Panoramic Resources Limited

Helmut South Extension resource hosting high grades

23 June 2011

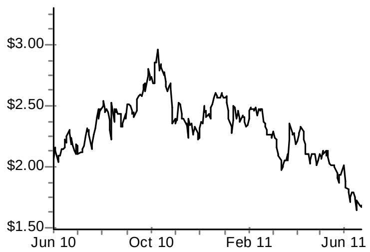
$1.69

BUY

Keith Williams
03 9640 3802
keith.williams@wilsonhtm.com.au

James Brennan-Chong
03 9640 3893
james.brennan-chong@wilsonhtm.com.au

Price Performance



Security/Capital Details

ASX Code	PAN
Market Cap	$355 M
Issued Shares (dil)	209.9 M
Avg Mth T'over	23.35 M
12 Mth High – Low	$2.96 - $1.65

Key Data/Ratios – FY 2011

EBITDA / Sales	44.6%
EBIT / Sales	25.7%
Debt / Equity	0.9%
Interest Cover	71.0 x
ROE	14.3%
EPS Growth	-15.4%
DCF	$3.45
12 Mth Price Target	$3.52

Recommendation

PAN has released a maiden resource for the Helmut South Extension with a relatively high nickel grade of 3.9% Ni. The resource is 181.7kt @ 3.9% Ni for 7.1kt Ni. The resource is 97% in the indicated category and this should see a high resource to reserve conversion. Other Lanfranchi deposits have reserve grades that diverge significantly from their respective resource grades and we anticipate a similar dilution potential for the Helmut South Extension. A study to produce a maiden reserve is underway. The reserve could be readily exploited from existing infrastructure. BUY retained, valuation and target price unchanged at $3.45/sh and $3.52/sh.

Key Points

- PAN has released a maiden Helmut South Extension resource of 181.7kt @ 3.9% Ni for 7.08kt Ni. Importantly, 96.5% of the resource is in the indicated category, with the remainder in the inferred category.
- The resource increases the Lanfrachi project resource by 5% to 7.7mt @ 1.9% Ni for 149kt Ni.
- Since the discovery of the Helmut South Extension in November 2010, a total of fifty seven holes have been drilled, leading to the maiden resource estimation.
- The deposit remains open at depth and to the east, with two holes HS610 8m @ 1.05% Ni including 1.85m @ 2.0% Ni being drilled 100m down plunge and HS661 0.6m @ 5.6% Ni being drilled 50m to the east of Helmut South. Both of these holes lie outside of the estimated resource envelop.
- PAN has commenced mine planning studies to deliver a maiden reserve. We see potential for a significant amount of the resource to be converted to reserves given the high indicated resource component.
- We anticipate a significant amount of grade dilution in the reserve statement due largely to the pinching and swelling of the mineralisation along strike. The current Helmut South reserve grade is 30% lower than the resource (2.73% Ni versus 1.94% Ni). Assuming a similar dilution factor to the Helmut South Extension resource grade of 3.9%, could result in a reserve grade of 2.73% Ni.
- Despite the potential for dilution, the grades remain sufficiently high for us to postulate that should a reserve of, +5kt Ni @ +2.5% Ni be defined, that mining operations at Lanfranchi could switch to mine the Helmut South Extension as the deposit is ideally situated next to existing infrastructure. Such an initiative could result in a short term increase in nickel head grade and production with minimal capital development.
- PAN has set a FY2012 exploration budget of A$12m, of which 20% or A$2.5m has been allocated to the Lanfranchi mine inclusive of Helmut South. We see potential for this exploration budget to increase following the success and high grade nature of the Helmut South Extension maiden resource.
- No change to our valuation or target price.

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	56.2	51.2	24.5	113.1	6.9	64.9	2.6	16.5	9.8	100
2011e	47.1	43.5	20.7	-15.4	8.2	28.1	6.0	11.0	6.5	100
2012e	100.0	100.0	47.7	130.2	3.6	68.2	2.5	24.0	14.2	100
2013e	110.6	110.6	52.7	10.5	3.2	69.0	2.4	29.0	17.2	100

Panoramic Resources Limited (PAN : $1.69)

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	0.99	1.04	1.00
Nickel (US$/lb)	6.13	8.81	11.07	13.50	12.93
Copper (US$/lb)	2.08	2.42	3.98	5.27	4.65
Cobalt (US$/lb)	21.90	20.52	18.56	17.50	15.00

INVESTMENT & VALUATION FUNDAMENTALS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
EPS Before Abs (c)	11.5	24.5	20.7	47.7	52.7
EPS Growth (%)	N/A	113.1%	-15.4%	130.2%	10.5%
PER (x)	**14.7**	**6.9**	**8.2**	**3.6**	**3.2**
CFPS (c)	16.1	64.9	28.1	68.2	69.0
P/CF (x)	**10.5**	**2.6**	**6.0**	**2.5**	**2.4**
EV/EBITDA (x)	3.8	2.5	2.6	0.9	0.5
DPS (c)	3.0	16.5	11.0	24.0	29.0
Yield (%)	1.8%	9.8%	6.5%	14.2%	17.2%
Franking (%)	100%	100%	100%	100%	100%

