1.7M). Current production revenue is off-setting some pre-production costs, and we would assume the Company to be in a position to declare commercial production in the JunQ.

Savannah North decline and vent-raise drilling behind schedule

Development towards Savannah North was behind schedule for the MarQ, achieving 206m against a target of 500m. PAN has mobilised a contractor (Pit N Portal) to improve the advancement rates and to ensure ore production can be achieved in late CY19. Blocky ground in the raise bore drilling has slowed penetration rates and the decision has been made to reduce the size of the ventilation shaft from 5m to 4.5m to increase penetration rates. The vent raise is now due to be completed in the DecQ'19 and the reduction in size is not expected to impact required ventilation for proposed production rates at Savannah North. The Company has set a decline advancement target of 270m per month and raise bore advance target of 3.7m per day for the JunQ.

Improved working capital position, Maintain Buy with 70cps PT

The Savannah Financing Agreement (SFA) with Macquarie Bank was fully drawn (A\$40M) and amended to accommodate the slower than forecast ramp-up in production in the MarQ. The Company also successfully completed an equity raise for ~A\$20M, of which net proceeds of ~A\$4.6M was received in the MarQ. We would estimate a current net debt position of ~A\$5M.

The Company's development and production targets for the JunQ appear achievable but are not without risk. We remain of the opinion that Savannah can ramp-up to the targeted levels and maintain our **Buy** recommendation. Our PAN NAV is 78cps (from 82cps), spot NAV is 51cps and our latest **price target is 70cps** (from 76cps), highlighting upside potential of +90%.

Share Price	\$0.365
Valuation	\$0.78
Price Target (12 month)	\$0.70

Brief Business Description:

Savannah nickel-copper mine restarted and ramping up production. Improved production forecast for the coming quarters.

Hartleys Brief Investment Conclusion

Effectively beginning a new nickel mine at Savannah, utilising existing infrastructure. Fully funded to ramp-up production.

Chairman & MD

Brian Phillips (Chairman)
Peter Harold (MD)

Top Shareholders

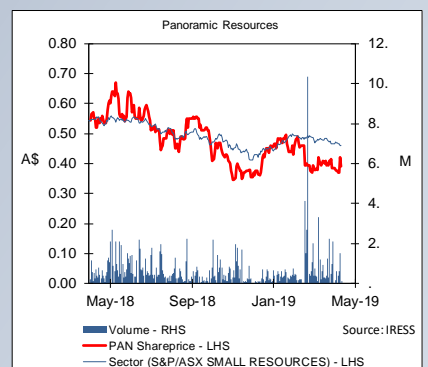
Zeta Resources 28.2%

Company Address

Level 9, 553 Hay St
Perth, WA, 6000

Issued Capital	546.7m
- fully diluted	546.7m
Market Cap	A\$199.6m
- fully diluted	A\$199.6m
Cash (est)	A\$35.2m
Debt (est)	A\$40.0m
Undrawn Debt (est)	A\$0.0m
EV	A\$204.4m
EV/Resource Ni lb	A\$0.42/lb

	FY18a	FY19e	FY20e
Nick Prod (kt) -pay	0.0	1.8	6.2
Copp Prod (kt) -pay	0.0	0.7	2.1
Op Cash Flw A\$M	-6.1	6.8	53.0
Norm NPAT A\$M	-36.0	-4.5	42.3
CF/Share (cps)	-10.4	2.7	11.5
EPS (cps)	-13.6	3.7	15.8
P/E	-3.5	13.7	3.2
	Ni kt	Cu kt	Co kt
Reserves (Kt) - 100%	113	52	8
Resources (Kt) -100%	218	99	15



Mike Millikan

Resource Analyst

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Hartleys has completed a placement and Underwriting of an Entitlement Offer in the last 12 months for Panoramic Resources Limited ("PAN"), for which it has earned fees. Hartleys assisted PAN with the sale of its Lanfranchi Nickel Project for which Hartleys earned fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to PAN for which it has earned fees.

