Panoramic Resources Limited

March Quarterly Report – FY2010 Guidance Lowered

29 April 2010

$2.55

HOLD

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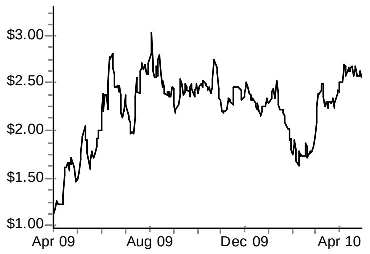
Price Performance



Security/Capital Details

ASX Code	PAN
Market Cap	$532 M
Issued Shares (dil)	208.7 M
Avg Mth T'over	23.29 M
12 Mth High – Low	$3.03 - $1.46

Key Data/Ratios – FY 2010

EBITDA / Sales	54.8%
EBIT / Sales	33.7%
Debt / Equity	1.0%
Interest Cover	167.6 x
ROE	21.0%
EPS Growth	150.6%
DCF	$2.34
12 Mth Price Target	$2.33

Recommendation

PAN has lowered production expectations for FY2010 to the low end of the 18-19kt contained nickel range. From our perspective, there is no change with our forecast being 17.9kt. However, our forecast now reflects higher production from Lanfranchi and correspondingly lower production from Savannah. Exploration activities gathered momentum in the quarter. Significant drillhole intersections were encountered at West Lanfranchi (typically 3-4% nickel over 5-7m in better intersections) and the northern side of the Tramways Dome, also at Lanfranchi, (4.0m @ 2.2% nickel). We maintain our HOLD recommendation. Target price $2.33/share.

Key Points

- On a group basis, nickel in concentrate/ore production for the March quarter was 4,314 tonnes, which was 5.8% higher than the previous quarter. The increase in nickel production in the March quarter was due to a significantly stronger performance by the Lanfranchi mine, offset by a weaker performance by the Savannah mine. In the March quarter, Savannah milled 8.3% less ore and the head grade was lower by 7.6% (1.21% Ni vs 1.31% Ni). Savannah's nickel recovery to concentrate was comparable.
- With YTD production of 12.9kt contained nickel in concentrate/ore, PAN has effectively downgraded production expectations for FY2010 to the lower end of the guidance range of 18-19kt contained nickel. Year-to-date nickel in concentrate/ore shipments/deliveries is a little better at 13.3kt. However, this also looks likely to be at the lower end of the 18-19kt range for the full year.
- The group's payable cash cost for the Dec quarter was A$5.73/lb, an increase of A$0.17/lb or 3.1% on the Dec quarter. Savannah's cash cost increased 24.8% on the Dec quarter to A$5.99/lb. This partly reflected the 15.3% lower nickel in concentrate production in the March quarter, as well as a mill shutdown. Lanfranchi's cash cost on the other hand reduced by 12.3% qoq to A$5.56/lb. PAN has reported total costs as flat qoq, but notes that the company is starting to see some pressure on input costs due to increased activity levels within the resources sector.
- PAN's balance sheet remains robust, with cash of $101m at quarter end after payment of $20m in dividends. Receivables increased by $25m over the quarter, with the net result that the cash balance fell $12m over the quarter. Debt (finance leases) was little changed at $2.6m vs $2.8m.
- During the quarter, PAN took the opportunity to purchase additional nickel, copper and diesel price hedge cover using puts, with the cost partly offset by the sale of calls in the case of nickel and diesel price hedges. Nickel puts have strikes of US$8.16/lb (1,200 tonnes, delivery Dec HY 2010) and US$8.39/lb (600 tonnes, delivery June HY 2011). Associated calls are currently in the money (US$10.89/lb and US$11.57/lb) vs spot close 28/4 of US$11.61/lb. Further currency hedging was also taken out during the quarter (US$15m put options, strike price 0.93, delivery Dec HY 2010). The currency puts were partly financed by US$15m calls at 0.83. The mark to market value of the hedge book was -$17.9m (31/3) vs +$17.4m (31/12).

