



## Panoramic BUY

Current Price: **\$1.68**  
Valuation: **\$2.39**

Ticker: **PAN**  
Sector: **Materials**

Shares on Issue (m): **207.1**  
Market Cap (\$m): **347.8**  
Net Cash (\$m): **93.1**  
Enterprise Value (\$m): **254.7**

52 wk High/Low: **\$2.97** **\$1.65**  
12m Av Daily Vol (m): **0.98**

### Key Metrics

	10A	11F	12F
P/E (x)	6.9	8.7	8.6
EV/EBITDA (x)	2.0	2.5	2.4

### Financials:

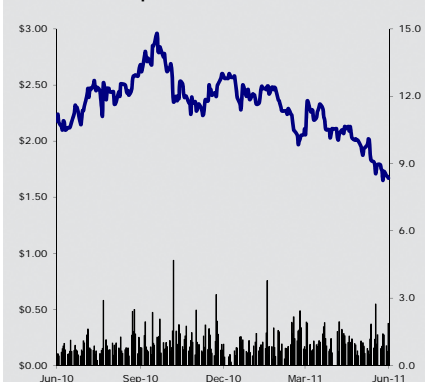
	2009	2010	2011
Revenue (\$m)	287.8	280.6	282.9
EBIT (\$m)	77.3	58.3	60.5
NPAT (\$m)	56.2	40.6	41.3

	2009	2010	2011
Net Assets (\$m)	291.1	311.1	332.6
Op CF (\$m)	135.8	62.7	101.4

### Per Share Data:

	2009	2010	2011
EPS (cps)	24.4	19.3	19.6
DPS (cps)	15.0	10.0	10.0
Div Yield	8.9%	6.0%	6.0%
CFPS (cps)	64.8	29.9	48.3

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

23 June 2011

## Helmut South Extension

### Initial Helmut South Extension Resource:

Panoramic (PAN) reports an initial Resource at the Helmut South Extension of 7.1kt contained nickel at an average grade of 3.9%.

The estimate is based on 57 drill holes.

### Impact:

Positive

The Resource sits within the stated initial target of 5-10kt contained nickel. The Helmut South Extension offers a number of positives:

- Proximal to existing development (Figure 1)
- High confidence (96% Indicated / 4% Inferred)
- Open down plunge
- Possibility of a new channel further to the east

Based on current production rates of ~10ktpa the maiden estimate adds >8 months to the mine life at the Lanfranchi Project.

Mine planning studies are underway to convert the Indicated Resource to a maiden Reserve.

### View:

Positive

Within a peer group of 12 ASX listed base metals producers (market caps of \$180m-\$4.1b) the stock is the cheapest on a price / valuation basis (Figure 2).

Although the stock offers deep value and relatively low risk leverage to the nickel price (strong balance sheet and two geographically diverse production centres) it is difficult to readily identify near term pricing catalysts.

### Recommendation:

Buy

Argonaut's FY12 production forecast is 17.9kt at cash costs of US\$5.95/lb. The Company's new target is +25ktpa Ni for 10+ years. The FY12 exploration budget is \$12.5m with \$4.0m to be allocated to the recently acquired Gidgee Gold Project, with the aim of expanding the known 310koz Resource.

\$2.39 valuation and BUY recommendation maintained.

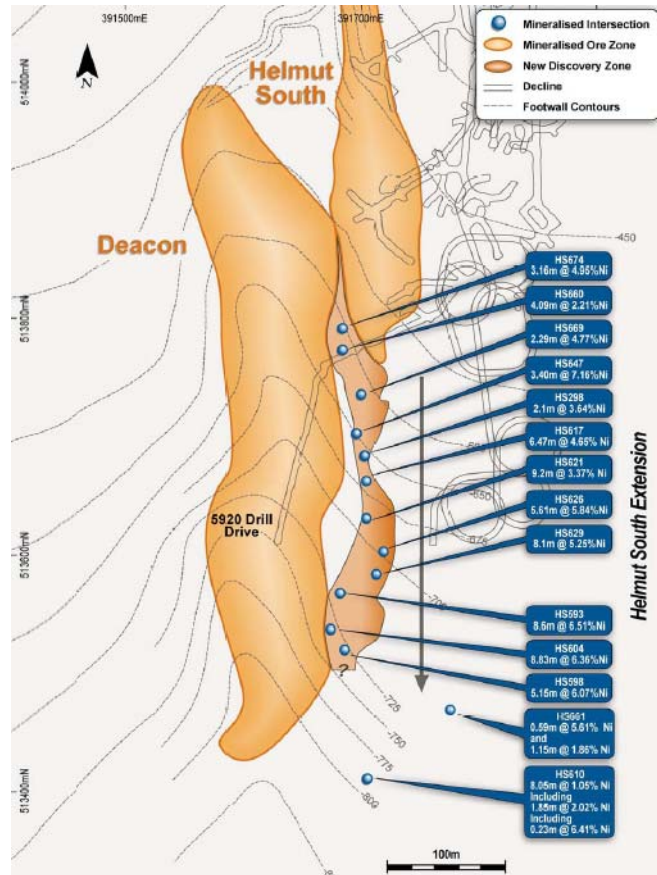


### Helmut South Extension

The initial Helmut South Extension Resource...