Panoramic Resources PAN						Share Price \$0.365						Buy																																			
Key Market Information												Company Information																																			
Share Price	\$0.365					Brian Phillips (Chairman)						Level 9, 553 Hay St																																			
Market Capitalisation - ordinary	A\$200m					Peter Harold (MD)						Perth, WA, 6000																																			
Net Debt (cash)	\$5m					Peter Sullivan (Non-Exec Director, Zeta nominee)						+61 8 9225 0999																																			
Market Capitalisation - fully diluted	A\$200m					John Rowe (Non-Exec Director)						+61 8 9421 1008																																			
EV	A\$204m					Nick Camotta (Non-Exec Director)						www.panoramicresources.com																																			
Issued Capital	546.7m					Rebecca Hayward (Non-Exec Director)																																									
Options	0.0m					Boyd Timler (COO)						Tim Mason (GM Projects)						Tim Shervington (Com Man)																													
Issued Capital (fully diluted inc. all options)	546.7m					Trevor Eton (CFO)						John Hicks (GM Expl)						Robert Parkinson (BD)						Ben Robinson (GM Ops)																							
Issued Capital (fully diluted inc. all options and new capital)	546.7m																																														
Valuation	\$0.78																																														
12month price target	\$0.70																																														
P&L																																															
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21																																									
Net Revenue	A\$m	9.1	1.2	47.2	176.5	218.8																																									
Total Costs	A\$m	-13.9	-48.8	-39.4	-100.2	-120.4																																									
EBITDA	A\$m	-4.8	-47.6	7.8	76.2	98.4																																									
- margin		-53%	na	17%	43%	45%																																									
Depreciation/Amort	A\$m	0.0	0.0	-12.9	-17.9	-21.7																																									
EBIT	A\$m	-4.8	-47.6	-5.1	58.3	76.7																																									
Net Interest	A\$m	0.1	-0.5	-1.0	-2.0	-0.1																																									
Norm. Pre-Tax Profit	A\$m	-4.8	-48.0	-6.1	56.4	76.6																																									
Reported Tax Expense	A\$m	0.0	0.0	0.0	0.0	-19.1																																									
Normalised NPAT	A\$m	-3.6	-36.0	-4.5	42.3	57.4																																									
Abnormal / Exploration	A\$m	-1.2	-12.0	17.6	14.1	0.0																																									
Reported Profit	A\$m	-4.8	-48.0	13.1	56.4	57.4																																									
Minority	A\$m	0.0	0.0	0.0	0.0	0.0																																									
Profit Attrib	A\$m	-4.8	-48.0	13.1	56.4	57.4																																									
Balance Sheet																																															
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21																																									
Cash	A\$m	20.7	25.4	32.7	34.2	53.7																																									
Other Current Assets	A\$m	0.8	17.9	18.4	26.4	28.3																																									
Total Current Assets	A\$m	21.4	43.3	51.1	60.5	81.9																																									
Property, Plant & Equip.	A\$m	11.6	10.6	50.4	63.1	68.9																																									
Exploration	A\$m	108.8	63.0	92.3	98.3	104.3																																									
Investments/other	A\$m	4.4	4.0	25.6	4.4	4.4																																									
Tot Non-Curr. Assets	A\$m	124.8	77.6	168.3	165.7	177.6																																									
Total Assets	A\$m	146.2	120.9	219.3	226.2	259.5																																									
Short Term Borrowings	A\$m	0.8	0.0	2.1	2.1	2.1																																									
Other	A\$m	3.5	8.2	20.6	7.4	8.2																																									
Total Curr. Liabilities	A\$m	4.3	8.2	22.8	9.5	10.3																																									
Long Term Borrowings	A\$m	0.1	0.0	40.6	25.6	0.6																																									
Other	A\$m	29.7	26.8	33.6	33.6	33.6																																									
Total Non-Curr. Liabil.	A\$m	29.8	26.8	74.2	59.2	34.2																																									
Total Liabilities	A\$m	34.1	35.0	96.9	68.7	44.5																																									
Net Assets	A\$m	112.1	85.9	122.4	157.6	215.0																																									
Net Debt	A\$m	-19.8	-25.4	10.0	-6.5	-51.0																																									
