

Panoramic Resources (PAN.AX / PAN AU)

Rating	OUTPERFORM* [V]
Price (27 Aug 10, A\$)	2.35
Target price (A\$)	2.80 [†]
Market cap. (A\$m)	482.37
Yr avg. mthly trading (A\$m)	49
Last month's trading (A\$m)	45
Projected return:	
Capital gain (%)	19.1
Gross yield (%)	8.9
Total return (%)	28.0
52-week price range (A\$)	2.79 - 1.66

* Stock ratings are relative to the relevant country benchmark.

[†]Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

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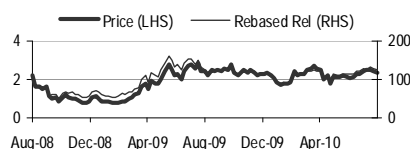
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RESULTS

FY10 results

- FY10 result broadly in line:** PAN delivered earnings of A\$56.2mn in FY10, after adjusting for the reversal of impairments (\$5.1mn) the underlying \$51.1mn NPAT was below our forecast of \$56.2mn but within the range expectation. No special dividend was forthcoming (after the 5 cent special at the half year) with the final ordinary dividend 6.5cps (versus our forecast 8cps). Minimal changes to earnings over the forecast period (~3%) – target price and investment rating unchanged.
- Result highlights:** The lack of a special dividend to us indicates PAN is retaining its financial firepower and may emerge as a purchaser of one or more of Norilsk Nickel's Australian projects currently for sale. PAN's net cash and receivables total A\$158.3mn. An effective hedging program saw PAN achieve an average realised nickel price of A\$10.5/lb, above the A\$10/lb market average for the year. Payable cash costs were US\$5.46/lb.
- Guidance for FY11 unchanged:** PAN is guiding to 3%–9% production growth to 18–19kt of Ni in concentrate (CS at 18.6kt). Exploration budget \$12mn compared to an expense of \$7.1mn in FY10. Exploration in FY11 is to focus on drill testing at Savannah (depths and Intrusion), other domestic surveys and initial drilling as well as supporting the offshore exploration activities in Scandinavia and Alaska.
- Investment Case:** PAN is the least expensive of our nickel covered comps at 7.7x forward earnings but at times gets overlooked due to its relative short mine life (10 years) compared to larger nickel peers.
- Catalysts:** 1) Potential purchase of Norilsk Nickel assets in Western Australia in the coming months. 2) Exploration success over FY11.
- Valuation:** Our discounted cash flow valuation is \$2.50/share including 75 cents of excess cash and \$1.75 for the nickel assets.

Share price performance



The price relative chart measures performance against the Australia S&P/ASX 200 index which closed at 4370.11 on 27/08/10

On 27/08/10 the spot exchange rate was A\$1.11/US\$1

Performance Over	1M	3M	12M
Absolute (%)	-4.9	19.6	-2.1
Relative (%)	-2.0	19.8	-0.3

Financial and valuation metrics

Year	06/10A	06/11E	06/12E	06/13E
Revenue (A\$m)	283.4	313.0	287.5	282.1
EBITDA (A\$m)	119.9	141.8	120.7	117.8
EBIT (A\$m)	67.5	90.0	71.9	71.6
Net income (A\$m)	51.1	64.4	52.5	53.3
EPS (CS adj.) (Ac)	24.50	30.68	24.99	25.39
Change from previous EPS (%)	n.a.	2.2	-1.0	-3.3
Consensus EPS (Ac)	n.a.	26.50	39.30	27.00
EPS growth (%)	51.9	25.2	-18.6	1.6
P/E (x)	9.6	7.7	9.4	9.3
Dividend (Ac)	11.50	15.00	12.49	11.17
Dividend yield (%)	4.9	6.4	5.3	4.8
P/B (x)	1.7	1.6	1.5	1.5
Net debt/equity (%)		net cash	net cash	net cash

Source: Company data, ASX, Credit Suisse estimates. * Adj. for goodwill, notional interest and unusual items. Relative P/E against ASX/S&P200 based on pre GW in AUD. Company PE calculation is based on displayed EPS Currency

DISCLOSURE APPENDIX CONTAINS ANALYST CERTIFICATIONS AND THE STATUS OF NON-US ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Figure 1: Financial Summary

