

Panoramic Resources Ltd

(PAN \$0.39) Buy

EUROZ

Analyst	Date	Price Target
Andrew Clayton	27 th October 2017	\$0.55/sh

Updated Savannah Feasibility Study

Investment case

The updated feasibility study on a Savannah re start shows a robust development at a Ni price of US\$5.50/lb. Higher production rates at improved grades (plus higher Co and Cu prices) reduces AISC to A\$4.50/lb payable compared to current price of A\$6.8/lb. Low re start capital of <\$40m and a five month ramp up to first concentrate adds to the appeal. We estimate Savannah can generate average EBITDA of \$85m over a 9yr life. Our valuation has increased to \$0.55/sh and PAN offers excellent leverage to the Ni price as it can respond quickly to higher prices and turn this into cashflow. We maintain our Buy.

Key points

- PAN has released its updated feasibility study which follows on from the July17 optimisation study. The original Savannah feasibility study was completed in Feb'17.
- The results shows a vast improvement on the original feasibility study and similar result for the optimisation study as outlined in the table below

		Feb'17 Feasibility study	July'17 Optimised Study update	Oct'17 updated feasibility
Ore reserves	mt	8.21mt @ 1.38% Ni, 0.65% Co and 0.09% Cu	7.59mt @ 1.42% Ni, 0.68% Cu and 0.1% Co	7.65mt @ 1.42% Ni, 0.68% Cu and 0.1% Co
Contained metal				
Price assumptions				
Nickel	US\$/lb	6.00	4.21	5.5
Copper	US\$/lb	2.57	2.68	3.1
Cobalt	US\$/lb	14.42	27.5	28
A\$		0.736	0.769	0.78
Nickel	kt	114	108	108
Copper	kt	53.7	51.3	51.7
Cobalt	kt	7.7	7.2	7.3
Capex				
Capex	A\$m	20	20	36
Throughput				
Throughput	kt	800	900	920
Production				
Nickel	ktpa	9.7	11	10.8
Copper	ktpa	5	5.8	6.1
Cobalt	tpa	670	760	800
C1 Costs				
C1 Costs	US\$/lb	2	1.7	1.7
ASIC Cost				
ASIC Cost	US\$/lb	4.4	3.4	3.5
Mine Life				
Mine Life	yrs	10.25	8.5	8.5

- At the base case price of Ni @ US\$5.50/lb, Cu @ \$3.10/lb and Co @ US\$28/lb and a 0.78 PAN calculate an pre tax NPV8 of \$210m (and pre tax cashflow of \$330m). The table below shows the leverage PAN offers to higher Ni prices (assuming Cu and Co prices the same.).

Panoramic Resources Ltd	Year End 30 June	
Share Price	0.39	A\$/sh
Price Target	0.55	A\$/sh
Methodology		npv
Valuation	0.55	A\$/sh (npv 10% nom)

Shares on issue	429	m, diluted *
Market Capitalisation	167	A\$m
Enterprise Value	156	A\$m
Debt	0	A\$m
Cash	11	A\$m
Largest Shareholder	Zeta Resources 27%	

Production F/Cast	2018f	2019f	2020f
Ni in conc. (kt)	0.0	4.0	11.5
Copper in conc. (kt)	0.0	2.7	6.1
Op cost (A\$/lb)	0.0	3.2	2.6

Assumptions	2018f	2019f	2020f
Ni Price assumed US\$/lb	5.50	6.00	6.50
Ni Price achieved US\$/lb	5.50	6.00	6.50
AUDUSD	0.78	0.78	0.78

Key Financials	2018f	2019f	2020f
Revenue (A\$m)	1	65	183
EBITDA (A\$m)	0	22	87
NPAT (A\$m)	-3	10	48
Cashflow (A\$m)	-28	-11	63

CFPS (Ac)	-6	-2	13
P/CFPS (x)	na	na	3.0
EPS (Ac)	-1	2	10
EPS growth (%)	na	na	383%
PER (x)	na	19.0	3.9

EV:EBITDA (x)	na	9.3	1.6
EV:EBIT (x)	na	13.7	2.0

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	n/a	n/a	n/a
Interest Cover (x)	n/a	n/a	n/a

Share Price Chart



Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.