Cashflow																																															
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21																																									
EBITDA		-4.8	-47.6	7.8	76.2	98.4																																									
Chg working cap		-2.5	41.1	0.0	-21.2	-1.1																																									
Operating Cashflow	A\$m	-7.3	-6.5	7.8	55.0	97.3																																									
Income Tax Paid	A\$m	0.0	0.0	0.0	0.0	-19.1																																									
Interest & Other	A\$m	0.5	0.4	-1.0	-2.0	-0.1																																									
Operating Activities	A\$m	-6.8	-6.1	6.8	53.0	78.1																																									
Property, Plant & Equip.	A\$m	-0.5	-3.9	-47.5	-30.6	-27.6																																									
Exploration and Devel.	A\$m	-5.4	-4.8	-4.3	-6.0	-6.0																																									
Other	A\$m	0.7	0.6	13.2	0.0	0.0																																									
Investment Activities	A\$m	-5.3	-8.1	-38.6	-36.6	-33.6																																									
Borrowings	A\$m	-0.8	-0.8	39.0	-15.0	-25.0																																									
Equity	A\$m	0.0	19.8	0.0	0.0	0.0																																									
Dividends Paid	A\$m	0.0	0.0	0.0	0.0	0.0																																									
Financing Activities	A\$m	13.3	19.0	39.0	-15.0	-25.0																																									
Net Cashflow	A\$m	1.2	4.8	7.3	1.5	19.5																																									
Shares																																															
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21																																									
Ordinary Shares - End	m	428.6	491.6	491.6	491.6	491.6																																									
Ordinary Shares - Weighted	m	428.6	460.1	491.6	491.6	491.6																																									
Diluted Shares - Weighted	m	428.6	460.1	491.6	491.6	491.6																																									
Ratio Analysis																																															
	Unit	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21																																									
Cashflow Per Share	A\$ cps	-1.6	-1.3	1.4	10.8	15.9																																									
Cashflow Multiple	x	-23.0	-27.7	26.2	3.4	2.3																																									
Earnings Per Share	A\$ cps	-1.1	-10.4	2.7	11.5	11.7																																									
Price to Earnings Ratio	x	-32.8	-3.5	13.7	3.2	3.1																																									
Dividends Per Share	AUD	-	-	-	-	-																																									
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%																																									
Net Debt / Net Debt + Equity	%	-21%	-42%	8%	-4%	-31%																																									
Interest Cover	X	72.2	na	na	29.7	786.9																																									
Return on Equity	%	na	na	na	27%	27%																																									
EV/EBITDA	na	na	na	26.8	2.5	1.5																																									
Directors																																															
Company Information																																															
Brian Phillips (Chairman)												Level 9, 553 Hay St																																			
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Top Shareholders (est)																																															
Zeta Resources												M 154.2 % 28.2%																																			
Reserves & Resources																																															
												Mt Ni Cu Co Ni kt Cu kt Co kt																																			
Savannah Reserve																																															
- Above 900 Fault												1.6 1.16% 0.74% 0.06% 18.1 11.5 0.9																																			
- Savannah North												6.7 1.42% 0.61% 0.10% 94.5 40.9 6.7																																			
Total												8.2 1.37% 0.64% 0.09% 112.6 52.4 7.6																																			
Savannah Resource																																															
- Savannah												2.9 1.47% 0.84% 0.08% 43.2 24.8 2.3																																			
- Savannah North												10.3 1.70% 0.72% 0.12% 175.0 74.3 12.6																																			
Total												13.2 1.65% 0.75% 0.11% 218.2 99.1 14.9																																			
Savannah Mine Plan																																															
												7.65 1.42% 0.68% 0.10% 108.7 51.7 7.3																																			
Savannah																																															