DCF VALUATION @

	10.5 %		10 %	
Yr Ending June	A$m	A$ps	A$m	A$ps
Savannah	183.6	0.87	185.7	0.88
Lanfranchi	262.7	1.25	265.8	1.27
Gidgee Gold Project	32.9	0.16	32.9	0.16
Corporate Costs Capitalised	-37.3	-0.18	-37.8	-0.18
Hedge Book	-4.5	-0.02	-4.5	-0.02
Interests - Other Entities	13.8	0.07	13.8	0.07
Exploration/Dev Portfolio	73.4	0.35	73.4	0.35
Franking Credits	92.6	0.44	93.8	0.45
Cash	106.4	0.51	106.4	0.51
Interest Bearing Liabilities	-3.0	-0.01	-3.0	-0.01
Minorities	0.0	0.00	0.0	0.00
Additional Capital - Dilution	3.9	0.02	3.9	0.02
Total Valuation - Diluted	724.4	3.45	730.3	3.48

PROFITABILITY RATIOS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
EBIT / Sales (%)	14.5%	25.1%	25.7%	52.2%	56.4%
ROA (%)	N/A	20.4%	16.6%	42.6%	51.4%
ROE (%)	N/A	17.7%	14.3%	28.7%	27.0%
ROFE (%)	N/A	29.1%	24.7%	64.7%	81.7%

INTERIMS ($m)

Half Yr	Dec 09	Jun 10	Dec 10	Jun 11	Dec 11
Yr Ending June	**1H A**	**2H A**	**1H A**	**2H E**	**1H E**
Sales Revenue	132.2	151.2	125.8	102.0	125.9
EBIT	32.0	39.2	18.7	39.8	61.4
Net Profit	**23.1**	**33.1**	**17.6**	**29.5**	**44.6**
EPS	11.3	13.2	6.6	14.1	21.3

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

BALANCE SHEET ($m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Cash	50.0	49.8	90.8	186.1	273.9
Total Assets	380.3	416.8	428.9	489.7	548.6
Debt	6.6	4.7	3.0	3.0	3.0
Total Liabilities	94.0	125.7	113.2	111.2	109.2
Total Shareholders Equity	286.3	291.1	315.7	378.5	439.4
Total Funds Employed	242.9	246.1	227.8	195.4	168.4

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Debt / Equity (%)	2.3%	1.6%	0.9%	0.8%	0.7%
Gearing (%) [1]	2.2%	1.6%	0.9%	0.8%	0.7%
Interest Cover (x)	33.5	4,183.8	-11.3	-23.9	-16.0
Debt / CashFlow (x)	0.2	0.0	0.1	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	227.8	263.0	263.7
EBITDA	82.2	123.8	101.7	182.3	184.9
Depn and Amortisation	49.5	52.7	43.2	45.1	36.2
EBIT	**32.7**	**71.1**	**58.5**	**137.2**	**148.7**
Net Interest Expense	1.0	0.0	-5.2	-5.7	-9.3
Pre-tax Profit	**31.7**	**71.1**	**63.6**	**142.9**	**158.0**
Tax	7.8	19.9	20.2	42.9	47.4
Tax rate (%)	24.6%	28.0%	31.7%	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**	**51.2**	**43.5**	**100.0**	**110.6**
Abnormals	-18.3	5.0	3.6	0.0	0.0
Reported Net Profit	5.6	56.2	47.1	100.0	110.6

CASHFLOW ($m)

Yr Ending June	2009A	2010A	2011E	2012E	2013E
Operating Cash Flow	33.5	135.8	58.9	143.2	144.8
Capital Expenditure	-15.7	-8.1	-23.9	-3.7	-1.3
Expln, Develop, Evaln	-44.8	-26.9	-29.5	-7.0	-6.0
Asset Sales/Acquisitions	0.0	-5.7	-23.7	0.0	0.0
Other	-17.8	-65.9	79.9	0.0	0.0
Investing Cash Flow	-78.4	-106.6	2.8	-10.7	-7.3
Share Issues/(Buybacks)	0.2	0.6	2.7	0.0	4.5
Debt Drawdown (Repay)	-4.7	-5.4	-1.8	0.0	0.0
Dividends Paid	-11.5	-24.6	-21.6	-37.2	-54.2
Other Fin. Flows	0.0	0.0	0.0	0.0	0.0
Financing Cash Flow	-16.1	-29.4	-20.7	-37.2	-49.7
Cash Increase (Decrease)	-60.9	-0.2	41.0	95.3	87.8

EARNINGS SENSITIVITIES - % CHANGE

Yr Ending June	2009A	2010A	2011E	2012E	2013E
+/- 1c Movement US$/A$	0.0	0.0	3.5	3.0	2.4
+/-10% Ni Price Change	0.0	0.0	26.4	18.6	19.3
+/-10% Change In Costs	0.0	0.0	25.1	10.9	9.4

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.

Disclaimer

Disclosure of Interest. Panoramic Resources Limited

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.

In producing research reports, members of Wilson HTM Ltd Research may attend site visits and other meetings hosted by the issuers the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Wilson HTM Ltd considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting.

BRISBANE Ph: 07 3212 1333 Fax: 07 3212 1399	**SYDNEY** Ph: 02 8247 6600 Fax: 02 8247 6601	**MELBOURNE** Ph: 03 9640 3888 Fax: 03 9640 3800	**GOLD COAST** Ph: 07 5509 5500 Fax: 07 5509 5599
DALBY Ph: 07 4660 8000 Fax: 07 4660 4169	**HERVEY BAY** Ph: 07 4197 1600 Fax: 07 4197 1699		

Our web site: www.wilsonhtm.com.au