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	6.5	24.9	11.9	-57.3	21.4	16.5	15.5	3.0	1.2	100
2010e	61.8	62.3	29.9	150.6	8.5	63.2	4.0	19.0	7.5	100
2011e	64.9	64.9	31.1	4.2	8.2	51.4	5.0	16.0	6.3	100
2012e	48.2	48.2	23.1	-25.7	11.0	40.2	6.3	11.0	4.3	100

Exploration Activities

- Main results of interest were:
  - Native copper mineralisation observed in several holes drilled as part of the East Kimberley joint venture (PAN earning 61%). Awaiting assays.
  - Highly encouraging results from a 15 drillhole program at West Lanfranchi with most holes intersecting strong nickel sulphide mineralisation. Better intersections included 5.27m @ 3.81% Ni, 7.45m @ 3.96% Ni, 7.13m @ 4.40% Ni and 9.4m @ 2.99% Ni.
  - Second phase drilling of the Northern side of the Tramways Dome at Lanfranchi was completed with one drillhole intersecting 4m @ 2.2% nickel, and a second drillhole revealing a significant downhole EM anomaly.
  - At the Lake Zot prospect which forms part of the Cowan nickel project (PAN 100% of nickel rights), an EM survey identified a conductor on 3x200m spaced lines which is coincident with a weakly magnetic ultramafic trend. Further drill testing will be undertaken in the current quarter.
  - Drilling of the two remaining Bluebush copper-gold joint venture (PAN earning up to 80%) targets in the Tennant Creek area, Northern Territory are scheduled for the June 2010 quarter. PAN regards these as the best of the five original targets. Access issues dictated the drilling of the three other targets first. These three targets produced weak mineralisation in one case, weak alteration in another with the third barren. There was no further reporting of any results or conclusions against these targets in the March quarter.

Revisions To Forecasts, Valuation, Target

- In keeping with full year guidance, we have downgraded forecast Savannah nickel in concentrate production from 7.9kt to 7.5kt, and increased Lanfranchi nickel in ore production from 10.1kt to 10.5kt.
- Hence for the full year we forecast total contained nickel production unchanged at 17.9kt.
- Our forecasts also incorporate the additional hedging taken out during the March quarter.

NPAT Forecasts (Before Significant Items) – A$m

Y/e June	2010	2011	2012
Previous Forecast	63	65	48
Revised Forecast	62	65	48
Changes	-1.5%	0%	0%

Source: WilsonHTM

DCF Valuation and Target Price

A$/share	DCF Valuation	Target Price
Previous	2.34	2.32
Revised	2.34	2.33
Changes	0%	+0.4%

Source: WilsonHTM

Panoramic Resources Limited (PAN : $2.55)

PRODUCTION

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Contained Nickel (kt)	13.1	17.4	17.9	20.2	19.3
Contained Copper (kt)	4.5	5.0	5.4	5.1	5.1
Contained Cobalt (kt)	0.4	0.4	0.4	0.4	0.4

PRICES

Yr Ending June	2008A	2009A	2010E	2011E	2012E
AUDUSD (USD)	0.90	0.75	0.89	0.89	0.86
Nickel (US$/lb)	12.95	6.13	8.48	9.50	8.25
Copper (US$/lb)	3.53	2.14	2.83	3.25	3.25
Cobalt (US$/lb)	37.10	21.90	19.56	19.00	17.50

INVESTMENT & VALUATION FUNDAMENTALS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EPS Before Abs (c)	27.9	11.9	29.9	31.1	23.1
EPS Growth (%)	N/A	-57.3%	150.6%	4.2%	-25.7%
PER (x)	**9.1**	**21.4**	**8.5**	**8.2**	**11.0**
CFPS (c)	46.1	16.5	63.2	51.4	40.2
P/CF (x)	**5.5**	**15.5**	**4.0**	**5.0**	**6.3**
EV/EBITDA (x)	3.9	5.9	3.1	3.0	3.5
DPS (c)	12.0	3.0	19.0	16.0	11.0
Yield (%)	4.7%	1.2%	7.5%	6.3%	4.3%
Franking (%)	100%	100%	100%	100%	100%

