

## \$23.1M 1H FY10 NPAT and 10cps Dividend

### Investment Highlights

- PAN reported a 1H FY10 NPAT of \$23.1M (\$5.4M after accounting treatment of hedgebook). This was 15% higher than the \$20M guidance given 3 weeks ago due to QP's, lower D&A and reduced tax expense. The result came on revenue of \$133.7M and was a \$31.7M turnaround on the \$8.6M loss in the pcp. 1H benefited from the purchase of the remaining 25% of Lanfranchi in May 09 and improved nickel prices (US\$7.99/lb vs US\$6.75/lb). Cashflow from operating activities was \$63.1M up 206% pcp. Net cash now stands at \$107M and PAN has declared a 5cps fully franked dividend and 5cps fully franked special dividend. PAN represents our preferred nickel play and is trading at a 26% discount to our DCF. We retain our BUY recommendation with a \$2.59/sh price target.
- Share price factoring in much lower nickel prices:** Based on our forex forecast the current share price factors in only a sub US\$6.50/lb nickel price versus spot of +US\$9/lb and PAN cash costs of ~A\$/lb.
- 10cps Fully franked Dividend:** On first pass the payment of a \$20M dividend may be interpreted as a flag that acquisitions are off the radar in the short term but PAN continues to review projects. Management sees the move as good capital management and reward for shareholder support and is comfortable that this extra \$10M (5cps special) will be readily sourced when/if the right asset presents itself.
- PSL forecast 17,900t nickel in FY10 (PAN 18-19kt):** In H2 we are looking for continued steady production at Savannah and a continued ramp in tonnes from Lanfranchi, just under the low end of PAN's guidance. In FY11 and beyond we forecast 19ktpa until depth and ground conditions see PAN setting more modest targets.
- Ex-Growth?:** PAN's assets are maturing and it is in the cash harvest phase, with production soon to flatten off. But with ~10years ahead at both operations Lanfranchi/Deacon and Savannah/Deeps and an increased exploration spend it has time and balance sheet on its side before determining the next step. We understand it continues to review potential projects at a steady rate and rather than growing impatient we take confidence in it not having paid too much for an inferior asset.

26 February 2010

12mth Rating		BUY
Price	A\$	1.87
Target Price	A\$	2.59
12m Total Return	%	40.2
RIC: <b>PAN.AX</b>		BBG: <b>PAN AU</b>
Shares o/s	m	208.0
Free Float	%	66.5
Market Cap.	A\$m	389.0
Net Debt (Cash)	A\$m	-106.9
Net Debt/Equity	%	na
3m Av. D. T'over	A\$m	1.97
52wk High/Low	A\$	3.09/0.77
2yr adj. beta		1.47

#### Valuation:

Methodology		DCF
Value per share	A\$	2.36

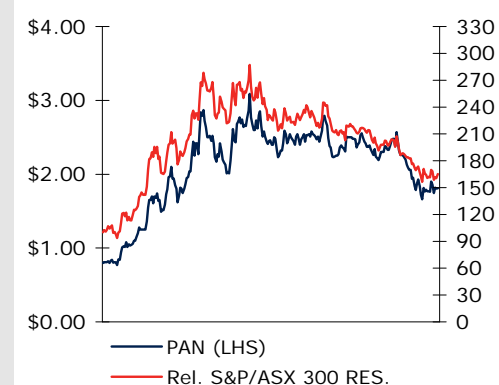
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#### 12 Month Share Price Performance

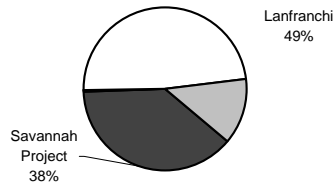


Performance %	1mth	3mth	12mth
Absolute	-11.4	-26.4	129.6
Rel. S&P/ASX 300	-10.2	-25.3	63.4

