

# Panoramic Resources (PAN.AX / PAN AU)

DECREASE TARGET PRICE

|                              |                               |
|------------------------------|-------------------------------|
| Rating                       | <b>OUTPERFORM* [V]</b>        |
| Price (02 May 11, A\$)       | 2.10                          |
| Target price (A\$)           | (from 3.30) 3.00 <sup>†</sup> |
| Market cap. (A\$m)           | 434.81                        |
| Yr avg. mthly trading (A\$m) | 51                            |
| Last month's trading (A\$m)  | 40                            |
| <b>Projected return:</b>     |                               |
| Capital gain (%)             | 42.9                          |
| Gross yield (%)              | 11.0                          |
| Total return (%)             | 53.9                          |
| 52-week price range          | 3.0 - 1.7                     |

\* Stock ratings are relative to the relevant country benchmark.

<sup>†</sup>Target price is for 12 months.

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

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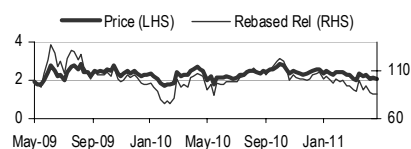
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## Improved production in 3Q, guidance trimmed

- **3Q production report:** PAN reported improved production in March on what was a disappointing previous December quarter. However, production guidance for the year has been slightly lowered to 17.2kt (we were at 17.5kt). This should not surprise too many as management comments last quarter lead the market towards the lower end of the previous 18-19kt guidance range. Target price decreased to \$3.00 from \$3.30.
- **Production highlights:** Head grades improved to 1.74% from the 1.5% in December and nickel in concentrate produced rose 3% to 4.166kt. Mining rates were lower with 240kt mined in Mar versus 289kt in December. Cash costs were \$5.95/lb payable nickel vastly improved on the \$6.58/lb in December. This was largely bought on aided by the higher head grades and improved mill performance.
- **Earnings changes:** We lower our production forecast to 17.2kt in line with revised guidance and incorporate cash costs of A\$5.94/lb for the year, up from \$5.71/lb previously. This leads to EPS downgrades of 10% in FY11 and less than 2% over FY12-FY13.
- **Deep value investment case remains:** PAN is well supported on valuation grounds with our DCF at \$3.03 (down from \$3.15/share) and a FY11 PE of 8.7x and FY12 of 6.3x.
- **Catalysts:** Exploration success and studies that lengthen the current six-year reserve life and support the higher target rates for mid-cycle production (25ktpa of contained Ni for 10+ years) are near-term catalysts.
- **Valuation:** Valuation moves to \$3.00 per share from \$3.15 previously. Target price reduced to \$3.00 from \$3.30 in line with valuation.

## Share price performance



The price relative chart measures performance against the S&P AUST INDEX ASX 200 INDEX which closed at 4825.31 on 02/05/11

On 02/05/11 the spot exchange rate was A\$.91/US\$1

| Performance Over | 1M   | 3M    | 12M   |
|------------------|------|-------|-------|
| Absolute (%)     | -4.1 | -10.5 | -12.2 |
| Relative (%)     | -3.4 | -12.0 | -12.5 |

## Financial and valuation metrics

| Year                         | 06/10A   | 06/11E   | 06/12E   | 06/13E   |
|------------------------------|----------|----------|----------|----------|
| Revenue (A\$m)               | 283.4    | 292.7    | 324.1    | 289.4    |
| EBITDA (A\$m)                | 119.9    | 113.9    | 146.7    | 112.3    |
| EBIT (A\$m)                  | 67.5     | 72.3     | 92.6     | 60.4     |
| Net income (A\$m)            | 51.1     | 49.6     | 68.9     | 49.4     |
| EPS (CS adj.) (Ac)           | 24.50    | 23.73    | 32.79    | 23.52    |
| Change from previous EPS (%) | n.a.     | -11.4    | -2.6     | -3.1     |
| Consensus EPS (Ac)           | n.a.     | 23.90    | 35.80    | 33.80    |
| EPS growth (%)               | 51.9     | -3.1     | 38.2     | -28.3    |
| P/E (x)                      | 8.6      | 8.9      | 6.4      | 8.9      |
| Dividend (Ac)                | 11.50    | 12.00    | 17.00    | 10.50    |
| Dividend yield (%)           | 5.5      | 5.7      | 8.1      | 5.0      |
| P/B (x)                      | 1.5      | 1.3      | 1.2      | 1.2      |
| Net debt/equity (%)          | net cash | 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** **PAN.AX**

In AUDmn, unless otherwise stated

Year ending 30 Jun

| Profit & Loss           | 2009A        | 2010A        | 2011F        | 2012F        | 2013F        |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Sales revenue</b>    | <b>225.1</b> | <b>283.4</b> | <b>292.7</b> | <b>324.1</b> | <b>289.4</b> |
| <b>EBITDA</b>           | <b>78.2</b>  | <b>119.9</b> | <b>113.9</b> | <b>146.7</b> | <b>112.3</b> |
| Depr. & Amort.          | 49.3         | 52.4         | 41.7         | 54.1         | 51.9         |
| Goodwill amort.         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>EBIT</b>             | <b>28.8</b>  | <b>67.5</b>  | <b>72.3</b>  | <b>92.6</b>  | <b>60.4</b>  |
| Associates              | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Net interest            | -2.9         | -3.6         | -5.7         | -8.7         | -12.2        |
| <b>Reported PBT</b>     | <b>5.4</b>   | <b>76.1</b>  | <b>83.3</b>  | <b>101.3</b> | <b>72.7</b>  |
| Income tax              | -0.2         | 19.9         | 28.3         | 32.4         | 23.3         |
| <b>Profit after tax</b> | <b>31.9</b>  | <b>51.1</b>  | <b>49.6</b>  | <b>68.9</b>  | <b>49.4</b>  |
| Minorities              | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Preferred dividends     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Normalized NPAT</b>  | <b>31.9</b>  | <b>51.1</b>  | <b>49.6</b>  | <b>68.9</b>  | <b>49.4</b>  |
| Analyst adjustments     | 26.3         | -5.1         | -5.3         | 0.0          | 0.0          |
| Unusual item after tax  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Reported NPAT</b>    | <b>5.6</b>   | <b>56.2</b>  | <b>54.9</b>  | <b>68.9</b>  | <b>49.4</b>  |

