

Panoramic Resources Limited

Dec Half Financial Result – 10cps In Dividends, Franked



WilsonHTM
INVESTMENT GROUP

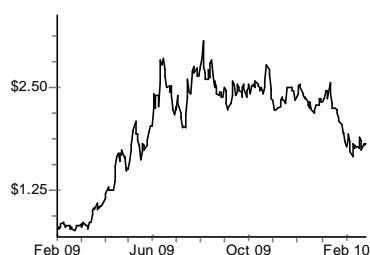
25 February 2010

\$1.82

BUY

Keith Williams
03 9640 3802
keith.williams@wilsonhtm.com.au

Price Performance



Security/Capital Details

ASX Code	PAN
Market Cap	\$380 M
Issued Shares (dil)	208.7 M
Avg Mth T'over	23.29 M
12 Mth High – Low	\$3.09 - \$0.77

Key Data/Ratios – FY 2010

EBITDA / Sales	50.6%
EBIT / Sales	29.3%
Debt / Equity	1.1%
Interest Cover	141.9 x
ROE	18.3%
EPS Growth	122.7%
DCF	\$2.30
12 Mth Price Target	\$2.26

Recommendation

Maintain BUY. Target price is revised \$2.26/share, providing upside to TSR of 33.5%. LME nickel inventories have now been falling for approximately two weeks, potentially indicating a modest improvement in the demand/supply fundamentals. The spot nickel price of ~US\$9.10/lb is trading close to its 12 month high in both US\$ and A\$ terms and is above our forecasts for the June half year (US\$8.00/lb, A\$8.89/lb). The average nickel price for the June half year to date is also above our forecast, implying potential future upgrades to nickel company earnings including PAN, other things equal.

Key Points

- Reported NPAT for the six months ended 31st Dec was \$23.1m, 15% higher than guidance of \$20.0m provided on 3rd February. PCP was a loss of \$8.6m. The PCP included an impairment charge before tax of \$25.1m in recognition of the GFC and the then poor outlook for commodity prices.
- Basic EPS was 11.3cps (diluted 11.1cps) vs -4.5cps in the pcp (diluted and undiluted).
- The better than expected result was due to \$1.2m additional revenue associated with provisional pricing adjustments, \$1.1m lower D&A charge, and \$0.8m lower tax expense due to availability of R&D concessions.
- Effective tax rate on pre-tax profit was 28%.
- Cash flow from operations pre-tax was \$63.1m, 206% higher than the pcp result of \$20.7m, mainly due to higher A\$ nickel prices but despite lower contained nickel sales (-4.3%). After tax, cash flow from operations was \$67.1m due to a \$3.9m tax credit.
- 5cps interim dividend plus 5cps special dividend declared - both fully franked. Payment 26th March. Dividend payment will be ~\$20.0m.
- Cash balance at 31st Dec 2009 was \$113.5m as cash and term deposits. Borrowings were \$3.186m, being equipment leasing finance. No debt.
- We view the dividend special payment as justified given the cash balance, recurring profits, substantial retained earnings and ability to fully frank the dividend. The larger dividend may raise concerns that PAN is unable to acquire growth assets. However, we believe that if PAN needs cash for a future acquisition after paying dividends, the market will willingly support it viewing the payment of dividends as good capital management and an appropriate return of current surplus cash to investors.
- We note that today's release of the interim financial report does not contain the long awaited reserves statement for the Lower Savannah orebody which was originally expected in the Dec 2009 quarter. We understand that this is imminent. A lower Savannah reserve could, depending on metal prices, underpin a 10 year remaining mine life for the Savannah mine. Our valuation is currently based on a mine life to 2016. We also note that in Nov 2009, PAN entered an MOU with the Jinchuan Group for a 10 year extension from April 2010 of the Savannah Off-Take Agreement. MOU terms are similar to those in the current off-take agreement.