												Unit Jun 17 Jun 18 Jun 19 Jun 20 Jun 21																																			
Ore Milled												Mt pa 0.00 0.28 0.78 0.94																																			
Produced Metal Ni												Kt 0.0 2.6 8.8 10.9																																			
Payable metal Ni												Kt 0.0 1.8 6.2 7.6																																			
Payable metal Cu												Kt 0.0 0.7 2.1 2.4																																			
Payable metal Co												Kt 0.0 0.1 0.3 0.4																																			
Payable metal Ni eq												Kt 0.0 2.5 8.1 9.8																																			
Cost per milled tonne												\$A/t - 108 104 103																																			
EBITDA / tonne milled ore												\$A/t - 44 105 111																																			
Cash Cost inc Royalty + cred												\$A/lb Ni eq - 7.0 5.5 5.4																																			
Modelled mining inventory												Mt 8.6 8.5 7.7 6.8																																			
Modelled mining inventory												% 1.4% 1.4% 1.4% 1.4%																																			
Group																																															
												Unit Jun 17 Jun 18 Jun 19 Jun 20 Jun 21																																			
Nickel Production												kt - 2.6 8.8 10.9																																			
Payable Nickel												kt - 1.8 6.2 7.6																																			
Payable Nickel Eq												kt - 2.5 8.1 9.8																																			
Total costs												\$A/lb Ni Eq - 7.0 5.6 5.6																																			
Ore "milled"												Mt - 0.3 0.8 0.9																																			
Cost per "milled" tonne												A\$/t - 138.1 128.5 128.1																																			
Price Assumptions																																															
												Unit Jun 17 Jun 18 Jun 19 Jun 20 Jun 21																																			
AUD/USD												A\$/US\$ 0.75 0.77 0.72 0.73 0.75																																			
Nickel												\$/US/lb 4.49 5.59 5.53 6.84 7.24																																			
Copper												\$/US/lb 2.52 3.06 2.84 3.14 3.27																																			
Cobalt												\$/US/lb 22.5 27.6 24.0 21.7 20.65																																			
Hedging																																															
												Jun 17 Jun 18 Jun 19 Jun 20 Jun 21																																			
Hedges maturing?												No No Yes Yes Yes																																			
Sensitivity Analysis																																															
												Valuation FY20 NPAT																																			
Base Case												0.78 42.3																																			
Spot Prices												0.51 (-34.5%) 21.9 (-48.2%)																																			
- Spot USD/AUD 0.70, Ni US\$5.49/lb, Cu US\$2.82/lb, Co US\$15.79/lb																																															
AUD/USD +/-10%												0.63 / 0.99 (-19.7% / 26.1%) 31.0 / 56.1 (-26.7% / 32.7%)																																			
Nickel +/-10%												0.93 / 0.65 (18.5% / -16.7%) 51.4 / 33.2 (21.6% / -21.6%)																																			
Production +/-10%												1.01 / 0.57 (29.4% / -27.8%) 55.8 / 28.8 (31.9% / -31.9%)																																			
Operating Costs +/-10%												0.71 / 0.88 (-10.0% / 11.9%) 36.1 / 48.5 (-14.7% / 14.7%)																																			
Unpaid Capital												na																																			
Share Price Valuation (NAV)												Risked Est. A\$m Est. A\$/share																																			
100% Savannah (pre-tax NAV at disc. rate of 12%)												479 0.88																																			
Other Exploration												48 0.09																																			
Horizon Gold (HRN) -51%												6 0.01																																			
Forwards												0 0.00																																			
Corporate Overheads												-39 -0.07																																			
Net Cash (Debt)												-5 -0.01																																			
Tax (NPV future liability)												-65 -0.12																																			
Options & Other Equity												0 0.00																																			
Hedging												4 0.01																																			
Total												428 0.78																																			
Analyst: Mike Millikan												Last Updated: 02/05/2019																																			
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Sources: IRESS, Company Information, Hartleys Research																																															