| Balance Sheet                  | 2009A        | 2010A        | 2011F        | 2012F        | 2013F        |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & equivalents             | 50.0         | 49.8         | 142.4        | 198.0        | 228.9        |
| Inventories                    | 14.8         | 12.3         | 12.3         | 12.3         | 12.3         |
| Receivables                    | 46.0         | 20.9         | 45.9         | 45.9         | 45.9         |
| Other current assets           | 46.1         | 94.6         | 20.0         | 20.0         | 20.0         |
| <b>Current assets</b>          | <b>156.8</b> | <b>177.6</b> | <b>220.6</b> | <b>276.2</b> | <b>307.1</b> |
| Property, plant & equip.       | 199.7        | 206.5        | 210.5        | 177.5        | 146.8        |
| Intangibles                    | 18.7         | 14.3         | 0.0          | 0.0          | 0.0          |
| Other non-current assets       | 5.1          | 18.5         | 16.2         | 16.2         | 16.2         |
| <b>Non-current assets</b>      | <b>223.5</b> | <b>239.2</b> | <b>226.7</b> | <b>193.7</b> | <b>163.0</b> |
| <b>Total assets</b>            | <b>380.3</b> | <b>416.8</b> | <b>447.2</b> | <b>469.9</b> | <b>470.1</b> |
| Payables                       | 30.8         | 23.9         | 28.2         | 28.2         | 28.2         |
| Interest bearing debt          | 6.6          | 4.7          | 3.0          | 3.0          | 3.0          |
| Other liabilities              | 56.6         | 97.1         | 92.4         | 87.6         | 84.6         |
| <b>Total liabilities</b>       | <b>94.0</b>  | <b>125.7</b> | <b>123.6</b> | <b>118.8</b> | <b>115.8</b> |
| <b>Net assets</b>              | <b>286.3</b> | <b>291.1</b> | <b>323.6</b> | <b>351.1</b> | <b>354.3</b> |
| Ordinary equity                | 286.3        | 291.1        | 323.6        | 351.1        | 354.3        |
| Minority interests             | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Preferred capital              | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total shareholder funds</b> | <b>286.3</b> | <b>291.1</b> | <b>323.6</b> | <b>351.1</b> | <b>354.3</b> |

| Cashflow                  | 2009A        | 2010A         | 2011F        | 2012F        | 2013F        |
|---------------------------|--------------|---------------|--------------|--------------|--------------|
| EBIT                      | 28.8         | 67.5          | 72.3         | 92.6         | 60.4         |
| Net interest              | 3.6          | 4.0           | 4.7          | 8.7          | 12.2         |
| Depr & Amort              | 49.3         | 52.4          | 41.7         | 54.1         | 51.9         |
| Tax paid                  | -24.9        | 4.0           | -27.9        | -37.2        | -26.2        |
| Working capital           | -15.6        | 3.3           | -20.6        | 0.0          | 0.0          |
| Other                     | -8.0         | 16.0          | 11.5         | 12.0         | 12.0         |
| <b>Operating cashflow</b> | <b>33.3</b>  | <b>147.3</b>  | <b>81.6</b>  | <b>130.2</b> | <b>110.3</b> |
| Capex                     | -55.7        | -33.3         | -30.5        | -21.2        | -21.2        |
| Acquisitions & Invest     | -20.3        | -7.8          | -17.8        | -12.0        | -12.0        |
| Asset sale proceeds       | 0.1          | 1.0           | 0.0          | 0.0          | 0.0          |
| Other                     | -2.5         | -77.9         | 79.9         | 0.0          | 0.0          |
| <b>Investing cashflow</b> | <b>-78.4</b> | <b>-118.1</b> | <b>31.6</b>  | <b>-33.2</b> | <b>-33.2</b> |
| Dividends paid            | -11.5        | -24.6         | -21.6        | -41.4        | -46.2        |
| Equity raised             | 0.2          | 0.6           | 2.7          | 0.0          | 0.0          |
| Net borrowings            | -4.7         | -5.4          | -1.8         | 0.0          | 0.0          |
| Other                     | 0.0          | 0.0           | 0.0          | 0.0          | 0.0          |
| <b>Financing cashflow</b> | <b>-16.1</b> | <b>-29.4</b>  | <b>-20.6</b> | <b>-41.4</b> | <b>-46.2</b> |
| <b>Total cashflow</b>     | <b>-61.1</b> | <b>-0.2</b>   | <b>92.6</b>  | <b>55.6</b>  | <b>30.9</b>  |
| Adjustments               | 0.2          | 0.0           | 0.0          | 0.0          | 0.0          |
| <b>Net Change in Cash</b> | <b>-60.9</b> | <b>-0.2</b>   | <b>92.6</b>  | <b>55.6</b>  | <b>30.9</b>  |