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	15.8	16.1	11.3	3.0	1.7	100
2010e	52.8	53.4	25.6	122.7	7.1	58.7	3.1	17.0	9.3	100
2011e	81.1	81.1	38.9	51.8	4.7	57.5	3.2	20.0	11.0	100
2012e	65.3	65.3	31.3	-19.5	5.8	47.1	3.9	16.0	8.8	100

Panoramic Resources Limited (PAN : \$1.82)

PRODUCTION

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Contained Nickel (kt)	13.1	17.4	17.9	22.9	20.7
Contained Copper (kt)	4.5	5.0	5.4	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	0.89	0.88	0.85
Nickel (US\$/lb)	12.95	6.13	7.98	9.00	8.75
Copper (US\$/lb)	3.53	2.14	2.77	3.19	3.25
Cobalt (US\$/lb)	37.10	21.25	18.43	19.00	17.50

INVESTMENT & VALUATION FUNDAMENTALS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EPS Before Abs (c)	27.9	11.5	25.6	38.9	31.3
EPS Growth (%)	N/A	-58.8%	122.7%	51.8%	-19.5%
PER (x)	6.5	15.8	7.1	4.7	5.8
CFPS (c)	46.1	16.1	58.7	57.5	47.1
P/CF (x)	3.9	11.3	3.1	3.2	3.9
EV/EBITDA (x)	2.5	4.1	2.3	1.5	1.5
DPS (c)	12.0	3.0	17.0	20.0	16.0
Yield (%)	6.6%	1.7%	9.3%	11.0%	8.8%
Franking (%)	100%	100%	100%	100%	100%

DCF VALUATION @ 10.5 % 10.0 %

Yr Ending June	A\$m	A\$ps	A\$m	A\$ps
Savannah	72.4	0.35	73.2	0.35
Lanfranchi	188.3	0.90	191.0	0.92
Corporate Costs Capitalised	-39.4	-0.19	-40.1	-0.19
Hedge Book	6.8	0.03	6.8	0.03
Interests - Other Entities	1.8	0.01	1.8	0.01
Exploration/Dev Portfolio	73.0	0.35	73.0	0.35
Franking Credits	59.8	0.29	60.6	0.29
Cash	113.5	0.54	113.5	0.54
Interest Bearing Liabilities	-3.2	-0.02	-3.2	-0.02
Minorities	0.0	0.00	0.0	0.00
Additional Capital - Dilution	6.6	0.03	6.7	0.03
Total Valuation - Diluted	479.6	2.30	483.3	2.32

PROFITABILITY RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EBIT / Sales (%)	30.2%	14.5%	29.3%	41.6%	35.4%
ROA (%)	N/A	11.8%	23.3%	38.6%	31.5%
ROE (%)	N/A	9.3%	18.3%	25.0%	18.0%
ROFE (%)	N/A	17.6%	32.6%	55.5%	45.9%

INTERIMS (\$m)

Half Yr	Dec 08	Jun 09	Dec 09	Jun 10	Dec 10
Yr Ending June	1H A	2H A	1H A	2H E	1H E
Sales Revenue	110.7	114.4	132.2	114.7	124.6
EBIT	8.2	24.4	32.0	40.3	43.8
Net Profit	-8.6	14.2	23.1	29.7	32.5
EPS	4.4	7.1	11.3	14.3	15.6

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

BALANCE SHEET (\$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Cash	110.9	50.0	100.2	158.5	199.0
Total Assets	332.1	380.3	389.0	441.0	459.1
Debt	8.4	6.6	3.2	3.2	3.2
Total Liabilities	100.4	94.0	91.1	89.2	87.2
Total Shareholders Equity	231.7	286.3	297.9	351.9	371.9
Total Funds Employed	129.2	242.9	200.9	196.6	176.1

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Debt / Equity (%)	3.6%	2.3%	1.1%	0.9%	0.9%
Gearing (%) ¹	3.5%	2.2%	1.1%	0.9%	0.9%
Interest Cover (x)	-15.2	33.5	-25.0	-22.0	-11.3
Debt / CashFlow (x)	0.1	0.2	0.0	0.0	0.0
(Debt+CNotes)/ CashFlow	0.1	0.1	0.0	0.0	0.0