PAN reports an initial Resource at the Helmut South Extension of 7.1kt contained nickel at an average grade of 3.9%. The estimate is proximal to existing development, and is open down plunge with the possibility of a new channel further to the east.

Figure 1: Helmut South Extension – Plan



...adds >8 months to the mine life...

...proximal to existing development

Source: PAN

...and remains open down plunge

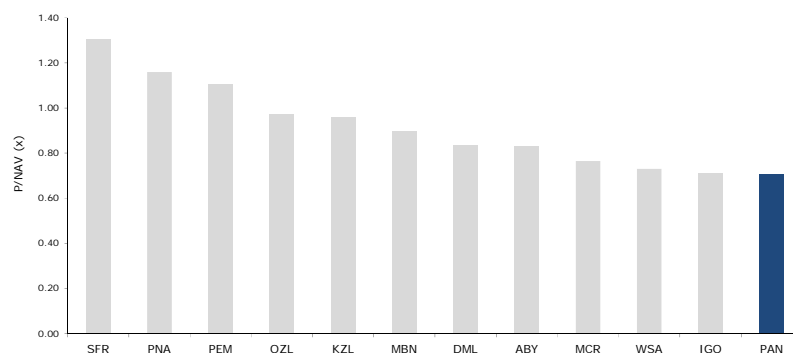
Based on current production rates of ~10ktpa the maiden estimate adds >8 months to the mine life at the Lanfranchi Project.

### Cheap compared to base metals peers

Within a peer group of 12 ASX listed base metals producers (market caps of \$180m-\$4.1b) PAN is the cheapest on a price / valuation basis.

Cheapest base metals stock on P/NAV basis

Figure 2: Base metal peers – P/NAV



Source: Argonaut



Panoramic Resources

Equities Research

Analyst: Troy Irvin

**Recommendation** BUY  
**Current Price** \$1.68  
**Valuation** \$2.39

**Sector** Materials  
**Issued Capital (m)** 207.1  
**Market Cap (m)** \$347.8  
**Updated** 23-June-2011

Profit & Loss (\$m) 30 June	2010A	2011E	2012E	2013E
<b>Sales Revenue</b>	<b>287.8</b>	<b>280.6</b>	<b>282.9</b>	<b>265.8</b>
Other Income	4.5	5.7	5.9	8.7
Operating Costs	147.1	164.0	162.3	158.6
Exploration Exp.	7.2	12.0	12.5	12.7
Corporate/Admin	8.0	8.0	8.1	8.3
<b>EBITDA</b>	<b>130.0</b>	<b>102.3</b>	<b>106.0</b>	<b>94.9</b>
D & A	52.7	44.1	45.5	20.5
<b>EBIT</b>	<b>77.3</b>	<b>58.3</b>	<b>60.5</b>	<b>74.5</b>
Interest Paid	0.4	0.2	0.2	0.2
Reversal of impairment of assets	-7.2	0.0	0.0	0.0
Mark to market of derivatives	5.9	0.0	0.0	0.0
<b>Operating Profit</b>	<b>78.3</b>	<b>58.0</b>	<b>60.3</b>	<b>74.3</b>
Tax expense	22.1	17.4	19.1	22.3
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>56.2</b>	<b>40.6</b>	<b>41.3</b>	<b>52.0</b>
<b>Normalised NPAT</b>	<b>51.2</b>	<b>40.6</b>	<b>41.3</b>	<b>52.0</b>

Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	56.2	40.6	41.3	52.0
EPS (cents)	26.8	19.3	19.6	24.8
PER (x)	6.3	8.7	8.6	6.8
<b>Normalised Earnings</b>				
Net Profit (\$m)	51.2	40.6	41.3	52.0
EPS (cents)	24.4	19.3	19.6	24.8
EPS Growth (%)	(261.0)	(20.8)	1.6	26.1
PER (x)	6.9	8.7	8.6	6.8
<b>Cashflow</b>				
Operating Cashflow (\$m)	135.8	62.7	101.4	84.7
GCFPS (cents)	64.8	29.9	48.3	40.3
PCF (x)	2.6	5.6	3.5	4.2
<b>Dividend</b>				
Dividend (cents)	15.0	10.0	10.0	10.0
Yield (%)	8.9	6.0	6.0	6.0
Franking (%)	100	100	100	100

Cash Flow (\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>135.8</b>	<b>62.7</b>	<b>101.4</b>	<b>84.7</b>
- Capital Expenditure	33.3	39.9	20.1	20.3
- Exploration & Evaluation	1.7	12.0	12.5	12.7
- Asset Purchases (+ Asset Sales)	(15.9)	15.5	0.0	0.0
<b>Free Cashflow</b>	<b>116.8</b>	<b>(4.7)</b>	<b>68.8</b>	<b>51.7</b>
- Dividends (ords & pref)	24.6	23.7	20.7	20.7
+ Equity Raised	0.6	0.0	0.0	0.0
+ Debt Drawdown (Repaid)	(5.4)	(1.8)	0.0	0.0
- Other	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>87.4</b>	<b>(30.2)</b>	<b>48.1</b>	<b>31.0</b>
Cash at end period	137.3	107.2	155.2	186.2