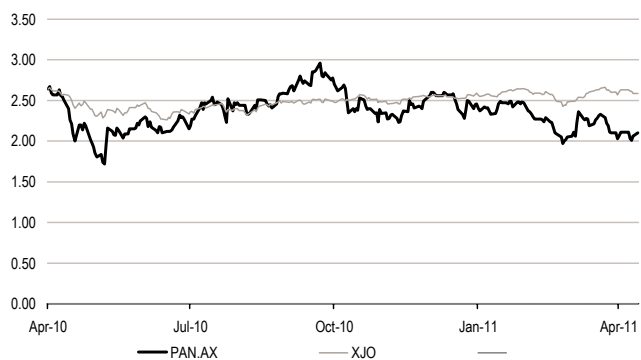
Share Price: 2.10

| Financial Summary     | 2009A | 2010A | 2011F | 2012F | 2013F |       |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Reported NPAT         | mn    | 5.6   | 56.2  | 54.9  | 68.9  | 49.4  |
| Credit Suisse NPAT    | mn    | 31.9  | 51.1  | 49.6  | 68.9  | 49.4  |
| Credit Suisse EPS     | c     | 16.1  | 24.5  | 23.7  | 32.8  | 23.5  |
| EPS growth            | %     |       | 51.9  | -3.1  | 38.2  | -28.3 |
| P/E                   | x     | 13.0  | 8.6   | 8.9   | 6.4   | 8.9   |
| P/Earnings Growth     | x     |       | 0.2   | nm    | 0.2   | nm    |
| Dividend payout ratio | %     | 18.6  | 46.9  | 50.6  | 51.8  | 44.6  |
| DPS                   | c     | 3.0   | 11.5  | 12.0  | 17.0  | 10.5  |
| Yield                 | %     | 1.4   | 5.5   | 5.7   | 8.1   | 5.0   |
| Franking              | %     | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Operating CFPS        | c     | 16.8  | 70.5  | 39.0  | 62.0  | 52.5  |
| P/OCF                 | x     | 12.5  | 3.0   | 5.4   | 3.4   | 4.0   |
| EV/EBITDA             | x     | 5.0   | 3.3   | 3.4   | 2.7   | 3.5   |
| FCF yield             | %     | 4.2   | 31.8  | 14.6  | 24.7  | 20.2  |

| Financial Ratios            | 2009A | 2010A | 2011F | 2012F  | 2013F  |        |
|-----------------------------|-------|-------|-------|--------|--------|--------|
| <b>Profitability Ratios</b> |       |       |       |        |        |        |
| EBITDA margin               | %     | 34.7  | 42.3  | 38.9   | 45.3   | 38.8   |
| EBIT margin                 | %     | 12.8  | 23.8  | 24.7   | 28.6   | 20.9   |
| Return on equity            | %     | 11.1  | 17.6  | 15.3   | 19.6   | 13.9   |
| Return on assets            | %     | 8.4   | 12.3  | 11.1   | 14.7   | 10.5   |
| ROIC                        | %     | 12.0  | 19.7  | 25.0   | 40.3   | 32.0   |
| Effective tax rate          | %     | -4.0  | 26.2  | 34.0   | 32.0   | 32.0   |
| <b>Balance Sheet Ratios</b> |       |       |       |        |        |        |
| Net debt                    | mn    | -43.4 | -45.1 | -139.4 | -195.0 | -226.0 |
| Net debt/Equity             | %     | -15.2 | -15.5 | -43.1  | -55.5  | -63.8  |
| Net debt/Capital            | %     | -17.9 | -18.3 | -75.7  | -125.0 | -176.0 |
| Interest cover              | x     | -10.1 | -18.8 | -12.7  | -10.6  | -4.9   |
| Capex/Sales                 | %     | 24.7  | 11.7  | 10.4   | 6.5    | 7.3    |
| Capex/Deprn                 | %     | 456.8 | 265.0 | 223.8  | 149.9  | 178.5  |
| Working capital/Sales       | %     | -6.9  | 1.2   | -7.0   | 0.0    | 0.0    |

| Share Items              | 2009A | 2010A | 2011F | 2012F | 2013F |       |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Equiv. FPO (period avg.) | mn    | 197.8 | 208.7 | 209.2 | 210.1 | 210.1 |

Share Price Performance **52wk range: 1.72-2.96**



Source: Reuters Share price as of 2-May-11, 20:22

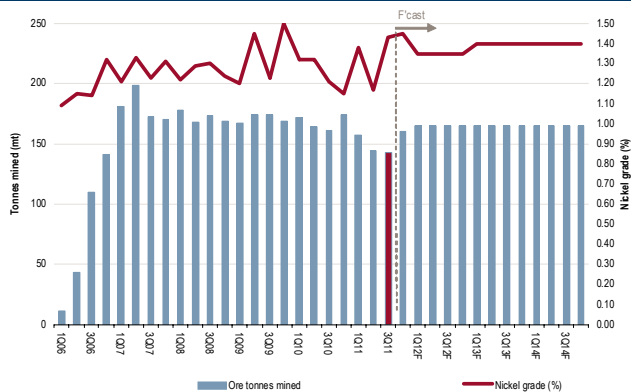
Source: Company data, Credit Suisse estimates

## Improved production, guidance lowered

Other:

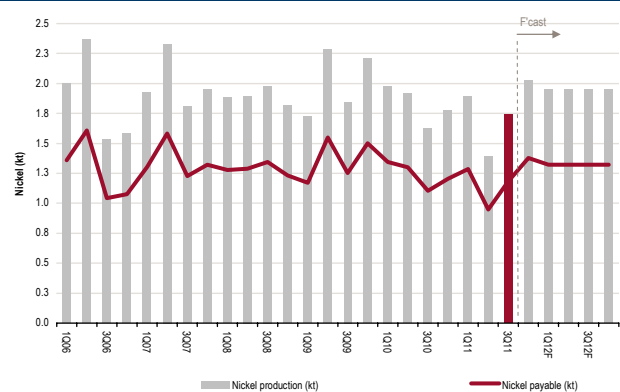
- Cash balance dips but still ultra strong:** Cash and receivables were \$136mn, down 9% on December's \$150m as acquisitions (Gidgee Gold \$15.5mn), dividend payments (\$8.2mn) and a \$7mn increase in working capital (unsold concentrate in stocks due to flooding on delivery routes) cut into cash balances. Net cash balance \$94mn.
- Savannah production rebounded 26% to 1.75kt of nickel in concentrate.** Mined grade was 1.43% Ni compared to 1.17% in Dec quarter as PAN accessed higher grade stopes.
- Lanfranchi mined grades ran at 2.51% and ore mined was 96.4kt compared to 105.4kt in December.** Major component failures on several trucks and loaders saw lower availability of the underground equipment fleet and nickel metal in ore production was down 9% on December to 2.4kt.
- Ground acquisition:** PAN purchased the Gidgee gold project for \$15.5mn, which includes a 600ktpa processing facility (not in operation), a 150 person camp, airstrip and a tenement package including 310,000 oz of gold resource. Gidgee was placed on care and maintenance in 2005.
- Hedge book falls:** Hedge book negative balance now sits at -\$5mn from -\$8mn at the December quarter. During the quarter PAN sold forward 1,200 tonnes at US\$12.49/lb for delivery over FY12 and 675 tonnes at US\$12/lb over FY13.

