

Panoramic Resources Ltd

(PAN \$0.55) Buy



Analyst	Date	Price Target
Andrew Clayton	16 th July 2018	\$0.80/sh

Savannah Restart – First shipment Mar Q CY'19

Investment case

At current Ni prices, higher payability and a very competitive debt package the decision to restart Savannah operation is compelling. The quantum of the debt package should erase any lingering doubts that further equity maybe required. With average EBITDA of \$125m PAN trades on a EV/EBITDA of <3x. This is cheap. Our PT remains at 0.80/sh.

Key points

- Board has formally committed to restart Savannah and is targeting first shipment of Ni concentrate early in the Mar Q CY'19.
- PAN has executed a \$40m loan facility with Macquarie Bank with qtrly repayment commencing in 31/3/20 and final repayment 31/12/21.
- Mandatory Ni and Co hedging has been completed. 7kt of Ni for delivery between Feb'19 and June' 21 at a A\$8.51/lb and 3kt of Cu for same delivery dates at average price of A\$3.71/lb.
- Project start up capex of \$36m well covered by this \$40m debt facility and current cash of - \$20m.
- Once commissioned, Savannah Project will ramp up to full production over 15 months with average annual production of - 10.8kt of Ni, 6.1kt of Cu and 800t of Co for at least

Analysis

This is an excellent deal and paves the way for the Savannah restart and first production within 9 months. The quantum of the debt package is larger than we forecast. This should remove any lingering doubt that further equity will be required to restart.

We have assumed an interest rate of 6% on the debt but this may prove to be conservative as we note that PAN describes it as 'very competitive for a financing of this style'.

The mandatory hedging is slightly below our forecast price assumptions of A\$9.00-9.50/lb and as a consequence our valuation has fallen by \$0.02/sh to \$0.77/sh.

Our forecast average EBITDA is \$125m with peak EBITDA of \$140m which puts PAN on a fully developed EV/EBITDA of <3x. In addition we forecast PAN will have similar AISC to WSA @ \$4.30/lb due to it Cu and Co by product credits. We believe that once in production in can trade on similar metrics which implies a share price of >\$1.00/sh.

We maintain our Buy and \$0.80/sh price target. Exploration remains a wild card with only 30% of the Savannah Nth EM drill tested along with other EM anomalies that warrant drilling.

Panoramic Resources Ltd	Year End 30 June	
Share Price	0.55	A\$/sh
Price Target	0.80	A\$/sh
Methodology		npv
Valuation	0.77	A\$/sh (npv 10% nom)

Shares on issue	492	m, diluted *
Market Capitalisation	270	A\$m
Enterprise Value	250	A\$m
Debt	0	A\$m
Cash	20	A\$m
Largest Shareholder	Zeta Resources 30%	

Production F/Cast	2018f	2019f	2020f
Ni in conc. (kt)	0.0	2.0	10.7
Copper in conc. (kt)	0.0	1.3	6.1
Op cost (A\$/lb)	0.0	2.1	2.1

Assumptions	2018f	2019f	2020f
Ni Price assumed US\$/lb	5.66	6.63	7.25
Ni Price achieved US\$/lb	5.66	6.78	7.03
AUDUSD	0.78	0.76	0.76

Key Financials	2018f	2019f	2020f
Revenue (A\$m)	0	46	224
EBITDA (A\$m)	0	19	120
NPAT (A\$m)	-3	11	71
Cashflow (A\$m)	-6	-32	84

CFPS (Ac)	-1	-6	17
P/CFPS (x)	na	na	3.2

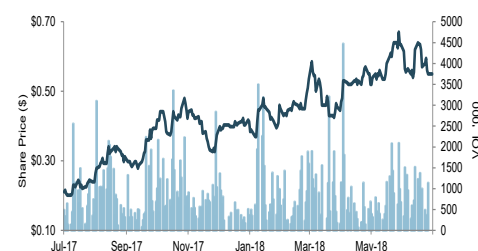
EPS (Ac)	-1	2	15
EPS growth (%)	na	na	577%
PER (x)	na	25.7	3.8

EV:EBITDA (x)	na	15.1	1.7
EV:EBIT (x)	na	18.1	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



Disclaimer

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Panormaic Resources Ltd during the last year. Euroz Securities has received a fee for these services.