DCF VALUATION @

	10.5%		10.0 %	
Yr Ending June	A$m	A$ps	A$m	A$ps
Savannah	86.9	0.42	88.2	0.42
Lanfranchi	175.2	0.84	177.5	0.85
Corporate Costs Capitalised	-40.3	-0.19	-40.9	-0.20
Hedge Book	-10.6	-0.05	-10.7	-0.05
Interests - Other Entities	1.8	0.01	1.8	0.01
Exploration/Dev Portfolio	73.0	0.35	73.0	0.35
Franking Credits	57.6	0.28	58.4	0.28
Cash	139.9	0.67	139.9	0.67
Interest Bearing Liabilities	-3.2	-0.02	-3.2	-0.02
Minorities	0.0	0.00	0.0	0.00
Additional Capital - Dilution	7.0	0.03	7.0	0.03
Total Valuation - Diluted	487.3	2.34	491.1	2.35

PROFITABILITY RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
EBIT / Sales (%)	30.2%	14.9%	33.7%	39.7%	30.8%
ROA (%)	N/A	12.2%	27.5%	30.4%	22.6%
ROE (%)	N/A	9.6%	21.0%	20.0%	13.7%
ROFE (%)	N/A	18.0%	38.4%	43.6%	32.7%

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	114.8	132.2	120.2	104.8
EBIT	8.2	25.3	32.0	53.0	35.9
Net Profit	**-8.6**	**15.1**	**23.1**	**38.7**	**27.1**
EPS	4.4	7.6	11.3	18.5	13.0

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

BALANCE SHEET ($m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Cash	110.9	50.0	109.8	146.0	185.1
Total Assets	332.1	380.3	398.0	431.8	447.2
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	306.8	342.7	360.0
Total Funds Employed	129.2	242.9	200.2	199.9	178.1

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Debt / Equity (%)	3.6%	2.3%	1.0%	0.9%	0.9%
Gearing (%) [1]	3.5%	2.2%	1.0%	0.9%	0.9%
Interest Cover (x)	-15.2	33.6	-29.4	-17.1	-9.1
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	225.5	252.5	220.0	201.6
EBITDA	110.7	83.0	138.3	131.5	99.7
Depn and Amortisation	40.4	49.5	53.3	44.3	37.6
EBIT	**70.3**	**33.6**	**85.0**	**87.2**	**62.0**
Net Interest Expense	-4.6	1.0	-2.9	-5.1	-6.9
Pre-tax Profit	**74.9**	**32.6**	**87.9**	**92.3**	**68.9**
Tax	16.9	7.7	25.5	27.4	20.7
Tax rate (%)	22.5%	23.7%	29.1%	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**	**24.9**	**62.3**	**64.9**	**48.2**
Abnormals	-4.7	-18.4	-0.6	0.0	0.0
Reported Net Profit	53.3	6.5	61.8	64.9	48.2

CASHFLOW ($m)

Yr Ending June	2008A	2009A	2010E	2011E	2012E
Operating Cash Flow	95.8	34.4	132.0	107.2	83.8
Capital Expenditure	-22.2	-15.7	-10.5	-23.7	-3.7
Expln, Develop, Evaln	-39.6	-44.8	-21.0	-18.3	-10.2
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	-42.0	-13.8
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	-32.8	-30.9
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	-39.1	-16.1	-27.8	-29.1	-30.9
Cash Increase (Decrease)	-8.7	-60.1	59.8	36.2	39.2

EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2008A	2009A	2010E	2011E	2012E
+/- 1c Movement US$/A$	0.0	0.0	0.6	3.7	4.7
+/-10% Ni Price Change	0.0	0.0	10.0	22.2	33.1
+/-10% Change In Costs	0.0	0.0	8.5	15.7	22.3

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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