PANORAMIC RESOURCES LIMITED

In \$Mn, unless otherwise stated

Year ending 30 Jun

Profit & Loss	2009A	2010A	2011F	2012F	2013F
Sales revenue	225.1	283.4	313.0	287.5	282.1
EBITDA	78.2	119.9	141.8	120.7	117.8
Depr. & Amort.	49.3	52.4	51.9	48.9	46.2
Goodwill amort.	0.0	0.0	0.0	0.0	0.0
EBIT	28.8	67.5	90.0	71.9	71.6
Equity adjustment	0.0	0.0	0.0	0.0	0.0
Net interest	-2.9	-3.6	-2.0	-3.1	-4.5
Profit before tax	31.7	71.1	92.0	74.9	76.1
Income tax	-0.2	19.9	27.6	22.5	22.8
Profit after tax	31.9	51.1	64.4	52.5	53.3
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit after tax	31.9	51.1	64.4	52.5	53.3
Preferred dividends	na	na	na	na	na
Net profit after tax	31.9	51.1	64.4	52.5	53.3
Unusual item after tax	-26.3	5.1	0.0	0.0	0.0
Reported profit after tax	5.6	56.2	64.4	52.5	53.3

Balance Sheet	2009A	2010A	2011F	2012F	2013F
Cash & equivalents	50.0	49.8	92.8	123.1	165.8
Inventories	14.8	12.3	12.3	12.3	12.3
Receivables	46.0	20.9	20.9	20.9	20.9
Other current assets	46.1	94.6	94.6	94.6	94.6
Current assets	156.8	177.6	220.6	250.9	293.7
Property, plant & equip.	199.7	206.5	175.8	148.1	123.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	23.8	32.8	32.8	32.8	32.8
Non-current assets	223.5	239.2	208.6	180.9	155.9
Total assets	380.3	416.8	429.2	431.8	449.6
Payables	30.8	23.9	23.9	23.9	23.9
Interest bearing debt	6.6	4.7	4.7	4.7	4.7
Other liabilities	56.6	97.1	93.3	88.5	90.1
Total liabilities	94.0	125.7	121.9	117.1	118.7
Net assets	286.3	291.1	307.3	314.6	330.9
Ordinary equity	286.3	291.1	307.3	314.6	330.9
Minority interests	0.0	0.0	0.0	0.0	0.0
Preferred capital	na	na	na	na	na
Total shareholder funds	286.3	291.1	307.3	314.6	330.9

Cashflow	2009A	2010A	2011F	2012F	2013F
EBIT	28.8	67.5	90.0	71.9	71.6
Net interest	3.6	4.0	2.0	3.1	4.5
Depr & Amort	49.3	52.4	51.9	48.9	46.2
Tax paid	-24.9	4.0	-31.4	-27.3	-21.3
Working capital	-15.6	3.3	0.0	0.0	0.0
Other	-11.0	7.3	0.0	0.0	0.0
Operating cashflow	30.2	138.5	112.5	96.5	101.0
Capex	-55.7	-33.3	-21.2	-21.2	-21.2
Acquisitions & Invest	-19.7	-6.7	0.0	0.0	0.0
Asset sale proceeds	0.0	0.0	0.0	0.0	0.0
Other	0.1	-69.3	0.0	0.0	0.0
Investing cashflow	-75.3	-109.3	-21.2	-21.2	-21.2
Dividends paid	-11.5	-24.6	-48.2	-45.1	-37.0
Equity raised	0.2	0.6	0.0	0.0	0.0
Net borrowings	-4.7	-5.4	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing cashflow	-16.1	-29.4	-48.2	-45.1	-37.0
Net cashflow	-60.9	-0.2	43.0	30.2	42.8

Share Price: A\$2.35

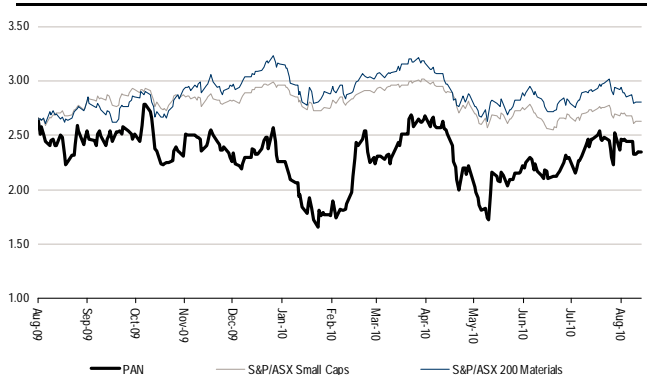
Financial Summary	2009A	2010A	2011F	2012F	2013F	
NPAT	\$mn	31.9	51.1	64.4	52.5	53.3
Credit Suisse NPAT	\$mn	31.9	51.1	64.4	52.5	53.3
Credit Suisse EPS	c	16.1	24.5	30.7	25.0	25.4
EPS growth	%	-51.8	51.9	25.2	-18.6	1.6
P/E	x	14.6	9.6	7.7	9.4	9.3
P/Earnings Growth	x	na	9.7	-0.8	4.4	-1.0
Dividend payout ratio	%	18.6	46.9	48.9	50.0	44.0
Dividend	c	3.0	11.5	15.0	12.5	11.2
Yield	%	1.3	4.9	6.4	5.3	4.8
Franking	%	100	100	100	100	100
Operating CFPS	c	15.3	66.3	53.6	46.0	48.1
P/OCF	x	15.4	3.5	4.4	5.1	4.9
EV/EBITDA	x	5.6	3.6	3.1	3.6	3.7
FCF yield	%	-5.5	21.4	18.5	15.3	16.2

