

Panoramic Resources Limited

Diversifying And Value Adding Transaction - Gold



Wilson HTM
INVESTMENT GROUP

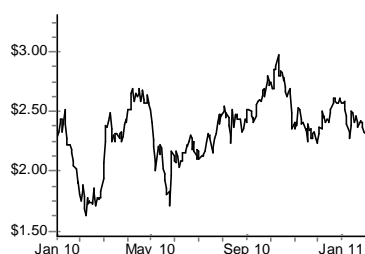
31 January 2011

\$2.31

BUY

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Price Performance



Security/Capital Details

ASX Code	PAN
Market Cap	\$495 M
Issued Shares (dil)	209.9 M
Avg Mth T'over	23.35 M
12 Mth High – Low	\$2.96 - \$1.63

Key Data/Ratios – FY 2011

EBITDA / Sales	56.0%
EBIT / Sales	35.7%
Debt / Equity	1.0%
Interest Cover	337.9 x
ROE	14.5%
EPS Growth	-13.9%
DCF	\$3.85
12 Mth Price Target	\$3.95

Recommendation

Probably due to Apex's somewhat difficult financial position and depleted equity story, PAN has made a value adding acquisition in purchasing the Gidgee gold project for \$15.5m. Containing 310koz gold in resources, we value the resources at \$36.6m using an EV/resource multiple of A\$118/oz. Although the project includes a plant and mine camp, we have placed no explicit value on these assets. Subject to continuing exploration adding to the relatively high grade resources (1.84Mt @ 5.2g/t), we see potential for future gold production at potentially around 100kozpa. Our BUY recommendation is maintained, target price is a revised \$3.95/sh (+\$0.10/sh).

Key Points

- PAN has executed an agreement with Apex Minerals NL (owner of the Wiluna gold mine) to purchase the Gidgee gold project for \$15.5m. PAN will also replace \$2m of environmental bonds currently being financed by Apex. The project was acquired by Apex in 2007 for \$11m. The transaction does not include tenement M53/153 which contains the Wilsons refractory gold project. Completion of the transaction is expected at the end of Feb 2011.
- The Gidgee gold project located 640km NE of Perth and 110km from Apex's Wiluna gold mine, includes a 600ktpa non-operating plant, 150 person camp and a JORC compliant resource containing 310koz gold. Of the gold in resources, 103koz or 33% is classified as amenable to open pit mining, the balance underground mining. 270koz of the total of 310koz was estimated in 2006. The increase in the gold price since may enable lower cut-off grades to be used that could see the resources expand without further drilling. All resources are free milling - that is non-refractory.
- Much of the Gidgee Project has not seen exploration since 2005, but hosts numerous historical projects with high grade mineralisation. If sufficient resources and reserves can be defined at grades in the range of 5-10g/t, the 600ktpa processing plant, assuming it can be successfully refurbished, could conceivably produce in the vicinity of 100kozpa gold. If the Gidgee plant cannot be refurbished, PAN and Apex have agreed to negotiate commercial terms for toll treatment of the Gidgee ore at the Wiluna mine.
- The Gidgee project covers 1,200 sq km, the central core of which is held as granted mining leases which cover a 70km long structural corridor containing numerous gold occurrences.
- In addition to gold potential, the area is considered prospective for VMS style base mineralisation, with several known copper occurrences. Better results from the "Altair" prospect include: 44m @ 1.21% Cu from 56m; 12m @ 1.67% Cu from 60m, and 24m @ 1.01% Cu from 64m. At the Victory-Intrepid area, Gateway Mining has reported copper mineralisation (better results 80m @ 0.66% Cu, 45m @ 0.74% Cu) at its "Cup" prospect, immediately adjacent to the Gidgee tenement package. At the Golden Hinds prospect within the Gidgee project, anomalous Cu and Zn have been intersected in RAB drilling – best results 4m @ 0.6% Cu and 4m @ 0.49% Zn.
- In a separate announcement, PAN has signed a sale and purchase agreement with Breakaway Resources Ltd to purchase all its East Kimberley tenements for \$0.36m cash. The tenements comprise an 80% interest in EL80/2836 (Keller Creek) and a 10% free carried interest in EL80/3673 (Sophie Downs). The former is located immediately East of the Savannah mine and has been explored for Ni, the latter is north of Halls Creek and is being explored by Thundelarra for Ag, Pb, Zn.