EARNINGS CHANGES

We have adjusted our earnings. The changes are summarised below.

Fig. 1: Hartleys Earnings Adjustment

	30 Jun 18	30 Jun 19			30 Jun 20			30 Jun 21		
	Actual	Old	New	% diff	Old	New	% diff	Old	New	% diff
Company Guidance										
Nickel (kt) -prod	0.0	circa	3.8	0.0%	circa	10.3	0.0%	circa	11.8	0.0%
Copper (kt) - prod	0.0	circa	2.6	0.0%	circa	6.5	0.0%	circa	5.9	0.0%
Cobalt (kt) -prod	0.0	circa	0.3	0.0%	circa	0.6	0.0%	circa	0.6	0.0%
Hartleys Estimates										
Nickel (kt) -prod	0.0	2.8	2.6	-8.4%	9.2	8.8	-4.2%	11.1	10.9	-1.4%
Nickel (kt) -pay	0.0	2.0	1.8	-10.2%	6.4	6.2	-4.2%	7.8	7.6	-1.4%
Copper (kt) - pay	0.0	0.9	0.7	-17.6%	2.3	2.1	-7.3%	2.8	2.4	-12.7%
Cobalt (kt) - pay	0.0	0.1	0.1	-15.3%	0.3	0.3	-1.1%	0.4	0.4	-1.1%
Net Revenue	1.2	54.1	47.2	-12.8%	183.8	176.5	-4.0%	224.8	218.8	-2.7%
Total Costs	-48.8	-41.5	-39.4	-5.2%	-100.8	-100.2	-0.6%	-121.0	-120.4	-0.5%
EBITDA	-47.6	12.5	7.8	-37.5%	83.0	76.2	-8.1%	103.8	98.4	-5.2%
- margin	na	0.2	0.2	-17.2%	0.5	0.4	-4.3%	0.5	0.4	-2.6%
Depreciation/Amort	0.0	-12.8	-12.9	0.8%	-17.8	-17.9	0.7%	-21.6	-21.7	0.6%
EBIT	-47.6	-0.3	-5.1	nm	65.2	58.3	-10.5%	82.2	76.7	-6.7%
Net Interest	-0.5	-0.9	-1.0	7.5%	-1.7	-2.0	15.5%	0.9	-0.1	-111.0%
Norm. Pre-Tax Profit	-48.0	-1.2	-6.1	nm	63.5	56.4	-11.2%	83.1	76.6	-7.8%
Reported Tax Expense	0.0	0.0	0.0	nm	0.0	0.0	nm	-20.8	-19.1	-7.8%
Normalised NPAT	-36.0	0.9	-4.5	nm	47.6	42.3	-11.2%	62.3	57.4	-7.8%
Abnormal / Exploration	-12.0	18.9	17.6	-6.7%	15.9	14.1	-11.4%	0.0	0.0	nm
Reported Profit	-48.0	18.0	13.1	-27.2%	63.5	56.4	-11.2%	62.3	57.4	-7.8%
Capex & Explor.	-9	-51	-52	1.6%	-37	-37	0.0%	-34	-34	0.1%
Net Debt (Cash)	-25	4	10	149.9%	-19	-6	-66.0%	-68	-51	-25.1%

Minor adjustments have been made to our earnings from the 1H19 report and MarQ report

Source: Hartleys Estimates

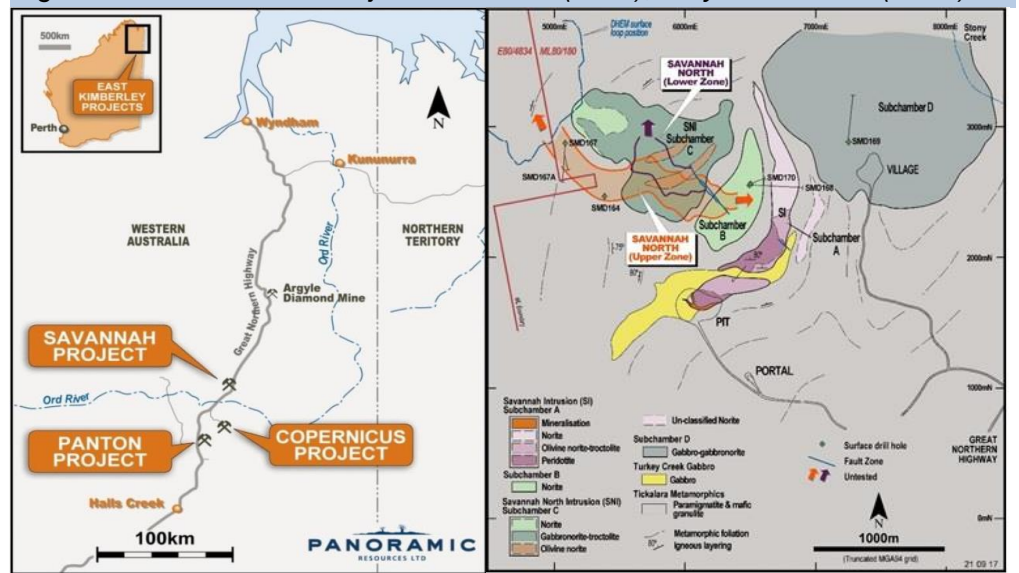
Savannah Project is located 240km south of Kununurra in the East Kimberley region of Western Australia

