

# Panoramic Resources Limited

## UPGRADED – Value And Potential Positive Newsflow



WilsonHTM  
INVESTMENT GROUP

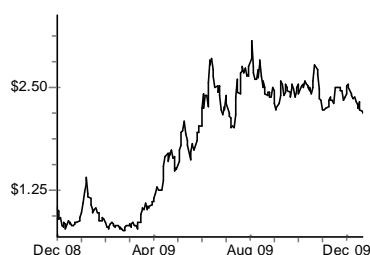
22 December 2009

\$2.19

BUY

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### Price Performance



### Security/Capital Details

ASX Code	PAN
Market Cap	\$457 M
Issued Shares (dil)	208.7 M
Avg Mth T'over	28.60 M
12 Mth High – Low	\$3.09 – \$0.75

### Key Data/Ratios – FY 2010

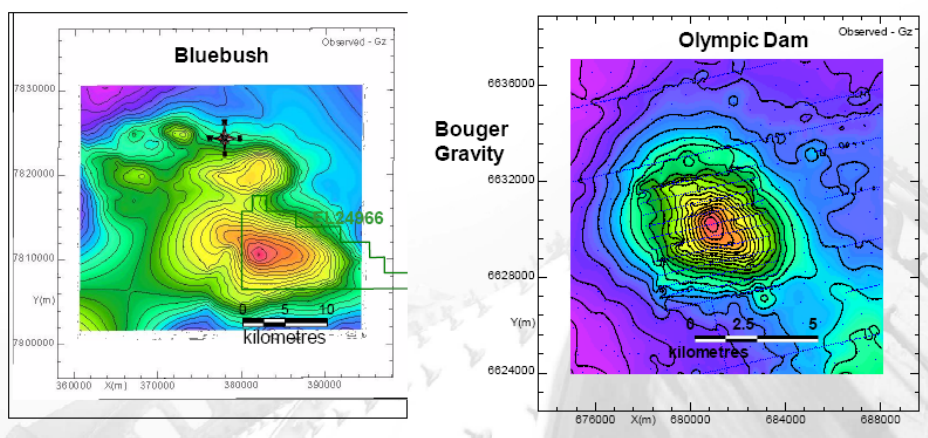
EBITDA / Sales	64.7%
EBIT / Sales	46.0%
Debt / Equity	1.9%
Interest Cover	217.5 x
ROE	24.9%
EPS Growth	224.3%
DCF	\$2.31
12 Mth Price Target	\$2.28

### Recommendation

We are upgrading PAN to BUY with the stock now trading below valuation (\$2.31/share) and target price (\$2.28/share), and with potentially market moving news flow over coming weeks and months. The expected news flow in part reflects results from the company's \$8.0m FY2010 exploration program, and in part reflects development and mine exploration activity at both Savannah and Lanfranchi mines. A maiden ore reserve for Lower Savannah is expected near term which has the potential to establish a 10 year mine life for this project. Recent and continued share price weakness maybe due to the expiry of an escrow period for PAN shares distributed to and held by Canadian investors in Brilliant Mining, PAN's previous joint venture partner in the Lanfranchi mine.

### Key Points

- PAN share price has now breached our valuation to the downside and represents good value with near term upside potential due to exploration related news flow and the release of an initial ore reserve for Savannah South. The latter could underpin the long targeted 10 year mine life for Savannah. The news flow is expected within the next few weeks. The exploration news flow includes initial drilling results from the high upside, district scale Bluebush copper-gold project in the Northern Territory.
- PAN has the right to earn up to an 80% interest in the Bluebush joint venture with Territory Uranium Limited. The Bluebush tenement contains a series of magnetic and gravity anomalies typical of IOCG (iron oxide copper gold) style mineralisation, the style of mineralisation present at OZL's Prominent Hill mine in South Australia. The Bluebush target is large, being similar in size to the geophysical response exhibited by BHP-Billiton's Olympic Dam orebody with similar geological setting. Drilling commenced in November to test three of the five targets.