Financial Ratios	2009A	2010A	2011F	2012F	2013F	
Profitability Ratios						
EBITDA margin	%	34.7	42.3	45.3	42.0	41.8
EBIT margin	%	12.8	23.8	28.7	25.0	25.4
Return on equity	%	11.1	17.6	21.0	16.7	16.1
Return on assets	%	8.7	18.4	26.7	23.3	25.3
ROCE	%	15.5	27.6	38.7	34.6	39.1
Effective tax rate	%	-0.7	28.1	30.0	30.0	30.0

Balance Sheet Ratios	2009A	2010A	2011F	2012F	2013F	
Net debt	\$mn	-43.4	-45.1	-88.1	-118.3	-161.1
Net debt/Equity	%	-15.2	-15.5	-28.7	-37.6	-48.7
Net debt/Capital	%	-17.9	-18.3	-40.2	-60.3	-94.9
Interest cover	x	-10.1	-18.8	-44.0	-23.4	-15.9
Capex/Sales	%	-24.7	-11.7	-6.8	-7.4	-7.5
Capex/Depn	%	-1.1	-0.6	-0.4	-0.4	-0.5
Working capital/Sales	%	-6.9	1.2	0.0	0.0	0.0

Share Items	2009A	2010A	2011F	2012F	2013F	
Equiv. FPO (period avg.)	mn	198	209	210	210	210

Share Price Performance 52 week range: \$1.66 - \$2.79



Source: ASX Share price as of 29 Aug 10, 13:18 AET

Source: Company data, Credit Suisse estimates

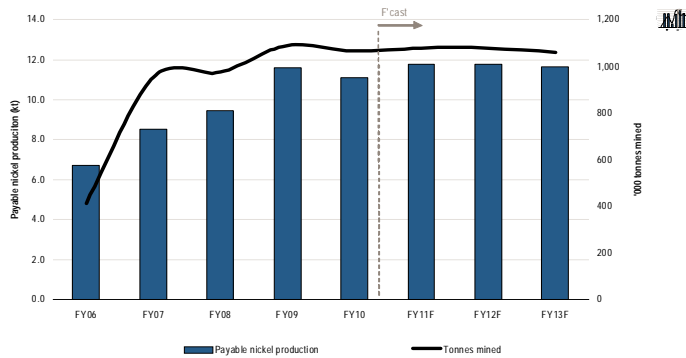
FY10 results

Figure 2: Earnings revisions are minor and stem from changing cash balance...

	FY11F			FY12F			FY13F		
	Old	New	Ch %	Old	New	Ch %	Old	New	Ch %
Sales revenue (\$mn)	313	313	0.0%	287	287	0.0%	282	282	0.0%
EBITDA (\$mn)	142	142	0.0%	121	121	0.0%	118	118	0.0%
EBIT (\$mn)	85.0	90.0	5.8%	69	72	4.1%	71	72	1.6%
NPAT (\$mn)	62.6	64.4	2.8%	52.7	52.5	-0.4%	54.8	53.3	-2.7%
EPS Pre-GW (¢)	30.0	30.7	2.2%	25.2	25.0	-1.0%	26.3	25.4	-3.3%
DPS (¢)	15.0	15.0	0.0%	12.6	12.5	-1.0%	11.6	11.2	-3.3%

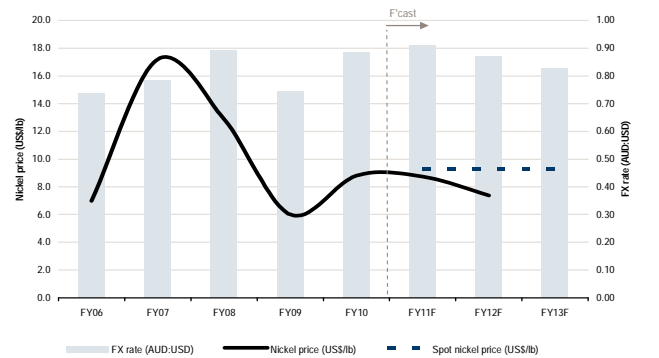
Source: Company data, Credit Suisse estimates