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 %
2010a	56.3	51.3	24.5	113.3	9.6	64.9	3.6	16.5	7.0	100
2011e	44.3	44.3	21.1	-13.9	11.2	43.6	5.4	11.0	4.7	100
2012e	122.0	122.0	58.1	175.7	4.1	78.7	3.0	29.0	12.3	100
2013e	138.9	138.9	66.2	13.8	3.6	82.5	2.9	35.0	14.8	100

Equities Research – Panoramic Resources Limited

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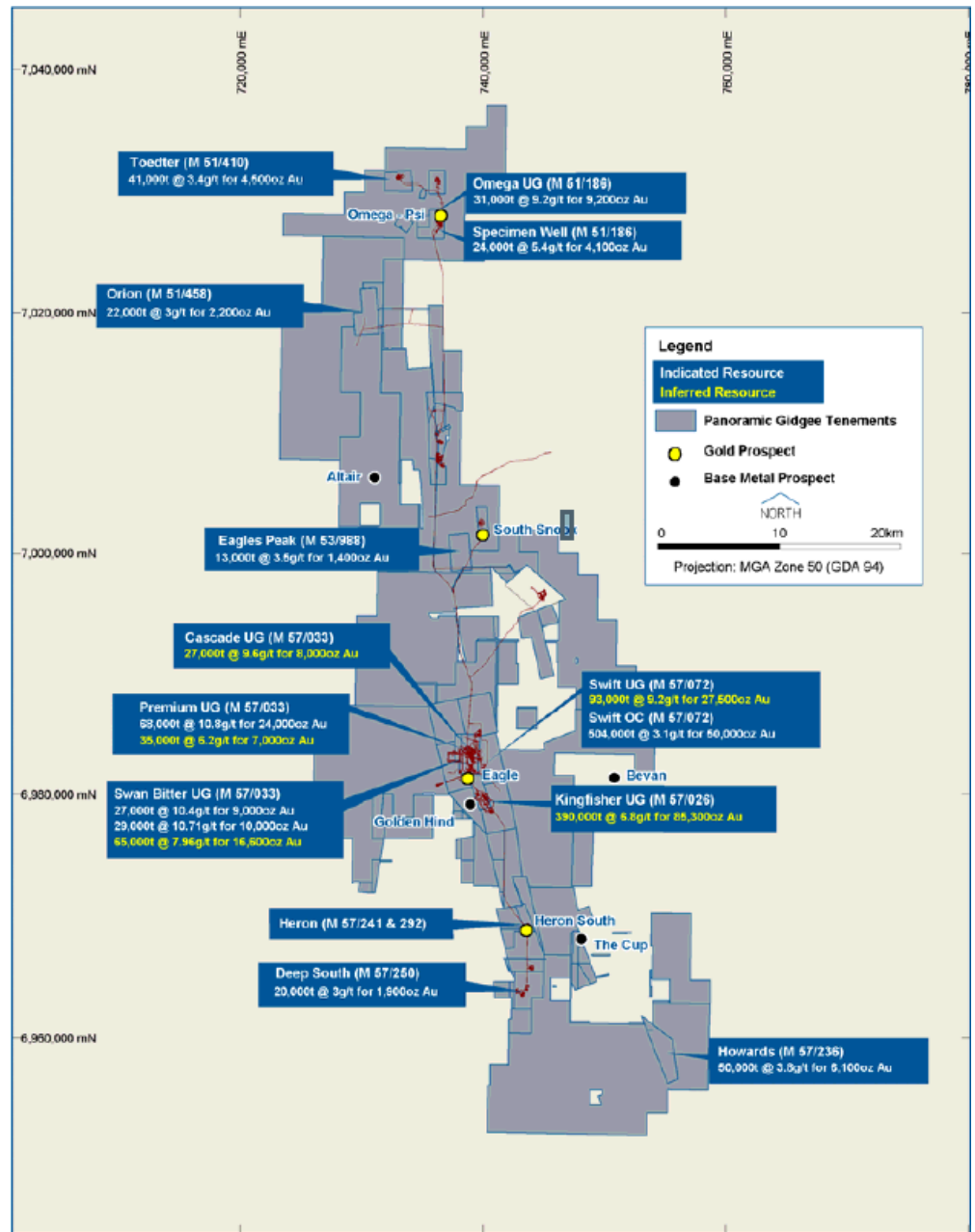
Gidgee Gold Project – Location Map