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 \$0.55) Buy



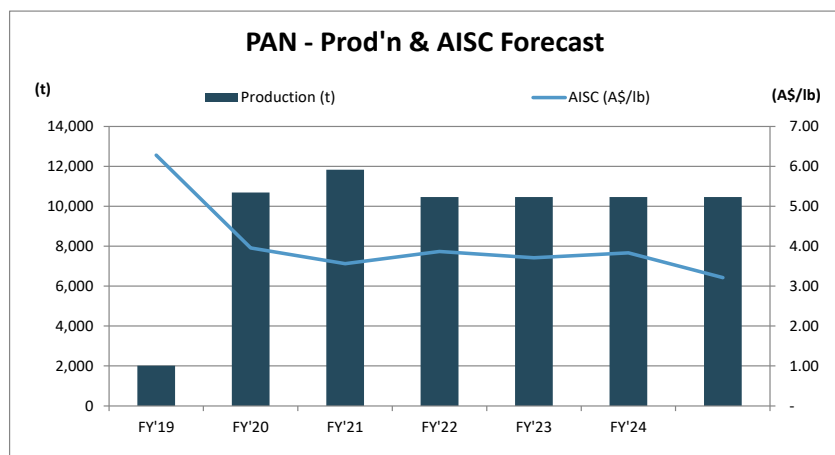
Key Variables

Val/ Sh		Nickel								
\$0.77		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.43	\$0.47	\$0.51	\$0.55	\$0.59	\$0.63	\$0.67	\$0.71	\$0.75
	10%	\$0.48	\$0.52	\$0.56	\$0.60	\$0.65	\$0.69	\$0.73	\$0.77	\$0.82
	5%	\$0.53	\$0.57	\$0.62	\$0.66	\$0.71	\$0.75	\$0.79	\$0.84	\$0.88
	0%	\$0.58	\$0.63	\$0.68	\$0.72	\$0.77	\$0.82	\$0.87	\$0.91	\$0.96
	-5%	\$0.65	\$0.70	\$0.75	\$0.80	\$0.84	\$0.89	\$0.94	\$0.99	\$1.04
	-10%	\$0.72	\$0.77	\$0.82	\$0.87	\$0.93	\$0.98	\$1.03	\$1.08	\$1.13
	-15%	\$0.80	\$0.85	\$0.91	\$0.96	\$1.02	\$1.07	\$1.13	\$1.18	\$1.24

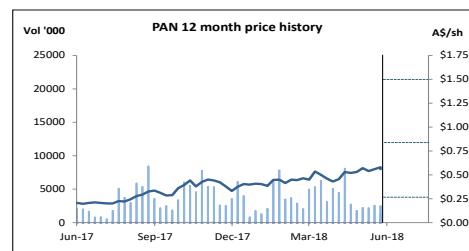
Val/ Sh		Copper								
\$0.77		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.56	\$0.57	\$0.57	\$0.58	\$0.59	\$0.60	\$0.61	\$0.61	\$0.62
	10%	\$0.61	\$0.62	\$0.63	\$0.64	\$0.65	\$0.65	\$0.66	\$0.67	\$0.68
	5%	\$0.67	\$0.68	\$0.69	\$0.70	\$0.71	\$0.71	\$0.72	\$0.73	\$0.74
	0%	\$0.74	\$0.74	\$0.75	\$0.76	\$0.77	\$0.78	\$0.79	\$0.80	\$0.81
	-5%	\$0.81	\$0.82	\$0.83	\$0.84	\$0.84	\$0.85	\$0.86	\$0.87	\$0.88
	-10%	\$0.89	\$0.90	\$0.91	\$0.92	\$0.93	\$0.94	\$0.95	\$0.96	\$0.97
	-15%	\$0.97	\$0.98	\$1.00	\$1.01	\$1.02	\$1.03	\$1.04	\$1.05	\$1.06