Figure 3: Figure 4: Production profile



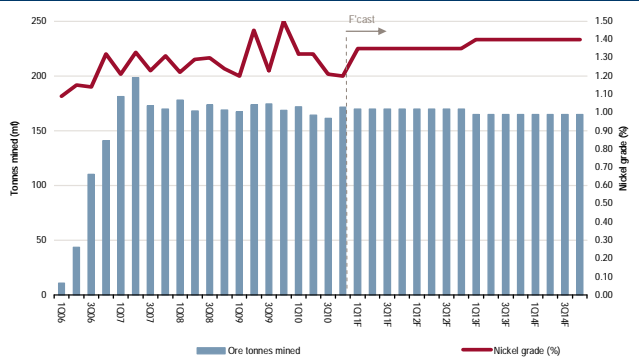
Source: Credit Suisse estimates

Figure 5: Figure 6: Commodity price assumptions



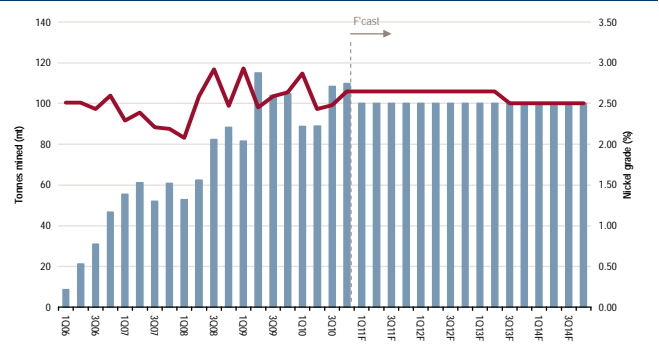
Source: Credit Suisse estimates

Figure 7: Savannah - nickel grade and tonnes mined



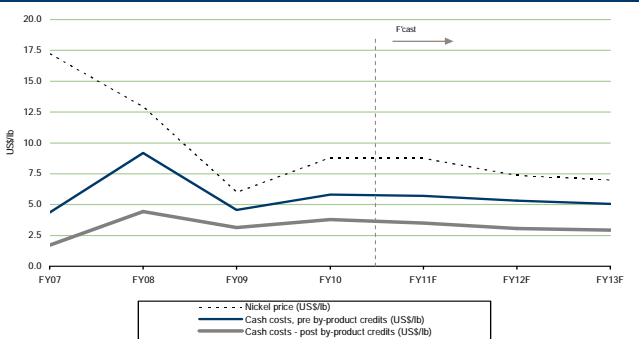
Source: Company data, Credit Suisse estimates

Figure 8: Lanfranchi - nickel grade and tonnes mined



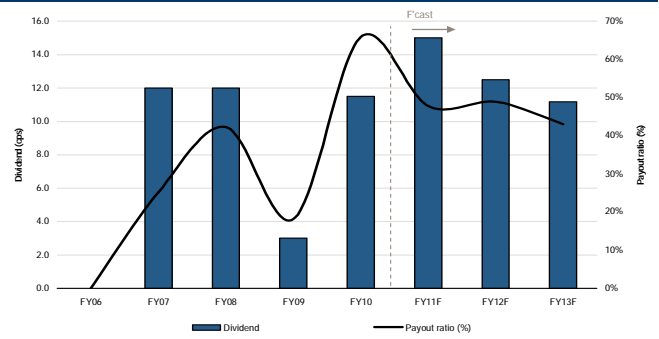
Source: Company data, Credit Suisse estimates

Figure 9: Cash costs



Source: Company data, Credit Suisse estimates

Figure 10: Dividend forecast



Source: Company data, Credit Suisse estimates

Peer comparables...

PAN remains the least expensive of our nickel names but lacks mine life compared to its larger peers.

Figure 11: Nickel peers

Key valuation metrics						
Credit Suisse forecasts	Units	MBN	WSA	IGO	PAN	IGO Exclude gold
Share price	A\$/sh	1.67	5.20	5.41	2.35	2.91
Target price	A\$/sh	2.40	5.00	5.50	2.80	3.00
Rating		O	U	U	O	U
DCF	A\$/sh	2.40	5.00	5.50	2.50	2.50
Price/DCF	x	0.70x	1.04x	0.98x	0.94x	1.16x
Market cap	A\$m	613	935	616	482	616
Year end		Dec	June	June	June	June
Earnings forecasts						
EPS FY11	cps	3.0	36.3	29.0	30.7	29.0
EPS FY12	cps	10.8	19.5	19.5	25.0	19.5
Multiples						
PE FY11		56.4x	14.3x	18.7x	7.7x	10.0x
PE FY12		15.4x	26.6x	27.7x	9.4x	14.9x
EV/EBITDA (fixed) FY11		14.1x	6.4x	8.8x	3.1x	8.8x
EV/EBITDA (fixed) FY12		7.4x	8.9x	13.3x	3.6x	13.3x
Cost of production (nickel payable)						
Most recent quarter reported	US\$/lb	ramp up	3.80	4.93	5.06	5.73
Spot nickel price	US\$/lb	9.3	9.3	9.3	9.3	9.3
Dividend (cps)						
FY11		0.0	9.6	6.0	15.0	6.0
FY12		0.0	5.2	6.0	12.5	6.0
Dividend yield FY11	%	0.0%	1.8%	1.1%	6.4%	2.1%
Dividend yield FY12	%	0.0%	1.0%	1.1%	5.3%	2.1%
Gearing						
Gearing (ND/ND+E)	%	27%	52%	-458%	-43%	-458%
Net debt (net cash)	A\$m	245	184	-176	-88	-176
Equity	A\$m	668	172	215	291	215
EV	A\$m	858	1,118	439	394	439
Price / book value (FY10)	x	0.9x	5.4x	2.9x	1.7x	2.9x
Average mine life (years)	Yrs	19.0	10.0	5.0	8.0	5.0
Average nickel grade		0.06%	4.30%	4.00%	1.65%	4.00%