Source: Panoramic Resources Ltd



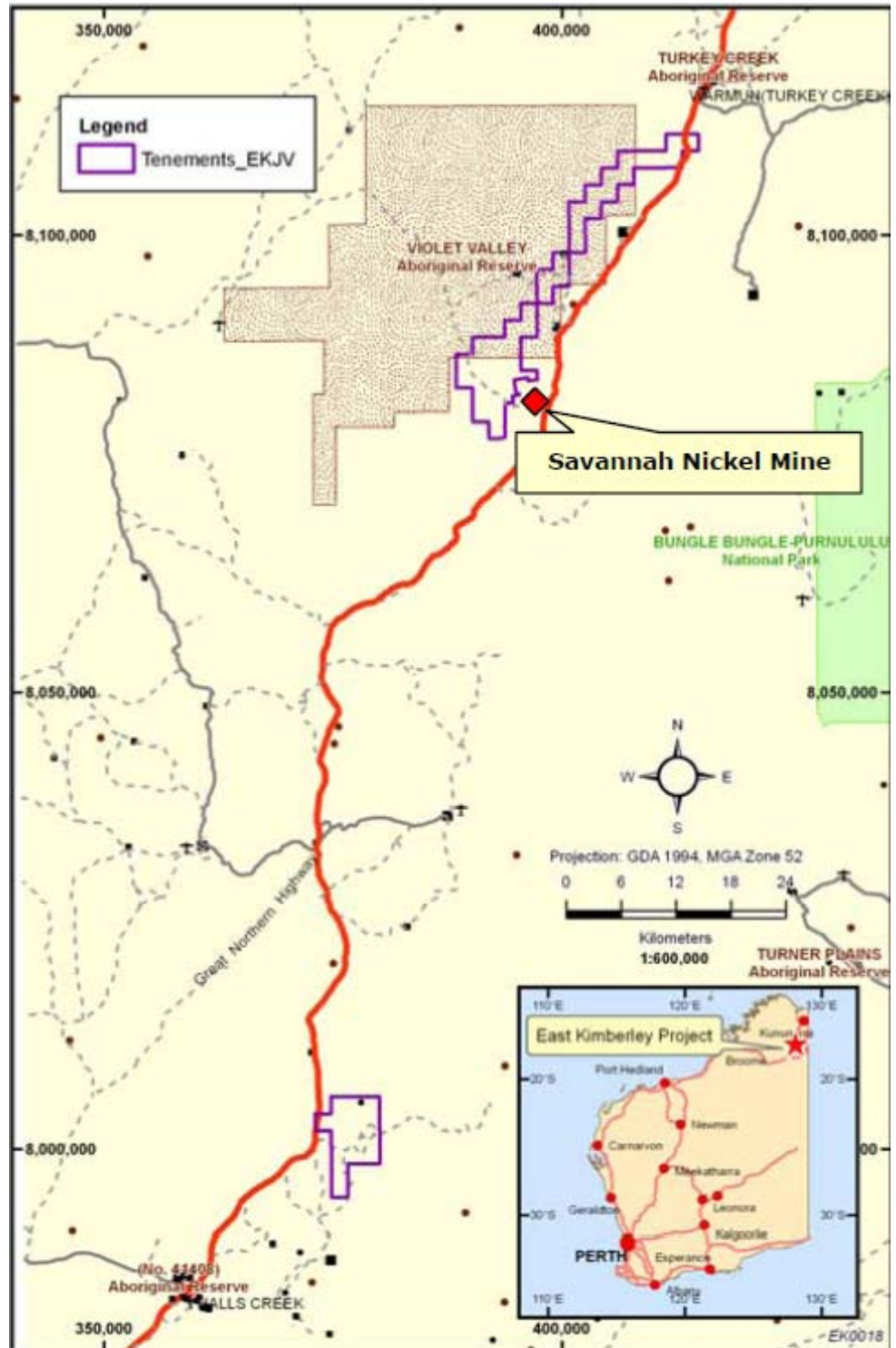
Gidgee Gold Project – Tenements, Resources, Prospects



Source: Panoramic Resources Ltd



East Kimberley Tenements – Location Map



Source: Breakaway Resources Ltd

Panoramic Resources Limited (PAN : \$2.31)

PRODUCTION

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Contained Nickel (kt)	17.4	17.4	17.1	19.3	19.3
Contained Copper (kt)	5.0	4.9	4.6	5.1	5.1
Contained Cobalt (kt)	0.4	0.4	0.4	0.4	0.4

PRICES

Yr Ending June	2009A	2010A	2011E	2012E	2013E
AUDUSD (USD)	0.75	0.88	0.97	0.96	0.91
Nickel (US\$/lb)	6.13	8.81	10.98	13.50	12.93
Copper (US\$/lb)	2.08	2.42	4.02	5.27	4.65
Cobalt (US\$/lb)	21.90	20.52	19.29	17.50	15.00

INVESTMENT & VALUATION FUNDAMENTALS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
EPS Before Abs (c)	11.5	24.5	21.1	58.1	66.2
EPS Growth (%)	N/A	113.3%	-13.9%	175.7%	13.8%
PER (x)	20.6	9.6	11.2	4.1	3.6
CFPS (c)	16.1	64.9	43.6	78.7	82.5
P/CF (x)	14.7	3.6	5.4	3.0	2.9
EV/EBITDA (x)	5.5	3.6	4.2	1.6	1.1
DPS (c)	3.0	16.5	11.0	29.0	35.0
Yield (%)	1.3%	7.0%	4.7%	12.3%	14.8%
Franking (%)	100%	100%	100%	100%	100%

