

INTERNAL

Panoramic Resources Limited (PAN)

First half 2010 Interim results

- PAN's underlying profit of \$23.1m was 157 percent above pcp (15 percent above previous guidance) which was an excellent result. Given that production was only up 8.7 percent and the average net realised price increase was 9 percent – a 52 percent increase in EBITDA was an exceptional result although there was an additional \$1.2m of profit from provisional price adjustments. The average FOB cash cost dropped 7.5 percent to A\$3.9/lb.

	Dec Half 2008	Dec Half 2009	% change
Production of nickel (t)	7,913	8,603	8.7
Sales revenue (\$m) net	113	134	
Average net* realised price (A\$/lb)	6.48	7.07	9
<i>*net of TC/RC's and hedging; includes byproduct revenue</i>			
EBITDA	39.5	60.2	52
Reported NPAT	(8.6)	23.1	
Underlying profit	8.97	23.1	157
Cash Cost (A\$/lb)	4.21	3.89	7.5
Spot Nickel (AS/lb)	8.51	9.18	8

- Comparison of the two periods is a little misleading as the recent half included 100 percent of nickel production from Lanfranchi; the residual 25 percent was bought in May 2009.
- Given the strong result and balance sheet, the company declared a five cent interim dividend and a special five cent dividend.**
- Production guidance for the fiscal year is given between 18,000t to 19,000t of contained nickel which translates to second half production between 9,400t to 10,400t.
- During the half, long term off take agreements were signed on output from Savannah (for 10 years with Sinchuan Group) and Lanfranchi (nine years with BHP Nickel West). The Copernicus open pit mine remains on care and maintenance.
- The total depreciation and amortisation charge for the period remained relatively stable at \$27.55m or A\$1.45/lb.
- Post the result, PAN announced a very substantial reserve upgrade at its Savannah operation.** The Lower Zone Reserve (a new area between a fault) now has 43,200t of contained Nickel, 23,500t of copper and 2,160t of cobalt and importantly, extends the mine life to beyond 2018. The actual grade of nickel is low by PAN standards – 1.17 percent however the present reserve grade for Upper Zone is 1.32 percent. The new off take agreement with Sinchuan covers expected production for both Upper and Lower zones. In addition, it appears the ground below Lower Zone is prospective for another 250m!

Wednesday, 3 March 2010

In Brief

Recommendations

Short Term:	ACCUMULATE
Long Term:	ACCUMULATE
Risk:	High
Price:	\$2.12
Price Target:	\$2.76

Snapshot

Monthly Turnover	\$47.3m
Market Cap	\$435m
Shares Issued	205.0m
52 Week high	\$3.13
52 Week Low	\$0.77
Sector	Materials

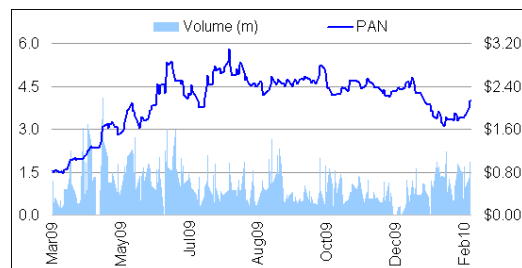
Business Description

Panoramic Resources (PAN) is a base metals exploration and development company with projects in the Kimberley Region of Western Australia. Production is sourced from the Savannah and Lanfranchi Project.

Investment Fundamentals

Year end 30 June	FY09	FY10	FY11
Sustainable NPAT (\$m)	27.2	42.4	42.6
EPS (¢)	13.4	20.6	20.5
PE Ratio (x)	15.8	10.3	10.4
DPS (¢)	2.7	13.2	8.2
Dividend Yield (%)	1.3	6.2	3.9
Franking (%)	100	100	100
Consensus (\$m)		48.6	35.66

12 month Price and Volume



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Disclosure: The author owns no shares in PAN.