Source: Company data, Credit Suisse estimates

Figure 12: Detailed financials

Valuation summary	A\$m	A\$/share	Market data				Valuation inputs			
Savannah	214.9	1.03	Share price	29-Aug-10	\$2.35	Target debt	20%			
Lanfranchi	128.2	0.62	Target price		\$2.80	Cost of debt (post tax)	2%			
Copernicus Project	15.0	0.07	Model NPV		\$2.50	Cost of equity (post tax)	13%			
Other non producing assets / hedgebook	13.0	0.06	Upside to NPV		19%	Risk free rate	7%			
Corporate / exploration / other	12.3	0.06	Upside to TP		26%	WACC (nominal)	11%			
Total mining enterprise	383.4	1.84				Inflation factor	3%			
Cash / (Net debt)	136.4	0.66	Mcap		482.4	WACC (real)	8%			
Total valuation today	519.9	2.50	Cash		126.0					

Assumptions	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
AUD:USD	0.89	0.75	0.88	0.91	0.87	0.83	0.79	0.78	0.71	0.87	0.89	0.92	0.90
Nickel (US\$/lb)	12.90	6.00	8.80	8.75	7.38	7.00	7.00	6.69	5.30	7.99	9.62	8.75	8.75
Nickel (A\$/lb)	14.42	8.04	9.97	9.63	8.46	8.45	8.83	8.58	7.45	9.16	10.76	9.52	9.73
Copper (US\$/lb)	3.55	2.22	3.03	3.24	3.55	3.50	3.50	2.61	1.83	2.84	3.23	3.08	3.40
Production	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Ore mined/milled - Savannah	689	684	669	680	680	660	660	341	343	336	333	340	340
Ore Ore mined/milled - Lanfranchi	286	406	396	400	400	400	400	197	209	178	218	200	200
Total ore	975	1,090	1,065	1,080	1,080	1,060	1,060	538	552	514	551	540	540
Ni grade - Savannah	1.26%	1.35%	1.27%	1.35%	1.35%	1.40%	1.40%	1.3%	1.4%	1.3%	1.2%	1.4%	1.4%
Ni grade - Lanfranchi	2.56%	2.63%	2.60%	2.65%	2.65%	2.58%	2.50%	2.7%	2.6%	2.6%	2.6%	2.7%	2.7%
Average head grade - nickel	1.53%	1.72%	1.65%	1.73%	1.73%	1.73%	1.71%	1.7%	1.7%	1.7%	1.64%	1.7%	1.7%
Production contained - Savannah (kt)	7.6	8.1	7.3	8.0	8.0	8.1	8.1	4.0	4.1	3.9	3.4	4.0	4.0
Production contained - Lanfranchi (100% basis) (kt)	7.3	10.7	10.3	10.6	10.6	10.3	10.0	5.2	5.5	4.7	5.6	5.3	5.3
Production - contained Ni	14.9	18.7	17.6	18.6	18.6	18.4	18.1	9.2	9.5	8.6	9.0	9.3	9.3
Payable Ni production - Savannah (kt)	5.1	5.5	5.0	5.5	5.5	5.5	5.5	2.7	2.8	2.6	2.3	2.7	2.7
Payable Ni production - Lanfranchi (100% basis) (kt)	4.3	6.1	6.1	6.3	6.3	6.2	6.0	3.1	3.1	2.8	3.4	3.2	3.2
Total Ni production (kt)	9.4	11.6	11.1	11.8	11.8	11.6	11.5	5.8	5.8	5.4	5.7	5.9	5.9
Payable Cu production - Savannah (kt)	2.0	2.1	2.1	2.2	2.2	2.1	2.1	1.0	1.1	1.1	1.0	1.1	1.1
Payable Cu production - Lanfranchi (100% basis) (k)	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Total Cu production (kt)	2.3	2.5	2.4	2.5	2.5	2.5	2.5	1.2	1.3	1.3	1.2	1.3	1.3
Co production - Savannah (kt)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Grade and cash costs	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Cash costs (A\$/lb) payable	6.13	6.09	6.55	6.27	6.11	6.09	6.20	6.25	5.94	6.27	6.81	6.30	6.25
Cash costs, post by-product credits - US\$/lb	3.55	3.14	3.79	3.51	3.06	2.94	3.20	3.13	3.16	3.58	3.98	3.65	3.37
By-product credits - US\$/lb	4.73	1.41	2.01	2.19	2.27	2.10	1.72	1.78	1.04	1.91	2.10	2.13	2.25