Figure 2: Savannah – nickel production and payable



Source: Company data, Credit Suisse estimates

Figure 3: Savannah – nickel production and cash costs



Source: Company data, Credit Suisse estimates

Figure 4: Panoramic Resources (PAN) detailed financials

| Valuation summary               | A\$m         | A\$/share   | Market data   |           |        |                           | Valuation inputs |  |
|---------------------------------|--------------|-------------|---------------|-----------|--------|---------------------------|------------------|--|
| Savannah                        | 264.7        | 1.26        | Share price   | 02-May-11 | \$2.10 | Target debt               | 20%              |  |
| Lanfranchi                      | 181.3        | 0.86        | Target price  |           | \$3.00 | Cost of debt (post tax)   | 2%               |  |
| Copernicus Project              | 11.3         | 0.05        | Model NPV     |           | \$3.03 | Cost of equity (post tax) | 13%              |  |
| Exploration portfolio           | 51.2         | 0.24        | Upside to NPV |           | 33%    | Risk free rate            | 7%               |  |
| Listed investments              | 13.4         | 0.06        | Upside to TP  |           | 41%    | WACC (nominal)            | 11%              |  |
| Hedgebook                       | -8.3         | -0.04       |               |           |        | Inflation factor          | 3%               |  |
| Corporate / exploration / other | -31.5        | -0.15       | Mcap          |           | 496.9  | WACC (real)               | 8%               |  |
| <b>Total mining enterprise</b>  | <b>482.1</b> | <b>2.30</b> | Cash          |           | 126.0  |                           |                  |  |
| Cash / (Net debt)               | 155.0        | 0.74        |               |           |        |                           |                  |  |
| <b>Net value</b>                | <b>637.1</b> | <b>3.03</b> |               |           |        |                           |                  |  |