Panoramic Resources Ltd

(PAN \$0.39) Buy

Pre-tax NPV ₀ (\$'M)		Nickel Price (US\$/lb)					
		5.00	6.00	7.00	8.00	9.00	10.00
US\$:A\$ FX Rate	0.65	270	453	635	790	946	1,102
	0.70	207	377	546	690	835	979
	0.75	153	312	469	604	739	874
	0.80	105	254	401	528	654	781
	0.85	63	203	342	461	580	699

Source: Panoramic Resources Ltd

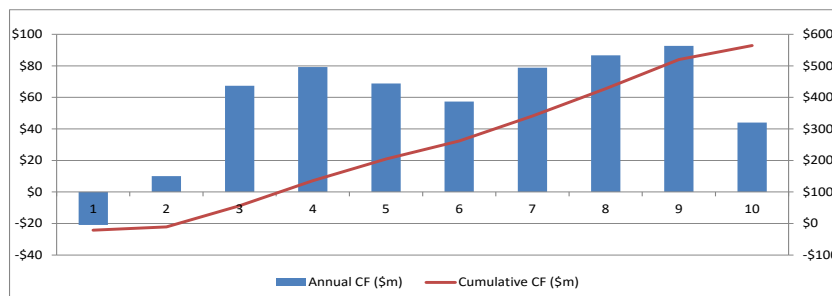
- Pre- production and ramp up capital is now \$36m (inclusive of working capital requirements but excluding contingency. This compared to \$25m in the optimised study and \$18m in the feasibility (no ramp up capital included).
- Maximum cash draw down is ~\$40m which occurs during the three month ramp up period after commencement of production. The project becomes cashflow positive 14 months after recommencement of production and project payback is <2 yrs
- The first two years total capital expenditure is now estimated at \$78m compared to \$68m in the DFS. LOM of mine capital is the same as the DFS at \$235m.
- Operating costs have increased slightly and reflect a small increase in salaries and power costs. Cost per tonne milled are 2% lower than in DFS due to
 - higher mill throughput and average head grade
 - Owner operated concentrate transport fleet
 - Improved village catering terms;
 - Hybrid solid-diesel power generation
- LOM C1 operating costs of US\$1.50/lb and ASIC of US\$3.40/lb reflect the above reasons and the higher cobalt price assumptions - reflected as by product credit
- LOM production is similar to the optimised feasibility study at 10.8kt of Ni, 6.1kt of Cu and 800t of Co with a mine life of 8.3yrs.
- Price assumptions for the updated feasibility study are US\$5.50/lb, US\$3.10/lb and US\$28/lb Co. The US\$:A\$ FX is 0.78

Analysis

The updated feasibility study shows a robust development with C1 costs of US\$1.50/lb and AISC of payable Ni US\$3.50/lb (A\$4.50/lb). The short lead time to development of five months means that PAN can respond quickly to improving metals prices. Higher Copper and Cobalt prices adds to PANs appeal and the by products now account for ~ 35% of revenue compared to ~ 15% when it was last operating.

We forecast average EBITDA of \$85m pa with peak EBITDA of \$110m in Year 3. At current prices this would equate to a fully developed EV/EBITDA of 1.7x.

The chart below shows our forecast cashflow each year and the cumulative cashflow which, based on our price assumption, shows pre tax cashflow of \$556m at the end of the project.



Source: Euroz data

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Panoramic Resources Ltd

(PAN \$0.39) Buy

Our valuation has increased by 10% from \$0.50/sh to \$0.55/sh due to the improved updated feasibility study and a higher short term Ni price assumptions.

We assume that PAN will commit to the restart in Q1 CY'18 with first production in Q3 CY'18. We assume total funding of \$40m from a mixture of debt and equity. There is also the possibility of offtake financing/prepayment and streaming mechanisms. This amount will give PAN sufficient funds to continue to explore at Savannah Nth. Only 35% of the potential 2km long mineralisation has been tested thus far by drilling. We expect further resource additions to the Upper zone in close proximity to the proposed development.

Whilst PAN has performed well in the past three months with better metal prices, we believe there is further upside. The next key decision is what Ni price will PAN require to restart operations. Our view is the Ni price of US\$5.50/lb used in this feasibility study is around the price required.

PAN also offers exposure to the key battery metals thematic. Sulphide Ni and Cobalt are two of the key ingredients in the production of lithium-ion batteries.

We maintain our Buy. PAN is the classic Ni leverage story that has the ability to quickly respond to higher prices and turn this into cashflow. As a previous operation, the mining conditions, recoveries, project nuances are all well understood. This should lead to a lower risk development than a normal new greenfield development.