Cash costs, including by-product credits - US\$/lb	4.44	3.14	3.79	3.51	3.06	2.94	3.20	3.13	3.16	3.58	3.98	3.65	3.37
Consolidated P&L (A\$m)	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Revenues from operating activities	232.4	225.1	283.4	313.0	287.5	282.1	278.7	110.7	114.4	132.2	151.2	153.9	159.0
Other income	0.0	1.2	0.1	-	-	-	-	1.3	-0.1	0.2	-0.1	-	-
Total revenues	232.4	226.3	283.6	313.0	287.5	282.1	278.7	111.9	114.4	132.5	151.1	153.9	159.0
Operating expenses	123.0	140.5	156.6	159.1	154.7	152.3	152.8	68.0	72.6	70.4	86.1	79.9	79.3
Exploration	2.3	7.6	7.1	12.0	12.0	12.0	10.5	5.8	1.8	3.3	3.8	6.0	6.0
EBITDA	107.2	78.2	119.9	141.8	120.7	117.8	115.4	38.1	40.0	58.7	61.2	68.1	73.7
Depreciation and amortisation	40.4	49.3	52.4	51.9	48.9	46.2	43.5	27.4	21.9	27.6	24.9	26.3	25.5
EBIT	66.8	28.8	67.5	90.0	71.9	71.6	71.9	10.7	18.1	31.2	36.3	41.8	48.2
Net interest	4.6	2.9	3.6	2.0	3.1	4.5	6.2	2.2	0.6	1.1	2.5	1.2	0.9
Profit before tax	71.4	31.7	71.1	92.0	74.9	76.1	78.2	12.9	18.8	32.3	38.8	42.9	49.1
Tax	-18.1	0.2	-19.9	-27.6	-22.5	-22.8	-23.4	4.2	-4.0	-9.2	-10.8	-12.9	-14.7
Underlying NPAT	53.3	31.9	51.1	64.4	52.5	53.3	54.7	17.1	14.8	23.1	28.0	30.1	34.3
Net significant items (post tax)	-	-26.3	5.1	-	-	-	-	-25.7	-0.5	-	5.1	-	-
Reported NPAT	53.3	5.6	56.2	64.4	52.5	53.3	54.7	-8.6	14.3	23.1	33.1	30.1	34.3
Key financials	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Underlying EPS - basic (cps)	28.4	16.5	25.1	31.4	25.6	26.0	26.7	8.9	7.5	11.3	13.7	14.6	16.7
Underlying EPS - diluted (cps)	27.3	16.1	24.5	30.7	25.0	25.4	26.1	8.9	7.3	11.1	13.4	14.3	16.4
Cash EPS (diluted)	48.0	41.1	49.6	55.4	48.3	47.4	46.8	23.2	18.1	24.3	25.4	26.9	28.5
EPS growth	-40%	-41%	52%	25%	-19%	2%	3%	-29%	-51%	24%	84%	29%	22%
Diluted average shares	195.4	197.8	208.7	209.9	209.9	209.9	209.9	192.1	202.7	208.7	208.7	209.9	209.9
PER (x) (norm EPS - basic)	8.3x	14.2x	9.4x	7.5x	9.2x	9.0x	8.8x	26.4x	31.4x	20.8x	17.1x	16.0x	14.0x
PER (x) (norm EPS - diluted)	8.6x	14.6x	9.6x	7.7x	9.4x	9.3x	9.0x	26.4x	32.2x	21.2x	17.5x	16.4x	14.4x
DPS (cps)	12.0	3.0	11.5	15.0	12.5	11.2	13.0	1.0	2.0	5.0	6.5	7.0	8.0
DPS (cps) - special	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.0	0.0
Total dividends	12.0	3.0	16.5	15.0	12.5	11.2	13.0	1.0	2.0	10.0	6.5	7.0	8.0
Payout ratio (%) (ordinary divs)	42%	18%	66%	48%	49%	43%	49%	11%	27%	88%	47%	48%	48%
Dividend yield (net)	5.1%	1.3%	7.0%	6.4%	5.3%	4.8%	5.5%	0.4%	0.9%	4.3%	2.8%	3.0%	3.4%
Franking	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Dividend yield (gross)	7.3%	1.8%	10.0%	9.1%	7.6%	6.8%	7.9%	0.6%	1.2%	6.1%	4.0%	4.3%	4.9%
EBITDA margin (%)	46.1%	34.7%	42.3%	45.3%	42.0%	41.8%	41.4%	34.5%	35.0%	44.4%	40.5%	44.2%	46.4%
EBIT margin (%)	28.7%	12.8%	23.8%	28.7%	25.0%	25.4%	25.8%	9.7%	15.8%	23.6%	24.0%	27.1%	30.3%
NPAT margin (%)	22.9%	2.5%	19.8%	20.6%	18.2%	18.9%	19.6%	-7.8%	12.5%	17.5%	21.9%	19.5%	21.6%
Tax rate (%)	25.3%	-0.7%	28.1%	30.0%	30.0%	30.0%	30.0%	-32.4%	21.2%	28.4%	27.8%	30.0%	30.0%