Panoramic resources									
CURRENT SHARE PRICE:	PAN	\$ 2.12	\$ 2.12	\$ 2.12	\$ 2.12	\$ 2.12	\$ 2.12	\$ 2.12	\$ 2.12
ISSUED SHARES (FULLY DILUTED)	m	197.6	193.4	208.0	208.0	210.6	213.2	215.8	215.8
Unlisted options									
MARKET CAPITALISATION:	\$m	418.9	410.0	441.0	441.0	446.5	452.0	457.5	457.5
Valuation	\$m				582.0	656.4	754.7	-	-
Valuation interests					\$ 2.76	\$ 3.08	\$ 3.50	\$ -	
Cash Cost(incl royalties)	US\$/lb	5.63	5.22	4.43	3.28	3.34	3.22	3.23	3.23
Reserves of Contained Nickel	tonnes	98300	87450	110400	119600				
Resources of Contained Nickel		146700	164000	240000	260000				
	%								
Nickel Production	tonnes	13314	14092	18398	18605	18920	21464	20654	18589
Attrib Production		6657	8455	11039	13954	14190	16098	15491	15037
	30/6	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
ISSUED CAPITAL									
Ordinary Shares(incl escrow)	m	189.4	189.4	203.4	205.4	208.0	210.6	213.2	213.20
Options	m	8.2	4.0	4.6	2.6	2.6	2.6	2.6	2.6
total issued capital		197.6	193.4	208.0	208.0	210.6	213.2	215.8	215.8
ASSUMPTIONS									
Spot Nickel Price	\$US/lb	15.72	13.90	6.55	8.01	8.61	8.86	8.96	8.96
Spot Nickel Price	A\$/lb	19.77	16.44	8.76	9.42	9.78	10.42	10.54	10.54
Fwd Nickel selling Price	A\$/lb	8.64	8.67	17.39	13.53	12.22	12.50		
Fwd selling qty	tonnes	2,355	2,731	2,870	3,209	2,838	3,220		
Spot Cobalt Price	\$US/lb	27.00	35.74	18.00	20.67	22.92	25.00	25.00	25.00
Spot Copper Price	\$US/lb	3.24	3.15	2.28	3.05	3.05	2.90	2.90	2.90
Exchange Rate	\$/A/\$US	0.795	0.845	0.747	0.850	0.880	0.850	0.850	0.850
Fwd Exchange Rate		0.730							
Revenue covered	US\$m								
Number of Shares	m	197.6	189.4	203.4	205.4	208.0	210.6	213.2	213.2
Attrib Ni		6,657	8,455	11,039	13,954	14,190	16,098	15,491	15,037
Nickel Production	tonnes	13314	14092	18398	18605	18920	21464	20654	18589
spot sales		4302	5725	8169	10744	11352	12878	15491	18589
FINANCIALS									
Sales Rev	\$m	301.5	236.3	230.7	233.2	231.7	270.1	246.9	237.3
OPEX		84.9	94.7	122.1	98.7	98.0	111.0	107.4	104.2
EBITDA		167.5	115.2	74.1	108.6	110.7	133.5	115.1	109.5
EBITDA/sales rev.		56%	49%	32%	47%	48%	49%	47%	46%
EBIT		126.5	71.7	24.3	55.4	57.9	76.6	60.4	56.3
pre tax		126.1	76.4	27.2	58.1	60.8	80.1	63.5	59.9
Sust Profit	\$m	88.2	53.5	27.2	42.4	42.6	56.1	44.4	41.9
interim result		32.0	24.0	- 8.6	23.0	-	-	-	-
EPS	c	44.7	28.2	13.4	20.6	20.5	26.6	20.8	19.7
PER	x	4.7	7.5	15.8	10.3	10.4	8.0	10.2	10.8
PER pre amort.		4.7	8	15.8	10.3	10.4	8.0	10.2	10.8
Gross Cash Flow	\$m	129.3	96.9	54.2	95.7	95.4	113.0	99.2	95.1
GCFPS	c	65.4	51.2	26.6	46.6	45.9	53.7	46.5	44.6
P/CF	x	3.2	4.1	8.0	4.6	4.6	4.0	4.6	4.8
EBIT/share	c	64.0	37.9	11.9	27.0	27.8	36.4	28.3	26.4
EBIT Multiple	x	1.0	1.7	5.3	2.3	2.3	1.7	2.2	2.4
Dividends Provided	\$m	23.7	23.2	5.6	27.5	17.2	22.7	18.0	17.0
Dividend/Share: Total	c	12.0	12.0	2.7	13.2	8.2	10.6	8.3	7.9
Dividend/Share: Interim	c			1.0	10.0	4.1	5.3	4.2	3.9
Dividend/Share: Final	c			1.7	3.2	4.1	5.3	4.2	3.9
Franking	%	100%	100%	100%	100%	100%	100%	100%	100%
Dividends Paid	\$m	22.7	22.7	5.4	27.1	17.0	22.4	17.8	16.8
Dividend Yield	%	5.7	5.7	1.3	6.2	3.9	5.0	3.9	3.7
Effective Tax Rate	%	30%	30%	30%	27%	30%	30%	30%	30%
EBIT/Sales	%	41.9	30.3	10.5	23.7	25.0	28.4	24.4	23.7

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