PROFIT & LOSS (\$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Sales Revenue	232.4	225.1	246.9	265.1	242.1
EBITDA	110.7	82.2	124.9	151.2	120.6
Depn and Amortisation	40.4	49.5	52.6	40.9	34.9
EBIT	70.3	32.7	72.2	110.4	85.7
Net Interest Expense	-4.6	1.0	-2.9	-5.0	-7.6
Pre-tax Profit	74.9	31.7	75.1	115.4	93.3
Tax	16.9	7.7	21.7	34.3	28.0
Tax rate (%)	22.5%	24.3%	28.9%	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
Net Profit	58.0	24.0	53.4	81.1	65.3
Abnormals	-4.7	-18.4	-0.6	0.0	0.0
Reported Net Profit	53.3	5.6	52.8	81.1	65.3

CASHFLOW (\$m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Operating Cash Flow	95.8	33.5	122.4	119.9	98.2
Capital Expenditure	-22.2	-15.7	-10.5	-16.3	-1.3
Expln, Develop, Evaln	-39.6	-44.8	-21.0	-18.3	-11.2
Asset Sales/Acquisitions	-3.7	0.0	0.0	0.0	0.0
Other	0.0	-17.8	-12.8	0.0	0.0
Investing Cash Flow	-65.4	-78.4	-44.3	-34.6	-12.4
Share Issues/(Buybacks)	3.6	0.2	0.1	3.7	0.0
Debt Drawdown (Repay)	-6.6	-4.7	-3.4	0.0	0.0
Dividends Paid	-36.1	-11.5	-24.5	-30.7	-45.2
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	-39.1	-16.1	-27.8	-27.1	-45.2
Cash Increase (Decrease)	-8.7	-61.0	50.2	58.3	40.6

EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2008A	2009A	2010E	2011E	2012E
+/- 1c Movement US\$/A\$	0.0	0.0	0.6	3.4	4.1
+/-10% Ni Price Change	0.0	0.0	10.2	20.2	28.2
+/-10% Change In Costs	0.0	0.0	10.0	14.4	19.1



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.

Disclaimer

Whilst Wilson HTM Ltd believes the information contained in this communication is based on reliable information, no warranty is given as to its accuracy and persons relying on this information do so at their own risk. To the extent permitted by law Wilson HTM Ltd disclaims all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of Wilson HTM Ltd and therefore may not be realised in the future.

The advice contained in this document is general advice. It has been prepared without taking account of any person's objectives, financial situation or needs and because of that, any person should, before acting on the advice, consider the appropriateness of the advice, having regard to the client's objectives, financial situation and needs. Those acting upon such information without first consulting one of Wilson HTM Ltd investment advisors do so entirely at their own risk. This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever. If the advice relates to the acquisition, or possible acquisition, of a particular financial product – the client should obtain a Product Disclosure Statement relating to the product and consider the Statement before making any decision about whether to acquire the product. This communication is not to be disclosed in whole or part or used by any other party without Wilson HTM Ltd's prior written consent.

Disclosure of Interest. Panoramic Resources Limited

The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in Panoramic Resources Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Panoramic Resources Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

In producing research reports, members of Wilson HTM Ltd Research may attend site visits and other meetings hosted by the issuers the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Wilson HTM Ltd considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting.

BRISBANE
Ph: 07 3212 1333
Fax: 07 3212 1399

SYDNEY
Ph: 02 8247 6600
Fax: 02 8247 6601

MELBOURNE
Ph: 03 9640 3888
Fax: 03 9640 3800

GOLD COAST
Ph: 07 5509 5500
Fax: 07 5509 5599

DALBY
Ph: 07 4660 8000
Fax: 07 4660 4169

HERVEY BAY
Ph: 07 4197 1600
Fax: 07 4197 1699

TOWNSVILLE
Ph: 07 4725 5787
Fax: 07 4725 5104

GEELONG
Ph: 03 5225 1500
Fax: 03 5225 1599

Our web site: www.wilsonhtm.com.au