Source: Company data, Credit Suisse estimates

Figure 13: Detailed financials (continued)

Gearing	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Net Debt	-102.5	-60.7	-136.4	-179.5	-209.7	-252.5	-300.8	-45.1	-43.4	-110.3	-45.1	-142.7	-179.5
Net Debt / Equity (%)	-44.2%	-21.2%	-46.9%	-58.4%	-66.7%	-76.3%	-86.5%	-18.4%	-15.2%	-38.2%	-15.5%	-49.7%	-58.4%
Cashflows (A\$m)	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Operating cashflows	89.8	33.3	147.3	124.5	108.5	113.0	107.6	5.0	28.3	72.0	75.2	56.8	67.7
Capex - maintenance	-	-15.8	-8.1	-21.2	-21.2	-21.2	-11.0	-14.7	-1.2	-3.9	-4.1	-10.6	-10.6
Free cash flow	89.8	17.5	139.2	103.3	87.3	91.8	96.6	-9.7	27.2	68.1	71.1	46.2	57.1
Capex - growth	-59.4	-39.8	-25.2	-	-	-	-	-31.6	-8.3	-10.3	-14.9	-	-
Other investing cashflows	-0.0	-22.7	-84.8	-12.0	-12.0	-12.0	-10.5	-6.7	-16.0	-16.9	-67.8	-6.0	-6.0
Financing cashflows	-39.1	-16.1	-29.4	-48.2	-45.1	-37.0	-37.8	-13.4	-2.7	-7.4	-22.0	-33.9	-14.4
Net increase in cash	-8.7	-61.1	-0.2	43.0	30.2	42.8	48.3	-61.3	0.2	33.4	-33.6	6.3	36.8
Cash at end of the year	110.9	50.0	49.8	92.8	123.1	165.8	214.1	49.6	50.0	83.4	49.8	56.1	92.8
Balance Sheet (A\$m)	FY08	FY09	FY10	FY11F	FY12F	FY13F	FY14F	1H09	2H09	1H10	2H10	1H11F	2H11F
Cash	110.9	50.0	49.8	92.8	123.1	165.8	214.1	49.6	50.0	83.4	49.8	56.1	92.8
Receivables	17.2	28.7	20.9	20.9	20.9	20.9	20.9	30.3	28.7	23.2	20.9	20.9	20.9
Inventories	11.2	14.8	12.3	12.3	12.3	12.3	12.3	12.6	14.8	14.8	12.3	12.3	12.3
Plant & equipment	135.9	199.7	206.5	175.8	148.1	123.2	90.7	136.5	199.7	192.1	206.5	190.7	175.8
Other assets	56.9	87.2	127.3	127.3	127.3	127.3	127.3	100.3	87.2	67.3	127.3	127.3	127.3
Assets	332.1	380.3	416.8	429.2	431.8	449.6	465.4	329.3	380.3	380.7	416.8	407.4	429.2
Payables	31.3	30.8	23.9	23.9	23.9	23.9	23.9	34.4	30.8	28.0	23.9	23.9	23.9
Provisions	-	10.0	31.6	31.6	31.6	31.6	31.6	9.0	10.0	10.6	31.6	31.6	31.6
Tax liabilities	26.1	-	18.5	14.7	9.9	11.5	10.4	-	-	-	18.5	12.9	14.7
Borrowings	2.0	2.2	1.4	1.4	1.4	1.4	1.4	0.6	2.2	1.8	1.4	1.4	1.4
Other liabilities	41.0	51.0	50.3	50.3	50.3	50.3	50.3	39.8	51.0	51.8	50.3	50.3	50.3
Liabilities	100.4	94.0	125.7	121.9	117.1	118.7	117.6	83.7	94.0	92.1	125.7	120.1	121.9
Net Assets	231.7	286.3	291.1	307.3	314.6	330.9	347.8	245.6	286.3	288.6	291.1	287.3	307.3
Net Tangible Assets	231.7	286.3	291.1	307.3	314.6	330.9	347.8	245.6	286.3	288.6	291.1	287.3	307.3
NAV per share	1.2	1.4	1.4	1.5	1.5	1.6	1.7	1.3	1.4	1.4	1.4	1.4	1.5
ROE (%)	30%	12%	18%	22%	17%	17%	16%	14%	11%	16%	19%	21%	23%
NTA per share	1.2	1.4	1.4	1.5	1.5	1.6	1.7	1.3	1.4	1.4	1.4	1.4	1.5
Price / book	2.0x	1.6x	1.7x	1.6x	1.6x	1.5x	1.4x	1.8x	1.7x	1.7x	1.7x	1.7x	1.6x
ROTE (%)	53%	31%	36%	39%	33%	31%	29%	37%	28%	35%	37%	39%	40%
P / NTA (x)	2.0x	1.6x	1.7x	1.6x	1.6x	1.5x	1.4x	1.8x	1.7x	1.7x	1.7x	1.7x	1.6x
Enterprise value (\$mn)	672.6	402.3	311.0	302.9	272.7	229.9	181.6	141.1	419.6	365.0	399.7	339.6	302.9