- We have also noticed that PAN's share price has been under selling pressure over the last 2.5 weeks since a closing high of \$2.55/share (3-Dec-2009). We suggest this selling maybe due in part to PAN shares that have recently come out of escrow.
- In May 2009, PAN purchased the 25% of the Lanfranchi mine joint venture that it did not already own from TSXV listed company Brilliant Mining Corporation. Consideration was 12m ordinary PAN shares escrowed for 6 months from 27<sup>th</sup> May 2009, together with 3m options, expiry 31<sup>st</sup> Dec 2012, exercise price \$1.50/share. Beneficial ownership of the PAN ordinary shares was subsequently transferred to shareholders of Brilliant Mining Corporation on May 29<sup>th</sup> 2009. However, title only became transferable to the recipient shareholders of Brilliant on 26<sup>th</sup> Nov 2009 due to the escrow.
- At the time of beneficial assignment to Brilliant shareholders in May 2009, the PAN share price was \$2.04/share (closing price May 29<sup>th</sup>).

Year to June	NPAT (Rep) \$M	NPAT (PSig) \$M	EPS (PSig) c	EPS Growth %	PER x	CFPS c	P/CF x	DPS c	Div Yld %	Franking %
2009a	5.6	24.0	11.5	-58.8	19.1	16.0	13.7	3.0	1.4	100
2010e	77.8	77.8	37.3	224.3	5.9	57.8	3.8	19.0	8.7	100
2011e	61.2	61.2	29.3	-21.3	7.5	53.1	4.1	15.0	6.9	100
2012e	65.9	65.9	31.6	7.7	6.9	48.2	4.5	16.0	7.3	100

## Panoramic Resources Limited (PAN : \$2.19)

## PRODUCTION

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Contained Nickel (kt)	13.1	17.4	18.5	22.9	20.7
Contained Copper (kt)	4.5	5.0	5.2	6.1	5.8
Contained Cobalt (kt)	0.4	0.4	0.4	0.6	0.6

## PRICES

Yr Ending June	2008A	2009A	2010E	2011E	2012E
AUDUSD (USD)	0.90	0.75	0.85	0.82	0.80
Nickel (US\$/lb)	12.95	6.13	8.15	7.55	7.90
Copper (US\$/lb)	3.53	2.14	2.78	2.90	3.15
Cobalt (US\$/lb)	37.10	21.25	16.00	18.50	21.50

## INVESTMENT &amp; VALUATION FUNDAMENTALS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EPS Before Abs (c)	27.9	11.5	37.3	29.3	31.6
EPS Growth (%)	N/A	-58.8%	224.3%	-21.3%	7.7%
<b>PER (x)</b>	<b>7.9</b>	<b>19.1</b>	<b>5.9</b>	<b>7.5</b>	<b>6.9</b>
CFPS (c)	46.1	16.0	57.8	53.1	48.2
<b>P/CF (x)</b>	<b>4.8</b>	<b>13.7</b>	<b>3.8</b>	<b>4.1</b>	<b>4.5</b>
EV/EBITDA (x)	3.2	5.0	2.3	2.3	2.0
DPS (c)	<b>12.0</b>	<b>3.0</b>	<b>19.0</b>	<b>15.0</b>	<b>16.0</b>
Yield (%)	5.5%	1.4%	8.7%	6.9%	7.3%
Franking (%)	100%	100%	100%	100%	100%

## DCF VALUATION @ 10.5% 10.0%

Yr Ending June	A\$m	A\$ps	A\$m	A\$ps
Savannah	69.3	0.33	70.2	0.34
Lanfranchi	183.0	0.88	185.7	0.89
Corporate Costs Capitalised	-31.5	-0.15	-32.0	-0.15
Hedge Book	13.1	0.06	13.1	0.06
Interests - Other Entities	1.8	0.01	1.8	0.01
Exploration/Dev Portfolio	73.0	0.35	73.0	0.35
Franking Credits	61.6	0.30	62.6	0.30
Cash	110.8	0.53	110.8	0.53
Interest Bearing Liabilities	-6.6	-0.03	-6.6	-0.03
Minorities	0.0	0.00	0.0	0.00
Additional Capital - Dilution	6.8	0.03	6.8	0.03
Total Valuation - Diluted	481.3	2.31	485.4	2.33

## PROFITABILITY RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
<b>EBIT / Sales (%)</b>	<b>30.2%</b>	<b>14.5%</b>	<b>46.0%</b>	<b>32.8%</b>	<b>36.3%</b>
ROA (%)	N/A	11.8%	33.1%	26.4%	29.8%
<b>ROE (%)</b>	<b>N/A</b>	<b>9.3%</b>	<b>24.9%</b>	<b>17.2%</b>	<b>16.9%</b>
ROFE (%)	N/A	17.6%	45.2%	36.4%	41.9%