| Assumptions  | FY08         | FY09         | FY10         | FY11F        | FY12F        | FY13F        | FY14F        | 1H09         | 2H09         | 1H10         | 2H10         | 1H11         | 2H11F        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Nickel (US\$/lb)                                     | 12.90        | 6.00         | 8.80         | 11.01        | 10.25        | 8.88         | 8.75         | 6.69         | 5.30         | 7.99         | 9.62         | 10.16        | 11.85        |
| Copper (US\$/lb)                                     | 3.55         | 2.22         | 3.03         | 4.01         | 4.73         | 4.03         | 3.75         | 2.61         | 1.83         | 2.84         | 3.23         | 3.61         | 4.41         |
| Colbalt (US\$/lb)                                    | 35.6         | 20.3         | 15.9         | 16.8         | 19.0         | 17.8         | 17.5         | 30.0         | 10.71        | 14.27        | 17.44        | 15.17        | 18.45        |
| AUDUSD   | 0.89         | 0.75         | 0.88         | 0.97         | 1.00         | 0.97         | 0.94         | 0.78         | 0.71         | 0.87         | 0.89         | 0.95         | 1.00         |
| Nickel (A\$/lb)                                      | 14.42        | 8.04         | 9.97         | 11.30        | 10.30        | 9.20         | 9.31         | 8.58         | 7.45         | 9.16         | 10.76        | 10.75        | 11.82        |
| Production   | FY08         | FY09         | FY10         | FY11F        | FY12F        | FY13F        | FY14F        | 1H09         | 2H09         | 1H10         | 2H10         | 1H11         | 2H11F        |
| Ore mined/milled - Savannah                          | 689          | 684          | 672          | 605          | 660          | 660          | 660          | 341          | 343          | 336          | 336          | 302          | 303          |
| Ore Ore mined/milled - Lanfranchi                    | 286          | 406          | 399          | 405          | 420          | 420          | 400          | 197          | 209          | 178          | 221          | 203          | 201          |
| <b>Total ore</b>                                     | <b>975</b>   | <b>1,090</b> | <b>1,071</b> | <b>1,010</b> | <b>1,080</b> | <b>1,080</b> | <b>1,060</b> | <b>538</b>   | <b>552</b>   | <b>514</b>   | <b>557</b>   | <b>505</b>   | <b>505</b>   |
| Ni grade - Savannah                                  | 1.26%        | 1.35%        | 1.25%        | 1.37%        | 1.35%        | 1.40%        | 1.40%        | 1.3%         | 1.4%         | 1.3%         | 1.2%         | 1.3%         | 1.4%         |
| Ni grade - Lanfranchi                                | 2.56%        | 2.63%        | 2.54%        | 2.51%        | 2.65%        | 2.58%        | 2.50%        | 2.7%         | 2.6%         | 2.6%         | 2.4%         | 2.4%         | 2.6%         |
| <b>Average head grade - nickel</b>                   | <b>1.53%</b> | <b>1.72%</b> | <b>1.63%</b> | <b>1.71%</b> | <b>1.75%</b> | <b>1.75%</b> | <b>1.71%</b> | <b>1.7%</b>  | <b>1.7%</b>  | <b>1.7%</b>  | <b>1.58%</b> | <b>1.6%</b>  | <b>1.8%</b>  |
| Production contained - Savannah (kt)                 | 7.6          | 8.1          | 7.3          | 7.1          | 7.8          | 8.1          | 8.1          | 4.0          | 4.1          | 3.9          | 3.4          | 3.3          | 3.8          |
| Production contained - Lanfranchi (100% basis) (kt)  | 7.3          | 10.7         | 10.1         | 10.1         | 11.1         | 10.8         | 10.0         | 5.2          | 5.5          | 4.7          | 5.4          | 4.9          | 5.2          |
| <b>Production - contained Ni</b>                     | <b>14.9</b>  | <b>18.7</b>  | <b>17.4</b>  | <b>17.2</b>  | <b>18.9</b>  | <b>18.9</b>  | <b>18.1</b>  | <b>9.2</b>   | <b>9.5</b>   | <b>8.6</b>   | <b>8.8</b>   | <b>8.2</b>   | <b>9.0</b>   |
| Payable Ni production - Savannah (kt)                | 5.1          | 5.5          | 5.0          | 4.8          | 5.3          | 5.5          | 5.5          | 2.7          | 2.8          | 2.6          | 2.3          | 2.2          | 2.6          |
| Payable Ni production - Lanfranchi (100% basis) (kt) | 4.2          | 6.0          | 5.8          | 5.9          | 6.5          | 6.3          | 5.9          | 3.0          | 3.0          | 2.7          | 3.1          | 2.8          | 3.1          |
| <b>Total payable Ni production (kt)</b>              | <b>9.3</b>   | <b>11.5</b>  | <b>10.7</b>  | <b>10.7</b>  | <b>11.8</b>  | <b>11.8</b>  | <b>11.3</b>  | <b>5.7</b>   | <b>5.8</b>   | <b>5.3</b>   | <b>5.4</b>   | <b>5.0</b>   | <b>5.7</b>   |
| Payable Cu production - Savannah (kt)                | 2.0          | 2.1          | 2.0          | 1.8          | 2.1          | 2.1          | 2.1          | 1.0          | 1.1          | 1.1          | 0.9          | 0.9          | 0.9          |
| Payable Cu production - Lanfranchi (100% basis) (kt) | 0.3          | 0.3          | 0.3          | 0.4          | 0.4          | 0.4          | 0.3          | 0.2          | 0.2          | 0.2          | 0.2          | 0.2          | 0.2          |
| <b>Total Cu production (kt)</b>                      | <b>2.3</b>   | <b>2.5</b>   | <b>2.4</b>   | <b>2.2</b>   | <b>2.5</b>   | <b>2.5</b>   | <b>2.5</b>   | <b>1.2</b>   | <b>1.3</b>   | <b>1.3</b>   | <b>1.1</b>   | <b>1.1</b>   | <b>1.1</b>   |
| Co production - Savannah (kt)                        | 0.2          | 0.2          | 0.2          | 0.6          | 0.2          | 0.2          | 0.2          | 0.1          | 0.1          | 0.1          | 0.1          | 0.5          | 0.1          |
| Costs Per Pound Payable Nickel                       | FY08         | FY09         | FY10         | FY11F        | FY12F        | FY13F        | FY14F        | 1H09         | 2H09         | 1H10         | 2H10         | 1H11         | 2H11F        |
| Cash costs (A\$/lb)                                  | 5.12         | 5.32         | 5.69         | 5.94         | 4.78         | 4.90         | 5.08         | 5.59         | 5.06         | 5.25         | 6.13         | 6.41         | 5.53         |
| Cash costs (US\$/lb)                                 | 4.60         | 3.96         | 4.99         | 5.81         | 4.76         | 4.73         | 4.78         | 4.39         | 3.58         | 4.59         | 5.47         | 6.07         | 5.55         |
| Consolidated P&L (A\$m)                              | FY08         | FY09         | FY10         | FY11F        | FY12F        | FY13F        | FY14F        | 1H09         | 2H09         | 1H10         | 2H10         | 1H11         | 2H11F        |
| <b>Revenues from operating activities</b>            | <b>232.4</b> | <b>225.1</b> | <b>283.4</b> | <b>292.7</b> | <b>324.1</b> | <b>289.4</b> | <b>280.7</b> | <b>110.7</b> | <b>114.4</b> | <b>132.2</b> | <b>151.2</b> | <b>125.8</b> | <b>166.9</b> |
| Other income   | 0.0          | 1.2          | 0.1          | -            | -            | -            | -            | 1.3          | -0.1         | 0.2          | -0.1         | -            | -            |
| <b>Total revenues</b>                                | <b>232.4</b> | <b>226.3</b> | <b>283.6</b> | <b>292.7</b> | <b>324.1</b> | <b>289.4</b> | <b>280.7</b> | <b>111.9</b> | <b>114.4</b> | <b>132.5</b> | <b>151.1</b> | <b>125.8</b> | <b>166.9</b> |