Val/ Sh		Cobalt								
\$0.77		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.54	\$0.56	\$0.57	\$0.58	\$0.59	\$0.60	\$0.61	\$0.63	\$0.64
	10%	\$0.60	\$0.61	\$0.62	\$0.63	\$0.65	\$0.66	\$0.67	\$0.68	\$0.69
	5%	\$0.65	\$0.67	\$0.68	\$0.69	\$0.71	\$0.72	\$0.73	\$0.74	\$0.76
	0%	\$0.72	\$0.73	\$0.74	\$0.76	\$0.77	\$0.79	\$0.80	\$0.81	\$0.83
	-5%	\$0.79	\$0.80	\$0.82	\$0.83	\$0.84	\$0.86	\$0.87	\$0.89	\$0.90
	-10%	\$0.87	\$0.88	\$0.90	\$0.91	\$0.93	\$0.94	\$0.96	\$0.97	\$0.99
	-15%	\$0.95	\$0.97	\$0.99	\$1.00	\$1.02	\$1.03	\$1.05	\$1.06	\$1.08

Euroz Forecast	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
Nickel	\$5.66	\$6.63	\$7.25	\$7.50	\$7.50	\$7.50
Copper	\$3.07	\$3.13	\$3.25	\$3.25	\$3.33	\$3.40
AUDUSD	\$0.78	\$0.76	\$0.76	\$0.78	\$0.78	\$0.78



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.77/sh

Price Target - \$0.80/sh

Bull Scenario \$1.50/sh

An increase in nickel, copper and cobalt price above our long-term forecasts will see free cash-flow increase dramatically leading to increased dividends and capital growth. Successful exploration increases mine life to >10yrs.

Base Scenario - \$0.80/sh

Savannah Nickel mine restart is expected to happen in 3-6 months and offers excellent leverage to nickel price. The project is estimated to generate average EBITDA \$125m/pa over 9 years.

Bear Scenario - \$0.25/sh

A decrease in Nickel, Copper and cobalt price below our long-term forecast may jeopardise PAN's restart of the Savannah Mine and see PAN price fall back to the mid \$0.25/sh which is similar to where it was before the recent increase in Ni price.

Company Summary

The Company has produced over 180,000 tonnes of nickel, 60,500 tonnes copper and 4,900 tonnes cobalt from its two nickel sulphide projects in Western Australia.

Low Nickel price resulted in Savannah being placed on care and maintenance in May'16, preserving mine life and optionality. A positive feasibility study and higher metal prices increases the likelihood that a re start of operations will occur in the short-medium term. Current reserves of 94.5 kt of Ni, 40.9kt of Cu and 6.7kt of Co underpin a +9yr mine life.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz.

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 \$0.55) Buy

EUROZ

Market Statistics Year End 30 June

Share Price	\$0.55	A\$/sh	Directors	
Issued Capital			B.Phillips	Chair
FP Ord	491.5	m	P.Harold	MD
Opts (var)	3.0	m	J.Rowe	NE Dir
Total Dil. FPOrd	491.5	m	P. Sullivan	NE Dir
			N. Cernotta	NE Dir
Market Capitalisation	\$270	m		
Enterprise Value	\$250	m	Shareholders	
Debt	\$-	m	Zeta Res	30%
Cash	\$20	m		
Hedging				

Asset Valuation	A\$m	A\$/sh
Savannah Nickel	354	0.72
Lanfranchi	5	0.01
Hedging	(9)	(0.02)
Corporate	(46)	(0.09)
Gold/PGM assets	15	0.03
Exploration	40	0.08
Debt	-	-
Unpaid Capital	0	0.00
Cash	20	0.04
Total @ 10% nom	379	0.77

F/Cast Production (A\$m)	2017a	2018f	2019f	2020f	2021f	
Attributable production						
Savannah Nickel (100%)	kt	0.8	0.0	2.0	10.7	11.8
Lanfranchi (100%)	kt	0.0	0.0	0.0	0.0	-
Ni in con	kt	0.8	0.0	2.0	10.7	11.8
Copper in con	kt	0.5	0.0	1.3	6.1	6.3
Cobalt in con	kt	0.0	0.0	0.2	0.8	0.9
Op. cost Ni payable	A\$/lb	-	2.06	2.06	1.91	
AISC per payable	A\$/lb		6.28	3.96	3.56	
FX Rate assumed	US\$:A\$1	0.75	0.78	0.76	0.76	0.78
Ni Price assumed	US\$/lb	4.55	5.66	6.63	7.25	7.50
Ni Price achieved	US\$/lb	4.65	5.66	6.78	7.03	7.27
Ni Price achieved	A\$/lb	6.18	7.29	8.92	9.25	9.38