SAVANNAH – RAMPING UP PRODUCTION

The Savannah Project is located 240km south of Kununurra in the East Kimberley region of Western Australia. The project consists of nickel sulphide orebodies (Savannah and Savannah North), underground mine, processing plant and associated infrastructure. The mine commenced operation in 2004 and was placed on care and maintenance in May 2016, and has now restarted.

Savannah was placed on care and maintenance in May 2016, having been continually operated since commissioning in late 2004

Fig. 2: Savannah Project Location (LHS), Key Intrusions (RHS)



The first bulk concentrate shipment was delivered in Feb'19

Source: Panoramic Resources Ltd

The Savannah North discovery has been a game changer for the restart of operations, located ~600m from existing underground development and adds mine life well beyond 8 years

Underground mining and ore processing recommenced in the DecQ. Mining ramp-up continues and the mill throughput is now exceeding 2,000tpd with recoveries improving for targeted 85% for nickel, 95% for copper and 88% for cobalt in the JunQ. LOM recoveries are targeted at 83% for nickel, 98% for copper and 92% for cobalt. The first bulk (Ni-Cu-Co) concentrate shipment was delivered in Feb'19. The project is expected to ramp-up to full production over 15 months with forecast annual production of 10.8kt nickel, 6.1kt copper and 0.8kt cobalt contained in concentrate.

VALUATION AND PRICE TARGET

VALUATION

The Savannah operation has been successfully restarted and we assume targeted production levels can be achieved and sustained. We have rising nickel prices which implies PAN could generate EBITDA ~A\$76M in FY20 and ~\$98M in FY21.