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 27 Aug 10)

Independence Group NL (IGO.AX, A\$5.41, UNDERPERFORM [V], TP A\$5.50)

Mirabela Nickel (MBN.AX, A\$1.67, OUTPERFORM [V], TP A\$2.40)

MMC Norilsk Nickel (NKELYq.L, \$16.90, NEUTRAL [V], TP \$18.30)

Panoramic Resources (PAN.AX, A\$2.35, OUTPERFORM [V], TP A\$2.80)

Western Areas NL (WSA.AX, A\$5.20, UNDERPERFORM [V], TP A\$5.00)

Disclosure Appendix

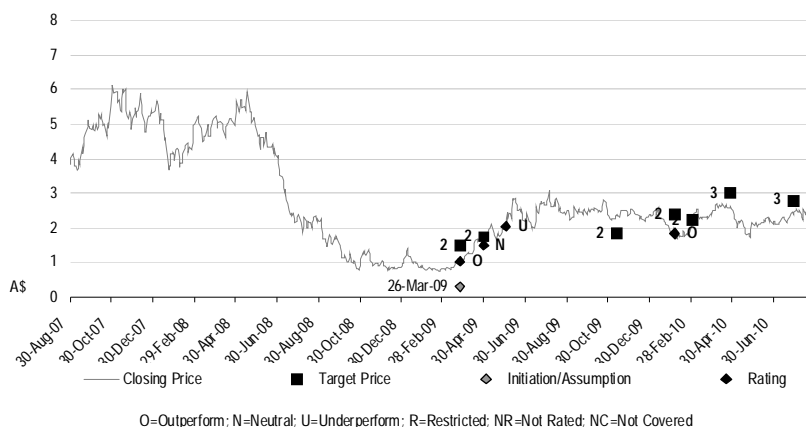
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3-Year Price, Target Price and Rating Change History Chart for PAN.AX

PAN.AX	Closing Price	Target Price	Initiation/
Date	(A\$)	(A\$)	Rating Assumption
26-Mar-09	1.035	1.5	O X
29-Apr-09	1.49	1.75	N
1-Jun-09	2.04		U
11-Nov-09	2.39	1.85	
4-Feb-10	1.835	2.4	O
1-Mar-10	1.975	2.25	
27-Apr-10	2.63	3	
29-Jul-10	2.47	2.8	



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Price Target: (12 months) for (PAN.AX)

Method: Target price for PAN of \$2.8 per share based on a \$2.5 sum of parts discounted cash flow valuation (producing mines \$1.65, non producing assets \$0.10, \$0.75 cash). Weighted average cost of capital (WACC) used is 10%. Valuation struck on average nickel price over next four years of US\$7.5/lb and AUD:USD 0.82. Nominal value (A\$20mn) given to PAN's non-producing assets (including Copernicus Project on care and maintenance).

Risks: Risks to our \$2.80 target price for PAN include commodity price risk and production risk. Our forecast is for a long-term nickel price of US\$6.50/lb, our forecast and target price would be lower if the actual nickel price turns out to be lower than our forecast (forecast average US\$7.5 over next 4 years) or AUD shifts materially higher than 0.82 cents on average over next 5 years.

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