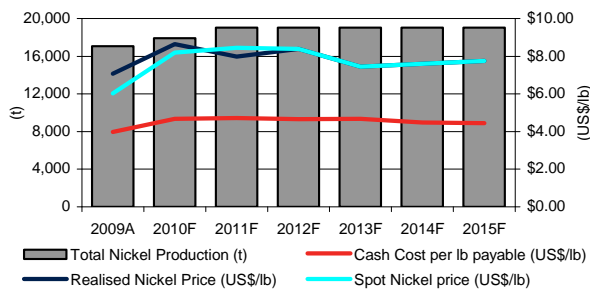
Year End June 30	2008A	2009A	2010F	2011F	2012F
Reported NPAT (\$m)	53.3	5.6	41.1	27.2	38.9
Recurrent NPAT (\$m)	56.8	37.8	41.9	27.2	38.9
Recurrent EPS (cents)	29.0	18.3	20.1	13.1	18.7
EPS Growth (%)	(55.7)	(36.9)	10.1	(35.1)	43.2
PER (x)	6.5	10.2	9.3	14.3	10.0
EBITDA (\$m)	116.7	87.7	112.4	90.7	107.5
EV/EBITDA (x)	2.3	3.7	2.5	2.6	1.7
Capex (\$m)	59.3	58.0	24.4	20.5	20.9
Free Cashflow	40.1	(27.6)	90.0	55.8	67.0
FCFPS (cents)	20.5	(13.3)	43.2	26.8	32.2
PFCF (x)	9.1	(14.0)	4.3	7.0	5.8
DPS (cents)	12.0	3.0	15.0	4.0	5.0
Yield (%)	6.4	1.6	8.0	2.1	2.7
Franking (%)	100.0	100.0	100.0	100.0	100.0

Panoramic Resources Limited (PAN) \$1.87			
Valuation	A\$m	A\$/sh	
Savannah Project	154	0.74	
Copernicus-Salk	(1)	(0.00)	
Lanfranchi	195	0.94	
Forwards	4	0.02	
Puts & Calls	9	0.04	
Corporate	(31)	(0.15)	
Cash	110	0.53	
Debt	(3)	(0.02)	
Exploration	52	0.25	
Unpaid capital	1	0.01	
<b>NPV</b>	<b>490</b>	<b>2.36</b>	
<b>Price Target</b>	<b>539</b>	<b>2.59</b>	
<b>Sensitivities</b>	<b>+10%</b>	<b>0%</b>	<b>-10%</b>
Nickel Price	\$3.16	\$2.59	\$2.02
A\$ : \$US	\$2.02	\$2.59	\$3.29

### Valuation Summary of Operating Assets



### Nickel Production Summary



### Reserves & Resources

Reserves	Kt	Metal	Grade (%Metal)	(kt)
Savannah	2,926	Ni	1.29	37.7
		Cu	0.62	18.1
		Co	0.07	2.0
Lanfranchi	239	Ni	7.24	17.3
Deacon	2,500	Ni	2.52	63.0
<b>Total</b>	<b>5,665</b>	<b>Ni</b>	<b>2.08</b>	<b>118.0</b>

Resources	Kt	Metal	Grade (%Metal)	(kt)
Savannah	6,374	Ni	1.55	98.8
		Cu	0.82	52.0
		Co	0.07	4.8
Copernicus JV	852	Ni	1.24	10.6
		Cu	0.60	5.1
		Co	0.04	0.3
Lanfranchi	2,870	Ni	2.29	65.8
Deacon	2,460	Ni	2.42	59.5
<b>Total</b>	<b>12,556</b>	<b>Ni</b>	<b>1.87</b>	<b>234.7</b>

### Directors

Name	Position
Christopher de Guingand	Non-Executive Chairman
Peter Harold	Managing Director
Chris Langdon	Non Executive Director
John Rowe	Non Executive Director
Brian Phillips	Non Executive Director

Senior Management	Position
Chris Williams	Chief Operating Officer
Trevor Eton	Chief Financial Officer

### Substantial Shareholders

Shareholder	Shares (m)	%
M&G	24.5	12.0
Vanguard	16.7	8.2
Barclays	14.2	7.4
Brilliant Mining	12.0	5.9

### Commodity Assumptions

	2009A	2010F	2011F	2012F
<b>A\$:US\$</b>	<b>\$0.75</b>	<b>\$0.90</b>	<b>\$0.91</b>	<b>\$0.89</b>
<b>Nickel (US\$/lb)</b>	<b>\$6.03</b>	<b>\$8.20</b>	<b>\$8.44</b>	<b>\$8.39</b>
Copper (US\$/lb)	\$2.23	\$3.10	\$3.36	\$3.32
Cobalt (US\$/lb)	\$24.55	\$9.80	\$12.78	\$13.04
Zinc (US\$/lb)	\$0.64	\$1.01	\$1.14	\$1.13
Lead (US\$/lb)	\$0.66	\$1.02	\$1.09	\$1.08