| Operating expenses                                   | 123.0        | 140.5        | 156.6        | 167.9        | 165.3        | 165.1        | 163.7        | 68.0         | 72.6         | 70.4         | 86.1         | 80.4         | 87.6         |
| Exploration  | 2.3          | 7.6          | 7.1          | 10.8         | 12.0         | 12.0         | 10.5         | 5.8          | 1.8          | 3.3          | 3.8          | 4.8          | 6.0          |
| <b>EBITDA</b>  | <b>107.2</b> | <b>78.2</b>  | <b>119.9</b> | <b>113.9</b> | <b>146.7</b> | <b>112.3</b> | <b>106.5</b> | <b>38.1</b>  | <b>40.0</b>  | <b>58.7</b>  | <b>61.2</b>  | <b>40.6</b>  | <b>73.3</b>  |
| Depreciation and amortisation                        | 40.4         | 49.3         | 52.4         | 41.7         | 54.1         | 51.9         | 49.6         | 27.4         | 21.9         | 27.6         | 24.9         | 22.1         | 19.6         |
| <b>EBIT</b>  | <b>66.8</b>  | <b>28.8</b>  | <b>67.5</b>  | <b>72.3</b>  | <b>92.6</b>  | <b>60.4</b>  | <b>57.0</b>  | <b>10.7</b>  | <b>18.1</b>  | <b>31.2</b>  | <b>36.3</b>  | <b>18.5</b>  | <b>53.7</b>  |
| Net interest   | 4.6          | 2.9          | 3.6          | 5.7          | 8.7          | 12.2         | 14.5         | 2.2          | 0.6          | 1.1          | 2.5          | 2.7          | 3.0          |
| <b>Profit before tax</b>                             | <b>71.4</b>  | <b>31.7</b>  | <b>71.1</b>  | <b>78.0</b>  | <b>101.3</b> | <b>72.7</b>  | <b>71.5</b>  | <b>12.9</b>  | <b>18.8</b>  | <b>32.3</b>  | <b>38.8</b>  | <b>21.3</b>  | <b>56.7</b>  |
| Tax  | -18.1        | 0.2          | -19.9        | -28.3        | -32.4        | -23.3        | -21.4        | 4.2          | -4.0         | -9.2         | -10.8        | -9.1         | -19.3        |
| <b>Underlying NPAT</b>                               | <b>53.3</b>  | <b>31.9</b>  | <b>51.1</b>  | <b>49.6</b>  | <b>68.9</b>  | <b>49.4</b>  | <b>50.0</b>  | <b>17.1</b>  | <b>14.8</b>  | <b>23.1</b>  | <b>28.0</b>  | <b>12.2</b>  | <b>37.4</b>  |
| Net significant items (post tax)                     | -            | -26.3        | 5.1          | 5.3          | -            | -            | -            | -25.7        | -0.5         | -            | 5.1          | 5.3          | -            |
| <b>Reported NPAT</b>                                 | <b>53.3</b>  | <b>5.6</b>   | <b>56.2</b>  | <b>54.9</b>  | <b>68.9</b>  | <b>49.4</b>  | <b>50.0</b>  | <b>-8.6</b>  | <b>14.3</b>  | <b>23.1</b>  | <b>33.1</b>  | <b>17.5</b>  | <b>37.4</b>  |
| EPS - basic underlying (cps)                         | 28.4         | 16.5         | 25.1         | 24.1         | 33.3         | 23.9         | 24.2         | 8.9          | 7.5          | 11.3         | 13.7         | 5.9          | 18.1         |
| DPS (cps)  | 12.0         | 3.0          | 16.5         | 12.0         | 17.0         | 10.5         | 12.1         | 1.0          | 2.0          | 10.0         | 6.5          | 4.0          | 8.0          |
| Key financials                                       | FY08         | FY09         | FY10         | FY11F        | FY12F        | FY13F        | FY14F        | 1H09         | 2H09         | 1H10         | 2H10         | 1H11         | 2H11F        |
| Underlying EPS - diluted (cps)                       | 27.3         | 16.1         | 24.5         | 23.7         | 32.8         | 23.5         | 23.8         | 8.9          | 7.3          | 11.1         | 13.4         | 5.9          | 17.9         |
| Reported EPS - basic (cps)                           | 28.4         | 16.5         | 25.1         | 24.1         | 33.3         | 23.9         | 24.2         | 8.9          | 7.5          | 11.3         | 13.7         | 5.9          | 18.1         |
| Reported EPS (diluted)                               | 27.3         | 2.8          | 26.9         | 26.3         | 32.8         | 23.5         | 23.8         | -4.5         | 7.0          | 11.1         | 15.9         | 8.4          | 17.9         |
| <b>Cash EPS (diluted)</b>                            | <b>48.0</b>  | <b>41.1</b>  | <b>49.6</b>  | <b>43.6</b>  | <b>58.6</b>  | <b>48.2</b>  | <b>47.4</b>  | <b>23.2</b>  | <b>18.1</b>  | <b>24.3</b>  | <b>25.4</b>  | <b>16.4</b>  | <b>27.3</b>  |
| EPS growth   | -40%         | -41%         | 52%          | -3%          | 38%          | -28%         | 1%           | -29%         | -51%         | 24%          | 84%          | -47%         | 33%          |
| Diluted average shares                               | 195.4        | 197.8        | 208.7        | 209.2        | 210.1        | 210.1        | 210.1        | 192.1        | 202.7        | 208.7        | 208.7        | 208.5        | 209.2        |
| <b>PER (x) (norm EPS - basic)</b>                    | <b>7.4x</b>  | <b>12.7x</b> | <b>8.4x</b>  | <b>8.7x</b>  | <b>6.3x</b>  | <b>8.8x</b>  | <b>8.7x</b>  |              |              |              |              |              |              |
| PER (x) (norm EPS - diluted)                         | 7.7x         | 13.0x        | 8.6x         | 8.9x         | 6.4x         | 8.9x         | 8.8x         |              |              |              |              |              |              |
| <b>PER - cash adjusted</b>                           | <b>5.0x</b>  | <b>8.6x</b>  | <b>5.5x</b>  | <b>6.0x</b>  | <b>4.4x</b>  | <b>7.1x</b>  | <b>7.4x</b>  |              |              |              |              |              |              |
| DPS (cps) - ordinary                                 | 12.0         | 3.0          | 11.5         | 12.0         | 17.0         | 10.5         | 12.1         | 1.0          | 2.0          | 5.0          | 6.5          | 4.0          | 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          |
| Payout ratio (%) (ordinary divs)                     | 42%          | 103%         | 42%          | 45%          | 51%          | 44%          | 50%          | -22%         | 27%          | 44%          | 40%          | 47%          | 44%          |
| <b>Dividend yield (net)</b>                          | <b>5.7%</b>  | <b>1.4%</b>  | <b>7.9%</b>  | <b>5.7%</b>  | <b>8.1%</b>  | <b>5.0%</b>  | <b>5.8%</b>  | <b>0.5%</b>  | <b>1.0%</b>  | <b>4.8%</b>  | <b>3.1%</b>  | <b>1.9%</b>  | <b>3.8%</b>  |
| Franking   | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         | 100%         |
| <b>Dividend yield (gross)</b>                        | <b>8.2%</b>  | <b>2.0%</b>  | <b>11.2%</b> | <b>8.2%</b>  | <b>11.6%</b> | <b>7.1%</b>  | <b>8.2%</b>  | <b>0.7%</b>  | <b>1.4%</b>  | <b>6.8%</b>  | <b>4.4%</b>  | <b>2.7%</b>  | <b>5.4%</b>  |
| EBITDA margin (%)                                    | 46.1%        | 34.7%        | 42.3%        | 38.9%        | 45.3%        | 38.8%        | 38.0%        | 34.5%        | 35.0%        | 44.4%        | 40.5%        | 32.3%        | 43.9%        |
| EBIT margin (%)                                      | 28.7%        | 12.8%        | 23.8%        | 24.7%        | 28.6%        | 20.9%        | 20.3%        | 9.7%         | 15.8%        | 23.6%        | 24.0%        | 14.7%        | 32.2%        |
| NPAT margin (%)                                      | 22.9%        | 2.5%         | 19.8%        | 18.8%        | 21.3%        | 17.1%        | 17.8%        | -7.8%        | 12.5%        | 17.5%        | 21.9%        | 13.9%        | 22.4%        |
| Tax rate (%)   | 25.3%        | -0.7%        | 28.1%        | 36.3%        | 32.0%        | 32.0%        | 30.0%        | -32.4%       | 21.2%        | 28.4%        | 27.8%        | 42.6%        | 34.0%        |