DCF VALUATION

@

10.5 %

10.0 %

Yr Ending June	A\$m	A\$ps	A\$m	A\$ps
Savannah	198.7	0.95	201.4	0.96
Lanfranchi	306.9	1.46	310.8	1.48
Gidgee Gold Project	36.6	36.6	36.6	36.6
Corporate Costs Capitalised	-39.0	-0.19	-39.6	-0.19
Hedge Book	-16.3	-0.08	-16.3	-0.08
Interests - Other Entities	13.8	0.07	13.8	0.07
Exploration/Dev Portfolio	73.4	0.35	73.4	0.35
Franking Credits	107.5	0.51	109.0	0.52
Cash	126.3	0.60	126.3	0.60
Interest Bearing Liabilities	-3.3	-0.02	-3.3	-0.02
Minorities	0.0	0.00	0.0	0.00
Additional Capital - Dilution	3.7	0.02	3.7	0.02
Total Valuation - Diluted	808.3	3.85	815.7	3.89

PROFITABILITY RATIOS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
EBIT / Sales (%)	14.5%	25.1%	35.7%	58.8%	63.9%
ROA (%)	N/A	20.4%	18.1%	42.5%	51.6%
ROE (%)	N/A	17.8%	14.5%	33.9%	31.8%
ROFE (%)	N/A	29.1%	26.6%	62.6%	78.6%

INTERIMS (\$m)

Half Yr	Dec 09	Jun 10	Dec 10	Jun 11	Dec 11
Yr Ending June	1H A	2H A	1H E	2H E	1H E
Sales Revenue	132.2	151.2	92.7	104.2	135.9
EBIT	32.0	39.2	27.0	43.2	75.1
Net Profit	23.1	33.2	12.1	32.2	54.5
EPS	11.3	13.2	5.7	15.3	26.0

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

BALANCE SHEET (\$m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Cash	50.0	49.8	39.5	150.6	254.2
Total Assets	380.3	416.8	450.1	526.7	601.4
Debt	6.6	4.7	3.3	3.3	3.3
Total Liabilities	94.0	125.7	130.6	128.6	126.6
Total Shareholders Equity	286.3	291.1	319.5	398.1	474.8
Total Funds Employed	242.9	246.1	283.3	250.8	223.9

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Debt / Equity (%)	2.3%	1.6%	1.0%	0.8%	0.7%
Gearing (%) ¹	2.2%	1.6%	1.0%	0.8%	0.7%
Interest Cover (x)	33.5	5,476.9	-12.1	-24.7	-15.7
Debt / CashFlow (x)	0.2	0.0	0.0	0.0	0.0
(Debt+CNotes) / CashFlow	0.1	0.0	0.0	0.0	0.0

PROFIT & LOSS (\$m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Sales Revenue	225.1	283.4	196.9	285.1	291.8
EBITDA	82.2	123.9	110.2	212.7	222.8
Depn and Amortisation	49.5	52.7	40.0	45.1	36.2
EBIT	32.7	71.2	70.3	167.5	186.5
Net Interest Expense	1.0	0.0	-5.8	-6.8	-11.9
Pre-tax Profit	31.7	71.2	76.1	174.3	198.4
Tax	7.8	19.9	31.8	52.3	59.5
Tax rate (%)	24.6%	28.0%	41.8%	30.0%	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	23.9	51.3	44.3	122.0	138.9
Abnormals	-18.3	5.0	0.0	0.0	0.0
Reported Net Profit	5.6	56.3	44.3	122.0	138.9

CASHFLOW (\$m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Operating Cash Flow	33.5	135.8	91.5	165.2	173.1
Capital Expenditure	-15.7	-8.1	-37.1	-3.7	-1.3
Expln, Develop, Evaln	-44.8	-26.9	-25.0	-7.0	-6.0
Asset Sales/Acquisitions	0.0	-5.7	-23.8	0.0	0.0
Other	-17.8	-65.9	0.0	0.0	0.0
Investing Cash Flow	-78.4	-106.6	-85.9	-10.7	-7.3
Share Issues/(Buybacks)	0.2	0.6	3.7	0.0	4.5
Debt Drawdown (Repay)	-4.7	-5.4	0.0	0.0	0.0
Dividends Paid	-11.5	-24.6	-19.6	-43.5	-66.7
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	-16.1	-29.4	-15.9	-43.5	-62.2
Cash Increase (Decrease)	-60.9	-0.2	-10.3	111.0	103.6

EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2009A	2010A	2011E	2012E	2013E
+/- 1c Movement US\$/A\$	0.0	0.0	3.9	2.5	2.3
+/-10% Ni Price Change	0.0	0.0	26.5	16.9	17.1
+/-10% Change In Costs	0.0	0.0	23.6	9.0	7.5



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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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.

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