Financial Ratios	2010A	2011E	2012E	2013E
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	1.6	0.9	0.9	0.8
Interest Cover (x)	211.3	241.0	328.7	404.7
Acid test ratio (x)	2.7	6.2	5.5	7.3
<b>Profitability Ratios</b>				
Net Profit Margin (%)	17.8	14.5	14.6	19.6
Return on Assets (%)	27.7	20.8	22.6	27.0
Return on Equity (%)	19.3	13.1	12.4	13.8

Balance Sheet (\$m)	2010A	2011E	2012E	2013E
Cash	137.3	107.2	155.2	186.2
Total Assets	416.8	386.7	422.5	461.9
Total Debt	4.7	2.9	2.9	2.9
Total Liabilities	125.7	75.6	89.9	85.6
Shareholders Funds	291.1	311.1	332.6	376.2

Valuation Summary	A\$m	AS/sh
Savannah	188	0.90
Lanfranchi	123	0.58
Gidgee Gold	16	0.07
Forwards	3	0.01
Corporate	-22	-0.11
Cash at 31 March	96	0.46
Debt	-3	-0.01
Exploration	85	0.40
Unpaid capital	8	0.04
Listed Investments	9	0.04
<b>Total @ 11% discount rate</b>	<b>502</b>	<b>2.39</b>

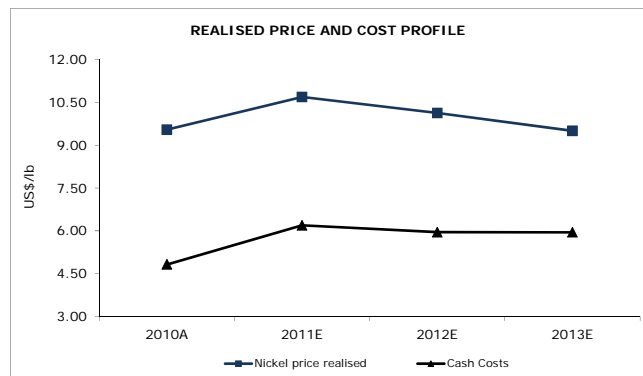
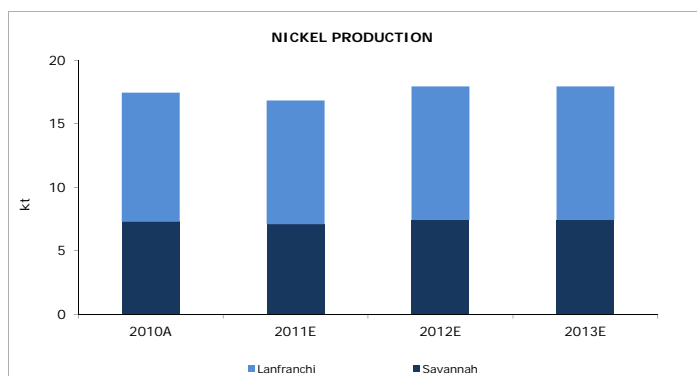
Production Summary	2010A	2011E	2012E	2013E
Savannah (kt)	7.3	7.1	7.4	7.4
Lanfranchi (kt)	10.2	9.7	10.5	10.5
<b>Total Nickel Production</b>	<b>17.4</b>	<b>16.8</b>	<b>17.9</b>	<b>17.9</b>
Ni Cash Cost - net of credits (US\$/lb)	4.82	6.19	5.95	5.95
Ni Price Realised (US\$/lb)	9.54	10.69	10.12	9.50
fx (USD:AUD)	0.88	0.99	1.00	1.00

Directors	
C J G de Guingand	Non-Executive Chairman
Peter Harold	Managing Director
Christopher Langdon	Non-Executive Director
John Rowe	Non-Executive Director
Brian Phillips	Non-Executive Director

Reserves & Resources		Mt	Grade	Ni (kt)
<b>Nickel Reserves</b>				
Savannah		5.30	1.2	63.4
Lanfranchi		2.3	2.4	55.9
Copernicus		0.13	1.0	1.4
<b>Total Reserves</b>		<b>7.77</b>	<b>1.6</b>	<b>120.7</b>

Substantial Shareholders	%
M & G Investment	19.5
AMP	8.4
Eley Griffiths Group	6.4

Nickel Resources		Mt	Grade	Ni (kt)
Savannah		5.41	1.5	83.1
Lanfranchi		8.3	1.9	158.1
Copernicus		0.29	1.2	3.6
<b>Total Resources</b>		<b>14.04</b>	<b>1.7</b>	<b>244.8</b>



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