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Panoramic Resources Ltd

(PAN \$0.39) Buy

EUROZ

Market Statistics Year End 30 June

Share Price	\$0.39	A\$/sh	Directors	
Issued Capital			B Phillips	Chair
FP Ord	428.6	m	P Harold	MD
Opts (var)	3.0	m	J Rowe	NE Dir
Total Dil. FPOrd	428.6	m	P Sullivan	NE Dir
Market Capitalisation	\$167	m	Shareholders	
Enterprise Value	\$156	m	Zeta Res	27%
Debt	\$-	m		
Cash	\$11	m		
Hedging				

Asset Valuation	A\$m	A\$/sh
Savannah Nickel	217	0.45
Lanfranchi	5	0.01
Hedging	(0)	(0.00)
Corporate	(46)	(0.10)
Gold/PGM assets	12	0.02
Exploration	40	0.08
Debt	-	-
Unpaid Capital (\$25m @ \$0.45/sh)	25	0.05
Cash	11	0.02
Total @ 10% nom	264	0.55

F/Cast Production (A\$m)	2017f	2018f	2019f	2020f	2021f
Attributable production					
Savannah Nickel (100%) kt	0.8	0.0	4.0	11.5	11.8
Lanfranchi (100%) kt	0.0	0.0	0.0	0.0	-
Ni in con kt	0.8	0.0	4.0	11.5	11.8
Copper in con kt	0.5	0.0	2.7	6.1	6.3
Cobalt in con kt	0.0	0.0	0.2	0.5	0.5
Operating cost Ni payable A\$/lb		-	3.16	2.58	2.62
AISC per payable A\$/lb			9.14	4.15	4.53
FX Rate assumed	US\$:A\$1 0.75	0.78	0.78	0.78	0.78
Ni Price assumed	US\$/lb 4.55	5.50	6.00	6.50	7.25
Ni Price achieved	US\$/lb 4.65	5.50	6.00	6.50	7.25
Ni Price achieved	A\$/lb 6.18	7.05	7.69	8.33	9.29

Ratio Analysis (A\$m)	2017f	2018f	2019f	2020f	2021f
CF (A\$m)	(8)	(28)	(11)	63	53
CF / Sh (Ac/sh)	(2)	(6)	(2)	13	11
CF Ratio (x)	na	na	na	3.0	3.6
Earnings (A\$m)	(2)	(3)	10	48	59
EPS (Ac/sh)	(0)	(1)	2	10	12
EPS Growth (%)	na	na	na	383%	24%
Earnings Ratio (x)	na	na	19.0	3.9	3.2
E'prise Val. (A\$m)	31	190	201	138	85
EV : EBITDA (x)	na	na	9.3	1.6	0.8
EV : EBIT (x)	na	na	13.7	2.0	1.0
Net Debt / ND+Eq (%)	na	1%	9%	na	na
Interest Cover (x)	na	na	29	291	na
EBIT Margin (%)	na	na	23%	38%	40%
ROE (%)	-2%	-2%	8%	24%	23%
ROA (%)	-3%	-2%	8%	28%	27%
Div. (Ac/sh)	-	-	-	-	-
Div. payout ratio	0%	0%	0%	0%	0%
Div. Yield	0%	0%	0%	0%	0%
Div. Franking	100	100	100	100	100

Profit and Loss (A\$m)	2017f	2018f	2019f	2020f	2021f
Ni Conc. Sales	7	0	42	130	150
By Product Revenue	2	0	21	51	53
Hedging Revenue	-	(0)	-	(0)	(0)
Revenue Adjustment	-	-	-	-	-
Interest Revenue	1	1	1	1	4
Other Revenue	-	-	-	-	-
TOTAL REVENUE	9	1	65	183	207
Operating Costs	13	0	38	91	94
Dep/Amort	0	0	7	18	23
O/H + Bus Dev	8	4	4	4	4
W/O & Provisions	(10)	0	0	0	0
EBITDA	-	-	22	87	105
EBIT	(3)	(4)	15	69	82
Interest Expense	-	-	2	2	1
Net Profit Before Tax	(3)	(4)	14	68	85
Tax	(1)	(1)	4	21	25
Minorities	-	-	-	-	-
NET PROFIT	(2)	(3)	10	48	59
Net Abnormal Gain/(Loss)	-	-	-	-	-
NET PROFIT After Abn'l	(2)	(3)	10	48	59

