

vision
commitment
results



18 November 2010

Chairman's Address to AGM

As I said last year, we expected better things for nickel in 2010. And indeed we did have better prices and completed an extension of our long term contracts for the output of both mines. As a result of strong production from our operations, together with solid hedging gains and improved commodity prices, we were again able to declare a dividend to reward our shareholders.

LME nickel stocks started to fall over the last few months of last year after peaking at 160,000 tonnes. They dropped back to ~120,000 tonnes, however have started to rise again lately. General market consensus is that production will be about 80,000 tonnes less than consumption during 2010. However, new production is expected from a couple of major projects (Goro and Ambotovy) which will increase supply during 2011.

The importance of the demand for stainless steel in China continues to dominate usage. Of stainless production today around 45% of world consumption is in China. China expects to reach 12 million tonnes of stainless steel production per annum in the coming year and of this around 54% will be 300 series stainless which has the high nickel content. There is still demand for 200 series with lower nickel content but there appears to be moves towards the higher quality grades.

Our production which is processed through to metal by Jinchuan and BHP Billiton Nickel West ends up as primary nickel metal which is used to produce high grade stainless steel, batteries, electroplating and super alloys. There is a major effort to increase supplies of Nickel Pig Iron (NPI) and Ferro-Nickel (FeNi) to China by domestic producers processing laterite ores from the Philippines and Indonesia. These low grades of nickel product have the advantage of a high iron content. The governments of these countries are watching the export of these low grade ores and there are likely to be steps

taken to restrict the export of the ores so that further processing takes place in their countries. There is no doubt that NPI and low grade FeNi will continue to be a major supply source to the Chinese industry and in the future may well be produced in the countries where the resources reside.

As I advised last year we continue to seek investments in new base metal, gold and PGM projects. Despite reviewing many projects we have not yet found a project in Australia or overseas which meets our criteria. While we will continue to assess projects at development or operating stage we are also looking at more early stage exploration projects to try and find projects where we can add value for shareholders through exploration success. Unfortunately most projects we like seem to be fully priced. In the meantime we have managed to invest indirectly in some projects in Canada and West Africa and made good profits, however these are only small shareholdings and this is not our core business.

We also are continually optimising our own properties in the Kimberley and at Lanfranchi. To ensure the future of these projects we are undertaking a number of developments including increasing the capacity of the tailings dam at Savannah and building a village at Lanfranchi to house our workers. Notwithstanding that we have received approval to do the tailings dam lift, I must register our disappointment at the length of time it takes to get these approvals. The accommodation village at Lanfranchi, in particular, is an important safety measure to ensure all employees and contractors are able to get to work and from work easily and less fatigued while at the same time saving a couple of hours travel time each day. This should also improve employee retention. This is consistent with safety being the No.1 value in our business and in line with our safety mantra which is:



- VISION - Safety is a value not just a priority
- COMMITMENT - Safety improvement through leadership
- RESULTS - Safely home every day

We will not tolerate any activity in the workplace that puts the lives or health of our employees at risk. Our focus on safety continues to return results and we have seen a noticeable improvement in the safety culture at both the Company's operations.

During the year we completed a major review of executive and staff remuneration. The result of this review was the implementation of a new Long Term Incentive program using share rights which was subsequently approved by shareholders at the General Meeting of Members in September 2010. Hopefully this contentious matter is now set for the next three years and our staff will be rewarded if they achieve the prescribed results which are set out in the Annual Report. I regard the focus of some commentators on this aspect of industry as counter productive as it places the wrong emphasis on those trying to grow the Company.

Let me say that as I grow older I find the emphasis on non-core issues by some commentators rather than on growing the Company's assets and profits as something which can hinder the development of companies. I am probably too set in my ways to change but my emphasis is to set the conditions so that the Company's assets are operated efficiently and maximum shareholder value is obtained.

Peter, together with his dedicated team, continues to deliver great results. I was delighted to visit both operations this year and meet the men and women who work there, along with our people in our Corporate Office. They are loyal, hard working and a really good team. I give my thanks to them all.

Peter will provide you with a more detailed update of the year that was and what you can look forward to in the future from Panoramic.

Thank you.

Christopher de Guingand
Chairman