Source: Company data, Credit Suisse estimates

**Figure 5: Panoramic Resources (PAN) detailed financials (continued)**

| <b>Gearing</b>              | <b>FY08</b>  | <b>FY09</b>  | <b>FY10</b>  | <b>FY11F</b> | <b>FY12F</b> | <b>FY13F</b> | <b>FY14F</b> | <b>1H09</b>  | <b>2H09</b>  | <b>1H10</b>  | <b>2H10</b>  | <b>1H11</b>  | <b>2H11F</b> |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Debt                    | -102.5       | -60.7        | -136.4       | -155.0       | -210.6       | -241.5       | -295.3       | -45.1        | -43.4        | -110.3       | -45.1        | -107.4       | -155.0       |
| Net Debt / Equity (%)       | -44.2%       | -21.2%       | -46.9%       | -47.9%       | -60.0%       | -68.2%       | -79.8%       | -18.4%       | -15.2%       | -38.2%       | -15.5%       | -36.5%       | -47.9%       |
| <b>Cashflows (A\$m)</b>     | <b>FY08</b>  | <b>FY09</b>  | <b>FY10</b>  | <b>FY11F</b> | <b>FY12F</b> | <b>FY13F</b> | <b>FY14F</b> | <b>1H09</b>  | <b>2H09</b>  | <b>1H10</b>  | <b>2H10</b>  | <b>1H11</b>  | <b>2H11F</b> |
| Operating cashflows         | 89.8         | 33.3         | 147.3        | 81.6         | 130.2        | 110.3        | 109.4        | 5.0          | 28.3         | 72.0         | 75.2         | 9.2          | 72.4         |
| Capex - maintenance         | -            | -15.8        | -8.1         | -17.5        | -21.2        | -21.2        | -11.0        | -14.7        | -1.2         | -3.9         | -4.1         | -6.9         | -10.6        |
| <b>Free cash flow</b>       | <b>89.8</b>  | <b>17.5</b>  | <b>139.2</b> | <b>64.2</b>  | <b>109.0</b> | <b>89.1</b>  | <b>98.4</b>  | <b>-9.7</b>  | <b>27.2</b>  | <b>68.1</b>  | <b>71.1</b>  | <b>2.4</b>   | <b>61.8</b>  |
| Capex - growth              | -59.4        | -39.8        | -25.2        | -13.0        | -            | -            | -            | -31.6        | -8.3         | -10.3        | -14.9        | -13.0        | -            |
| Other investing cashflows   | -0.0         | -22.7        | -84.8        | 62.1         | -12.0        | -12.0        | -10.5        | -6.7         | -16.0        | -16.9        | -67.8        | 68.1         | -6.0         |
| Financing cashflows         | -39.1        | -16.1        | -29.4        | -20.6        | -41.4        | -46.2        | -34.2        | -13.4        | -2.7         | -7.4         | -22.0        | -12.4        | -8.2         |
| <b>Net increase in cash</b> | <b>-8.7</b>  | <b>-61.1</b> | <b>-0.2</b>  | <b>92.6</b>  | <b>55.6</b>  | <b>30.9</b>  | <b>53.8</b>  | <b>-61.3</b> | <b>0.2</b>   | <b>33.4</b>  | <b>-33.6</b> | <b>45.0</b>  | <b>47.6</b>  |
| Cash at end of the year     | 110.9        | 50.0         | 49.8         | 142.4        | 198.0        | 228.9        | 282.7        | 49.6         | 50.0         | 83.4         | 49.8         | 94.8         | 142.4        |
| <b>Balance Sheet (A\$m)</b> | <b>FY08</b>  | <b>FY09</b>  | <b>FY10</b>  | <b>FY11F</b> | <b>FY12F</b> | <b>FY13F</b> | <b>FY14F</b> | <b>1H09</b>  | <b>2H09</b>  | <b>1H10</b>  | <b>2H10</b>  | <b>1H11</b>  | <b>2H11F</b> |
| Cash                        | 110.9        | 50.0         | 49.8         | 142.4        | 198.0        | 228.9        | 282.7        | 49.6         | 50.0         | 83.4         | 49.8         | 94.8         | 142.4        |
| Receivables                 | 17.2         | 28.7         | 20.9         | 45.9         | 45.9         | 45.9         | 45.9         | 30.3         | 28.7         | 23.2         | 20.9         | 45.9         | 45.9         |
| 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        | 210.5        | 177.5        | 146.8        | 108.2        | 136.5        | 199.7        | 192.1        | 206.5        | 219.4        | 210.5        |
| Other assets                | 56.9         | 87.2         | 127.3        | 36.2         | 36.2         | 36.2         | 36.2         | 100.3        | 87.2         | 67.3         | 127.3        | 36.2         | 36.2         |
| <b>Assets</b>               | <b>332.1</b> | <b>380.3</b> | <b>416.8</b> | <b>447.2</b> | <b>469.9</b> | <b>470.1</b> | <b>485.3</b> | <b>329.3</b> | <b>380.3</b> | <b>380.7</b> | <b>416.8</b> | <b>408.6</b> | <b>447.2</b> |
| Payables                    | 31.3         | 30.8         | 23.9         | 28.2         | 28.2         | 28.2         | 28.2         | 34.4         | 30.8         | 28.0         | 23.9         | 28.2         | 28.2         |
| Provisions                  | -            | 10.0         | 31.6         | 30.1         | 30.1         | 30.1         | 30.1         | 9.0          | 10.0         | 10.6         | 31.6         | 30.1         | 30.1         |
| Tax liabilities             | 26.1         | -            | 18.5         | 19.3         | 14.5         | 11.5         | 10.8         | -            | -            | -            | 18.5         | 9.9          | 19.3         |
| Borrowings                  | 2.0          | 2.2          | 1.4          | 1.0          | 1.0          | 1.0          | 1.0          | 0.6          | 2.2          | 1.8          | 1.4          | 1.0          | 1.0          |
| Other liabilities           | 41.0         | 51.0         | 50.3         | 45.0         | 45.0         | 45.0         | 45.0         | 39.8         | 51.0         | 51.8         | 50.3         | 45.0         | 45.0         |
| <b>Liabilities</b>          | <b>100.4</b> | <b>94.0</b>  | <b>125.7</b> | <b>123.6</b> | <b>118.8</b> | <b>115.8</b> | <b>115.1</b> | <b>83.7</b>  | <b>94.0</b>  | <b>92.1</b>  | <b>125.7</b> | <b>114.2</b> | <b>123.6</b> |
| <b>Net Assets</b>           | <b>231.7</b> | <b>286.3</b> | <b>291.1</b> | <b>323.6</b> | <b>351.1</b> | <b>354.3</b> | <b>370.2</b> | <b>245.6</b> | <b>286.3</b> | <b>288.6</b> | <b>291.1</b> | <b>294.4</b> | <b>323.6</b> |
| <b>Net Tangible Assets</b>  | <b>231.7</b> | <b>286.3</b> | <b>291.1</b> | <b>323.6</b> | <b>351.1</b> | <b>354.3</b> | <b>370.2</b> | <b>245.6</b> | <b>286.3</b> | <b>288.6</b> | <b>291.1</b> | <b>513.9</b> | <b>323.6</b> |
| NAV per share               | 1.2          | 1.4          | 1.4          | 1.5          | 1.7          | 1.7          | 1.8          | 1.3          | 1.4          | 1.4          | 1.4          | 1.4          | 1.5          |
| ROE (%)                     | 30%          | 12%          | 18%          | 16%          | 20%          | 14%          | 14%          | 14%          | 11%          | 16%          | 19%          | 8%           | 24%          |
| NTA per share               | 1.2          | 1.4          | 1.4          | 1.5          | 1.7          | 1.7          | 1.8          | 1.3          | 1.4          | 1.4          | 1.4          | 2.5          | 1.5          |
| Price / book                | 3.4x         | 1.5x         | 1.5x         | 1.4x         | 1.3x         | 1.2x         | 1.2x         | 0.8x         | 1.5x         | 1.5x         | 1.5x         | 1.5x         | 1.4x         |
| ROTE (%)                    | 53%          | 31%          | 36%          | 30%          | 36%          | 29%          | 28%          | 37%          | 28%          | 35%          | 37%          | 17%          | 27%          |
| P / NTA (x)                 | 3.4x         | 1.5x         | 1.5x         | 1.4x         | 1.3x         | 1.2x         | 1.2x         | 0.8x         | 1.5x         | 1.5x         | 1.5x         | 0.9x         | 1.4x         |
| Enterprise value (\$mn)     | 672.6        | 367.6        | 294.6        | 279.8        | 224.2        | 193.3        | 139.5        | 141.1        | 384.9        | 318.1        | 383.4        | 323.6        | 279.8        |