Fig. 3: Hartleys Valuation Assumptions

	FS Feb-17	FS Oct-17	Hartleys Base	Hartleys v FS update	Hartleys Spot	Hartleys Spot v Base
<u>Inventory</u>						
Mt	8.25	7.65	8.6	12.2%		
Ni Grade	1.38%	1.42%	1.39%	-2.3%		
Cu Grade	0.65%	0.68%	0.60%	-11.1%		
Co Grade	0.09%	0.10%	0.10%	-0.7%		
Mine Life (yrs)	10.3	8.3	9.5	14.5%		
Throughput (Mt)	0.8	0.9	0.9	0.4%		
Startup Capex (A\$M)	20	36	47.5	31.9%		
<u>Contained (Mt)</u>						
Ni	0.114	0.109	0.119	9.6%		
Cu	0.054	0.052	0.052	0.3%		
Co	0.008	0.007	0.009	16.8%		
<u>Recoveries (%)</u>						
Ni	87%	83%	83%	-0.1%		
Cu	96%	98%	95%	-3.2%		
Co	90%	92%	89%	-3.2%		
<u>Recovered (Mt)</u>						
Ni	0.099	0.090	0.099	9.5%		
Cu	0.052	0.051	0.049	-2.9%		
Co	0.007	0.007	0.008	13.1%		
Ni Equiv	0.152	0.152	0.153	0.8%		
<u>Annual Prod (ktpa)</u>						
Ni	9.7	10.8	10.4	-3.7%	10.4	
Cu	5.0	6.1	5.2	-15.2%	5.2	
Co	0.7	0.8	0.8	-1.2%	0.8	
Ni Equiv	14.8	18.3	16.1	-11.9%	17.5	8.7%
<u>Payable Prod (Mt)</u>						
Ni	0.064	0.059	0.069	17.9%	0.069	0.0%
Cu	0.021	0.020	0.022	9.2%	0.022	0.0%
Co	0.003	0.003	0.003	27.2%	0.003	0.0%
Ni Equiv.	0.085	0.083	0.094	12.4%	0.100	6.4%
Total Costs	957	918	1,059	15.3%	1,037	-2.1%
- pa	93	108	111	3.2%	109	-2.1%
<u>Cost per tonne ore</u>	116	120	123	2.8%	120.8	-2.1%
<u>C1 cost</u>						
- A\$/equiv	5.08	5.00	5.13	2.6%	4.72	-8.0%
- US\$/equiv	3.74	3.75	3.88	3.5%	3.33	-14.2%
<u>C1 cost</u>						
- A\$/credit	4.78	4.27	4.34	1.8%	4.38	0.8%
- US\$/credit	3.52	3.20	3.29	2.7%	3.09	-5.9%
<u>Selling Prices (US\$)</u>						
Ni	6.00	6.75	7.36	9.1%	5.50	-25.2%
Cu	2.57	2.72	3.05	12.3%	2.92	-4.6%
Co	14.42	26.00	20.14	-22.5%	15.79	-21.6%
AUD/USD	0.74	0.75	0.76	0.9%	0.71	-6.7%
<u>Selling Prices (A\$)</u>						
Ni	8.2	9.0	9.7	8.1%	7.80	-19.8%
Cu	3.5	3.6	4.0	11.3%	4.13	2.3%
Co	19.6	34.7	26.6	-23.2%	22.36	-16.0%
Revenue	1,500	1,720	2,331	35.5%	2,056	-11.8%
Total Costs	-957	-918	-1,059	15.3%	-1,037	-2.1%
EBITDA	543.0	802.0	1,272.0	58.6%	1,018.9	-19.9%
- pa	53.0	96.6	133.9	38.6%	107.3	-19.9%
Valuation (pre-tax)			479.2		314.9	-34.3%

Savannah production has restarted and continues to ramp up

We have higher nickel prices and have improved our cobalt price assumptions

Source: Hartleys Estimates, Panoramic Resources Ltd (FS - Feb'17 and Oct'17)

Fig. 4: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Rising nickel prices	Moderate	Extreme	We assume rising nickel prices in the near term.
Restart of Savannah and +9 year mine life	Moderate	Extreme	We assume Savannah is ramped up to full production, and fed predominantly with ore from Savannah North.
Exploration upside potential	Moderate	Low	We do not include much exploration potential, mainly to be conservative.
Financing Risks	Moderate	Moderate	Debt has been secured through Macquarie Bank, and a recently completed equity raise provides additional working capital to ramp-up to targeted production levels. We assume debt can be repaid, as per the amended repayment schedule.

Conclusion

Commodity prices (largely nickel, with copper and cobalt) are the biggest risk to our valuation. Financial risks are somewhat mitigated by an improved cash position and cash flow projections.

Source: Hartleys Research

PRICE TARGET

We have a 12 month price target of 70cps (from 76cps), which is a weighted blend of different valuation scenario analysis.