### Production Summary

	2009A	2010F	2011F	2012F
<b>Nickel (t)</b>				
Savannah	8,062	7,923	8,054	8,054
Copernicus	0	0	0	0
Lanfranchi	8,998	9,979	10,996	10,996
<b>Total Nickel Production (t)</b>	<b>17,060</b>	<b>17,902</b>	<b>19,049</b>	<b>19,049</b>

	2009A	2010F	2011F	2012F
<b>Cobalt (t)</b>				
Savannah	424	392	380	380
Copernicus	0	0	0	0
Lanfranchi	0	0	0	0

	2009A	2010F	2011F	2012F
<b>Copper (t)</b>				
Savannah	4,246	4,611	4,815	4,815
Copernicus	0	0	0	0
Lanfranchi	564	479	528	528

Cash Cost per lb payable (A\$/lb)	\$5.33	\$5.18	\$5.17	\$5.27
Cash Cost per lb payable (US\$/lb)	\$3.98	\$4.67	\$4.72	\$4.66
Total Cost per lb payable (US\$/lb)	\$5.38	\$6.35	\$6.42	\$6.31
Spot Nickel price (US\$/lb)	\$6.03	\$8.20	\$8.44	\$8.39
<b>Realised Nickel Price (US\$/lb)</b>	<b>\$7.07</b>	<b>\$8.65</b>	<b>\$7.98</b>	<b>\$8.39</b>

### Profit & Loss (A\$m)

	2009A	2010F	2011F	2012F
<b>Sales Revenue</b>	<b>225.1</b>	<b>270.9</b>	<b>270.7</b>	<b>292.0</b>
Other Income	4.8	4.2	6.0	8.5
Operating Costs	122.9	150.3	173.4	180.2
Exploration Exp.	7.6	5.9	5.3	5.4
Corporate/Admin	11.7	6.6	7.3	7.4
<b>EBITDA</b>	<b>87.7</b>	<b>112.4</b>	<b>90.7</b>	<b>107.5</b>
Depn & Amort	49.3	53.2	51.9	51.9
<b>EBIT</b>	<b>38.4</b>	<b>59.2</b>	<b>38.8</b>	<b>55.6</b>
Impairments/MTM adjustment	32.2	0.8	0.0	0.0
Interest	0.8	0.4	0.0	0.0
<b>Operating Profit</b>	<b>5.4</b>	<b>58.0</b>	<b>38.8</b>	<b>55.6</b>
Tax expense	-0.2	16.9	11.6	16.7
<b>NPAT</b>	<b>5.6</b>	<b>41.1</b>	<b>27.2</b>	<b>38.9</b>

### Normalised NPAT

	-1.7	41.9	27.2	38.9
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### Cash Flow (A\$m)

	2009A	2010F	2011F	2012F
<b>Adjusted Net Profit</b>	<b>5.6</b>	<b>23.4</b>	<b>27.2</b>	<b>38.9</b>
+ Interest/Tax/Expl Exp	8.2	23.2	16.9	22.0
- Interest/Tax/Expl Inc	28.5	25.0	19.7	24.9
+ Depn/Amort	49.3	53.2	51.9	51.9
+/- Other	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>34.5</b>	<b>74.7</b>	<b>76.3</b>	<b>87.9</b>
- Capex (+asset sales)	58.0	24.4	20.5	20.9
- Working Capital Increase	4.1	(21.9)	0.0	0.0
<b>Free Cashflow</b>	<b>(27.6)</b>	<b>72.3</b>	<b>55.8</b>	<b>67.0</b>
- Dividends (ords & pref)	11.5	24.6	14.4	8.2
+ Equity raised	0.2	0.1	0.0	0.0
+ Debt drawdown (repaid)	(4.7)	(6.6)	0.0	0.0
<b>Net Change in Cash</b>	<b>(43.6)</b>	<b>41.2</b>	<b>41.4</b>	<b>58.8</b>
Cash at End Period	67.3	108.5	149.9	208.7
Net Cash/(LT Debt)	60.7	108.5	149.9	208.7

### Balance Sheet (A\$m)

	2009A	2010F	2011F	2012F
Cash	67.3	108.5	149.9	208.7
Total Assets	380.3	407.7	420.4	455.3
Total Debt	6.6	0.0	0.0	0.0
Total Liabilities	94.0	200.0	193.7	200.0
Shareholders Funds	286.3	207.7	226.7	255.3

	2009A	2010F	2011F	2012F
<b>Ratios</b>				
Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	49.7	146.1	na	na
Return on Equity (%)	2.0	19.8	12.0	15.2

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