Source: Company data, Credit Suisse estimates

**Companies Mentioned (Price as of 02 May 11)**  
 Panoramic Resources (PAN.AX, A\$2.10, OUTPERFORM [V], TP A\$3.00)

## Disclosure Appendix

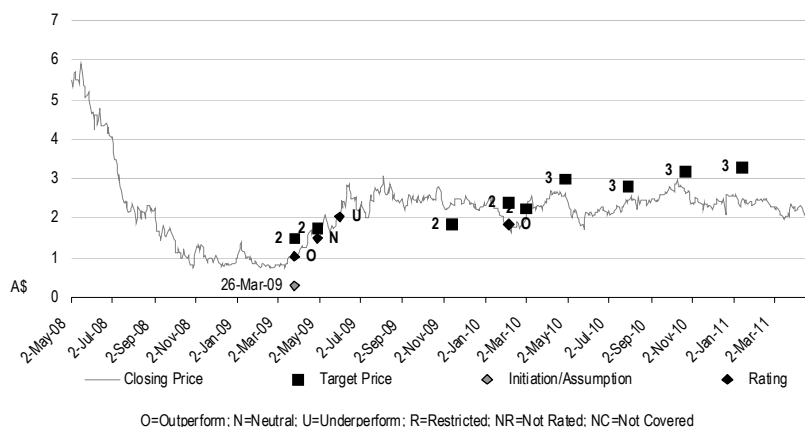
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### 3-Year Price, Target Price and Rating Change History Chart for PAN.AX

| 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          |                   |
| 21-Oct-10 | 2.66          | 3.2          |                   |
| 12-Jan-11 | 2.38          | 3.3          |                   |



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|-----------------------------|-----|-----------------------|
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| <b>Restricted</b>           | 2%  |                       |

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**Method:** Target price for PAN of \$3 per share based on a sum of parts discounted cash flow valuation of \$3.03. WACC used is 10%. Nominal value (A\$28mn) given to PAN's non-producing assets (including Copernicus Project on care and maintenance). Credit Suisse house commodity prices used.

**Risks:** Risks to our \$3 target price for PAN include commodity price risk and production risk. Our forecast is for a long term nickel price of US\$8.25/lb, our forecast and target price would be lower if the actual nickel price turns out to be lower than our forecast.

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