Cash Flow (A\$m)	2017f	2018f	2019f	2020f	2021f
Net Profit	(2)	(3)	10	48	59
+ Working Capital Adj.	5	-	-	-	-
+ Dep/Amort	0	0	7	18	23
+ Provisions	(10)	0	0	0	0
+ Tax Expense	(1)	(1)	4	21	25
- Tax Paid	(1)	-	-	-	25
Operating Cashflow	(6)	(3)	21	87	83
-Capex + Development	2	25	32	24	30
-Exploration	3	-	-	-	-
-Assets Purchased	-	-	-	-	-
+Asset Sales	-	-	-	-	-
Investing Cashflow	(5)	(25)	(32)	(24)	(30)
+Equity Issues	-	15	-	-	-
+Loan D'down/Receivable	-	30	-	-	-
-Loan Repayment	-	-	-	10	10
-Dividends	-	-	-	-	-
Financing Cashflow	-	45	-	(10)	(10)
Period Sur (Def)	(11)	17	(11)	53	43
Cash Balance	12	29	18	71	113

Balance Sheet (A\$m)	2017f	2018f	2019f	2020f	2021f
Assets					
Cash	10	29	18	71	113
Current Receivables	1	1	1	1	1
Other Current Assets	0	0	0	0	0
Non-Current Assets	122	147	172	178	185
Total Assets	133	176	191	249	299
Liabilities					
Borrowings	3	30	30	20	10
Current Accounts Payable	2	2	2	2	2
Other Liabilities	31	31	31	31	31
Total Liabilities	36	63	63	53	43
Net Assets	97	113	127	196	256

Reserves and Resources

	Reserves		Resources			
	mt	Ni%	Ni	mtNi% (eq)	Ni cont.	
Savannah (100%)	7.6	1.4	107.0	13.10	1.66	218.2
Lanfranchi (100%)	0.20	2.1	4.3	6.3	1.5	95.0
Total Attributable				111		313
EV/lb				0.6		0.2

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Disclaimer

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Securities Ltd (ACN 089 314 983) ("Euroz") only. Euroz is the holder of an Australian Financial Services Licence (AFSL 243302) issued by the Australian Securities and Investments Commission ("ASIC") and is a participant of the Australian Securities Exchange Group ("ASX Group").

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient no confidentiality is lost nor privilege waived by your receipt of it. Please delete and destroy all copies, and contact Euroz on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz.

Disclaimer & Disclosure

Euroz and its associates declare that they deal in securities as part of their securities business and consequently may have a relevant interest in the securities recommended herein (if any). This may include providing equity capital market services to their issuing company, hold a position in the securities, acting as principal or agent, or make a market therein and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz declares that it may have acted as an underwriter, arranger, co-arranger or advisor in equity capital raisings, and will have received a fee for its services, for any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz without first consulting your investment advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

Contact Details

Euroz Securities Limited +61 8 9488 1400

International Toll Free

(If calling to Euroz from the following Countries)

Germany	0800 1800 554
Switzerland	0800 835 385
Hong Kong	800 900 936
Malaysia	1800 805 002
Singapore	800 6161 759
New Zealand	0800 441 271
USA	18 772 804 390
United Kingdom	08 000 929 851

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Ben Laird - Industrials Director	+61 8 9488 1429
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Jerome Paz - Associate Research Analyst	+61 8 9488 1414

Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Timothy Bunney - Executive Director	+61 8 9488 1461
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Stacy Kitsantas - Institutional Adviser	+61 8 9488 1486
Nicholas Doherty - Assoc. Institutional Adviser	+61 8 9488 1473

Private Client Advisers

Chris Webster - Head of Private Clients	+61 8 9488 1412
Ben Statham - Executive Director	+61 8 9488 1417
Brian Bates - Executive Director	+61 8 9346 0314
Cameron Murray - Executive Director	+61 8 9488 1440
James Mackie - Executive Director	+61 8 9488 1416
Lucas Robinson - Executive Director	+61 8 9488 1424
Ryan Stewart - Executive Director	+61 8 9488 1441
Tim Lyons - Executive Director	+61 8 9346 0324
Brett Stapleton - Associate Director	+61 8 9488 1435
Duncan Relf - Associate Director	+61 8 9346 0322
Giles McCaw - Associate Director	+61 8 9488 1462
Michael Bowden - Associate Director	+61 8 9346 0307
Richard Gardner - Associate Director	+61 8 9488 1444
Paul Berson - Associate Director	+61 8 9346 0314
Paul Cooper - Associate Director	+61 8 9346 0316
Phil Grant - Associate Director	+61 8 9346 0306
Lauren Walker - Investment Adviser	+61 8 9488 1495
Michael Bartley - Investment Adviser	+61 8 9346 0352
Scott Fraser - Investment Adviser	+61 8 9488 1436
Steve Wood - Investment Adviser	+61 8 9346 0305
Blair Spaulding - Associate Adviser	+61 8 9488 1418

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.