## INTERIMS (\$m)

Half Yr	Dec 08	Jun 09	Dec 09	Jun 10	Dec 10
Yr Ending June	1H A	2H A	1H E	2H E	1H E
Sales Revenue	110.7	114.4	118.9	114.8	116.1
EBIT	8.2	24.4	57.8	49.6	31.2
<b>Net Profit</b>	<b>-8.6</b>	<b>14.2</b>	<b>41.4</b>	<b>36.3</b>	<b>23.8</b>
EPS	4.4	7.1	19.8	17.4	11.4

1. Gearing = (Debt + CNotes) / (Debt + Cnotes + Equity)

## BALANCE SHEET (\$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Cash	110.9	50.0	113.8	163.1	216.4
Total Assets	332.1	380.3	432.6	464.9	493.9
Debt	8.4	6.6	6.6	6.6	6.6
Total Liabilities	100.4	94.0	93.0	91.0	89.1
Total Shareholders Equity	231.7	286.3	339.6	373.9	404.8
Total Funds Employed	129.2	242.9	232.3	217.3	195.0

## LIQUIDITY &amp; LEVERAGE RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Debt / Equity (%)	3.6%	2.3%	1.9%	1.8%	1.6%
Gearing (%) <sup>1</sup>	3.5%	2.2%	1.9%	1.7%	1.6%
Interest Cover (x)	-15.2	33.5	-38.6	-16.0	-11.5
Debt / CashFlow (x)	0.1	0.2	0.1	0.1	0.1
(Debt+CNotes)/ CashFlow	0.1	0.1	0.1	0.1	0.1

## PROFIT &amp; LOSS (\$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Sales Revenue	232.4	225.1	233.7	249.6	238.9
EBITDA	110.7	82.2	151.3	133.5	123.4
Depn and Amortisation	40.4	49.5	43.8	51.6	36.7
<b>EBIT</b>	<b>70.3</b>	<b>32.7</b>	<b>107.4</b>	<b>81.9</b>	<b>86.7</b>
Net Interest Expense	-4.6	1.0	-2.8	-5.1	-7.5
<b>Pre-tax Profit</b>	<b>74.9</b>	<b>31.7</b>	<b>110.2</b>	<b>87.0</b>	<b>94.2</b>
Tax	16.9	7.7	32.5	25.8	28.3
Tax rate (%)	22.5%	24.3%	29.5%	29.7%	30.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>58.0</b>	<b>24.0</b>	<b>77.8</b>	<b>61.2</b>	<b>65.9</b>
Abnormals	-4.7	-18.4	0.0	0.0	0.0
Reported Net Profit	53.3	5.6	77.8	61.2	65.9

## CASHFLOW (\$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
<b>Operating Cash Flow</b>	<b>95.8</b>	<b>33.5</b>	<b>120.6</b>	<b>110.8</b>	<b>100.7</b>
Capital Expenditure	-22.2	-15.7	-13.1	-16.3	-1.3
Expln, Develop, Evaln	-39.6	-44.8	-19.2	-18.3	-11.2
Asset Sales/Acquisitions	-3.7	0.0	0.0	0.0	0.0
Other	0.0	-17.8	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-65.4</b>	<b>-78.4</b>	<b>-32.3</b>	<b>-34.6</b>	<b>-12.4</b>
Share Issues/(Buybacks)	3.6	0.2	0.0	3.8	0.0
Debt Drawdown (Repay)	-6.6	-4.7	0.0	0.0	0.0
Dividends Paid	-36.1	-11.5	-24.5	-30.7	-35.0
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>-39.1</b>	<b>-16.1</b>	<b>-24.5</b>	<b>-26.9</b>	<b>-35.0</b>
<b>Cash Increase (Decrease)</b>	<b>-8.7</b>	<b>-61.0</b>	<b>63.8</b>	<b>49.3</b>	<b>53.3</b>

## EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2008A	2009A	2010E	2011E	2012E
+/- 1c Movement US\$/A\$	0.0	0.0	1.2	4.6	4.4
+/-10% Ni Price Change	0.0	0.0	16.8	26.1	26.9
+/-10% Change In Costs	0.0	0.0	11.7	18.7	18.6



### Recommendation Structure

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

### Other definitions

CS Coverage Suspended. Wilson HTM Ltd has suspended coverage of this company.

NR Not Rated. The recommendation has been suspended temporarily. Such suspension is in line with Wilson HTM Investment Group Ltd policies in circumstances where Wilson HTM Corporate Finance Ltd is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations.

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