Fig. 5: PAN Price Target

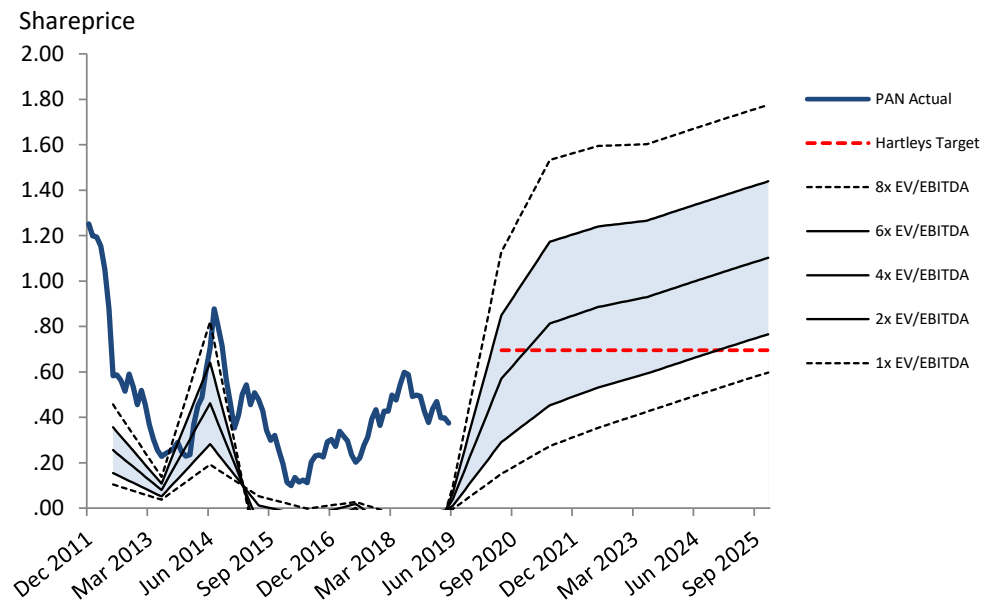
Price Target Methodology	Weighting	Spot	12 mth out
NPV Base Case	65%	\$0.78	\$0.80
NPV Base Case at Spot Commodity and FX prices	25%	\$0.51	\$0.54
NPV Base Case less exploration value	5%	\$0.70	\$0.71
Net Cash	5%	\$0.01	\$0.09
Risk weighted composite			\$0.67
12 Months Price Target			\$0.70
Share price - Last		\$0.365	
12 mth total return (% to 12mth target + dividend)			91%

Source: Hartleys Estimate

Our latest price target is 70cps (from 76cps)

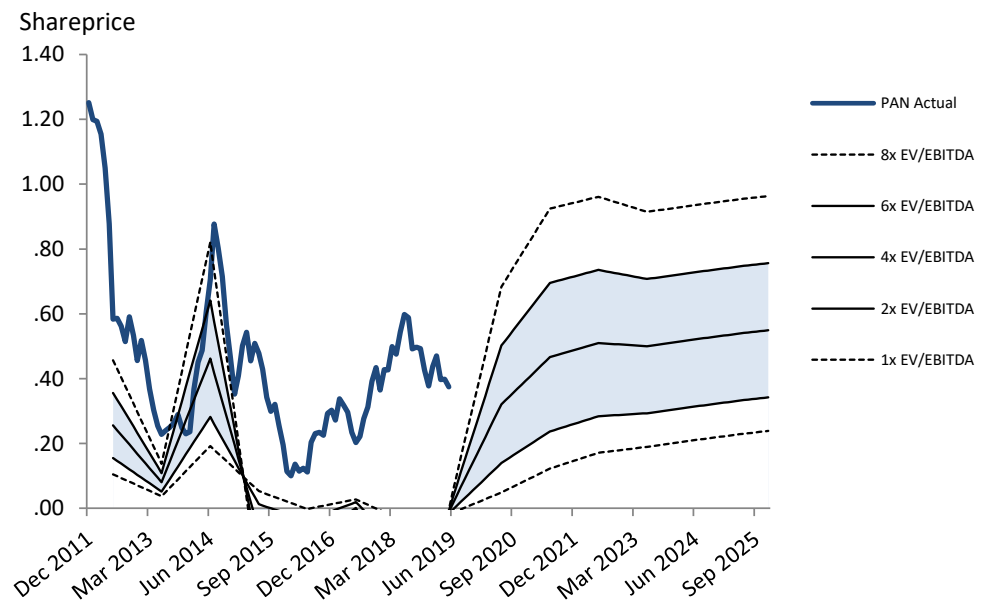
EV/EBITDA BANDS

Fig. 6: *Using Hartleys base case commodity forecasts*



Source: Hartleys Estimates, IRESS

Fig. 7: *Using spot commodity prices*



Source: Hartleys Estimates, IRESS

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has completed a placement and Underwriting of an Entitlement Offer in the last 12 months for Panoramic Resources Limited ("PAN"), for which it has earned fees. Hartleys assisted Panoramic with the sale of its Lanfranchi Nickel Project for which Hartleys earned fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Panoramic, for which it has earned fees.

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