Ratio Analysis (A\$m)	2017a	2018f	2019f	2020f	2021f
CF (A\$m)	(8)	(6)	(32)	84	73
CF / Sh (Ac/sh)	(2)	(1)	(6)	17	15
CF Ratio (x)	na	na	na	3.2	3.7
Earnings (A\$m)	(2)	(3)	11	71	80
EPS (Ac/sh)	(0)	(1)	2	15	16
EPS Growth (%)	na	na	na	577%	12%
Earnings Ratio (x)	na	na	25.7	3.8	3.4
E'prise Val. (A\$m)	31	280	292	209	136
EV : EBITDA (x)	na	na	15.1	1.7	1.0
EV : EBIT (x)	na	na	18.1	2.0	1.2
Net Debt / ND+Eq (%)	na	11%	17%	na	na
Interest Cover (x)	na	na	15	249	na
EBIT Margin (%)	na	na	36%	46%	46%
ROE (%)	-2%	-4%	10%	34%	28%
ROA (%)	-3%	-3%	9%	38%	32%
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)	2017a	2018f	2019f	2020f	2021f
Ni Conc. Sales	7	0	30	162	182
By Product Revenue	2	0	14	67	65
Hedging Revenue	-	-	-	(7)	(8)
Revenue Adjustment	-	-	-	-	-
Interest Revenue	1	0	1	2	5
Other Revenue	-	-	-	-	-
TOTAL REVENUE	9	0	46	224	245
Operating Costs	13	0	20	97	100
Dep/Amort	0	0	3	17	23
O/H + Bus Dev	8	5	6	6	6
W/O & Provisions	(10)	0	0	0	0
EBITDA	-	-	19	120	133
EBIT	(3)	(5)	16	102	110
Interest Expense	-	-	2	2	2
Net Profit Before Tax	(3)	(4)	15	102	114
Tax	(1)	(1)	5	31	34
Minorities	-	-	-	-	-
NET PROFIT	(2)	(3)	11	71	80
Net Abnormal Gain/(Loss)	-	-	-	-	-
NET PROFIT After Abn'l	(2)	(3)	11	71	80

Cash Flow (A\$m)	2017a	2018f	2019f	2020f	2021f
Net Profit	(2)	(3)	11	71	80
+ Working Capital Adj.	5	(2)	(10)	-	-
+ Dep/Amort	0	0	3	17	23
+ Provisions	(10)	0	0	0	0
+ Tax Expense	(1)	(1)	5	31	34
- Tax Paid	(1)	-	-	-	34
Operating Cashflow	(6)	(6)	8	120	103
-Capex + Development	2	-	40	36	30
-Exploration	3	5	-	-	-
-Assets Purchased	-	-	-	-	-
+Asset Sales	-	-	-	-	-
Investing Cashflow	(5)	(5)	(40)	(36)	(30)
+Equity Issues	-	19	-	-	-
+Loan D'down/Receivable	-	-	30	-	-
-Loan Repayment	-	-	-	10	10
-Dividends	-	-	-	-	-
Financing Cashflow	-	19	30	(10)	(10)
Period Sur (Def)	(11)	8	(2)	74	63
Cash Balance	12	20	18	92	154

Balance Sheet (A\$m)	2017a	2018f	2019f	2020f	2021f
Assets					
Cash	10	20	18	92	154
Current Receivables	1	1	1	1	1
Other Current Assets	0	0	0	0	0
Non-Current Assets	122	122	159	177	185
Total Assets	133	143	178	270	340
Liabilities					
Borrowings	3	30	40	30	20
Current Accounts Payable	2	2	2	2	2
Other Liabilities	31	31	31	31	31
Total Liabilities	36	63	73	63	53
Net Assets	97	79	105	207	287

Reserves and Resources

	Reserves		Resources			
	mt	Ni%	Ni	mtNi% (eq)	Ni cont.	
Savannah (100%)	7.6	1.4	108.0	13.10	1.66	218.2
Lanfranchi (100%)	0.20	2.1	4.3	6.3	1.5	95.0
Total Attributable				112		313
EV/lb				1.0		0.4

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
Michael Emery - Resources Analyst	+61 8 9488 1430
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

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
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
Steve Wood - Investment Adviser	+61 8 9346 0305
Tom Kenny - Associate Adviser	+61 8 9488 1431

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.