

Panoramic Resources ^{PAN}

Recommendations

Rating	BUY
Risk	Speculative
Price Target	\$0.43
Share Price	\$0.35

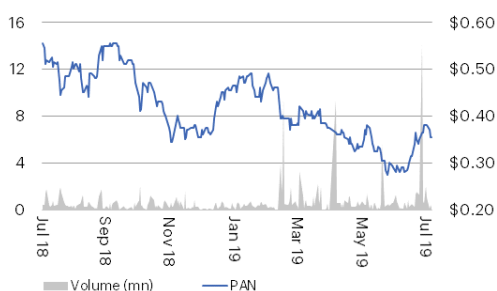
Snapshot

Monthly Turnover	\$10.3mn
Market Cap	\$4mn
Shares Issued	553.6mn
52-Week High	\$0.58
52-Week Low	\$0.28
Sector	Materials

Business Description

PAN is a nickel, copper and cobalt producer with one underground mining operation located in Western Australia. The company also has an interest in Horizon Gold which has a number of precious metal projects located in WA and The Thunder Bay platinum and palladium prospect in Canada.

12 Month Price & Volume



Research Analyst

Warren Edney
+ 613 9602 9384
wedney@baillieu.com.au

Disclosure

The author owns no shares in PAN.

Company Report

A good start but Savannah North production required

Ramp-up of production to continue: Milling rates were in line with forecast, but mining rates continue to lag. In the last quarter PAN expected mining rates to be equivalent to 165-195kt per quarter versus the achieved rate of 141kt in the June quarter. Process recoveries for nickel and cobalt reached budget (85% and 88%) and copper is approaching the 95% level. Production and sales of nickel in concentrate were 1,518t and 1,471t respectively and in line with our forecast. Operating cash costs were A\$8.29/lb which were better than our forecast of A\$11.46/lb and bodes well for mine performance when the plant stabilises, and Savannah North is on line.

Selling assets and equity raise to bolster balance sheet: PAN has sold Lanfranchi to Black Mountain in December 2018 for A\$15.1m and more recently Thunder Bay North went to Benton Resources for C\$9m and the rights issue and placement \$17.4m. PAN reported available and restricted cash of \$26.6m and it expects to receive the proceeds of Thunder Bay in the December Quarter.

Production from Savannah North – will it be delayed? The ventilation raise bore is now scheduled for completion in early 2Q20 (originally due 2Q19). The company has indicated that the Savannah North twin declines are due to reach the orebody in September and first development ore will go through the mill in October and full production in the June Quarter 2020. Full production is reliant on having enough ventilation and therefore the completion of the raise bore. PAN provided production guidance for FY20 of 10,000-11,000t of contained nickel (less than our forecast), 6,000-6,500t of contained copper and 600-700t of contained cobalt (both more than our forecast).

Investment view: The quarterly showed more of what we expected PAN to deliver from the restart of Savannah and site management appear to be getting better control of operations. PAN should once again become one of the better exposures to the nickel market. Our valuation and target price have fallen 3cps to 43cps following minor changes in operating and price assumptions. There is still some risk in delivery of ore from Savannah North, hence our Speculative risk rating but we have maintained our Buy recommendation.

Investment Summary

Year End: 30 June		2017 (A)	2018 (A)	2019 (E)	2020 (E)	2021 (E)
Revenue	\$mn	8	0	23	168	179
EBITDA	\$mn	-4.1	-47.1	10.2	38.8	59.2
EBIT	\$mn	-4.8	-47.6	0.7	1.3	16.0
Reported Profit	\$mn	-4.8	-48.0	3.5	-3.8	13.8
Adjusted Profit	\$mn	-4.8	-48.0	-9.9	-3.8	13.8
EPS (Reported)	¢	-1.1	-9.8	0.6	-0.7	2.5
EPS (Adjusted)	¢	-1.1	-9.8	-1.8	-0.7	2.5
EPS Growth	%	N/A	N/A	N/A	N/A	N/A
PER (Adjusted)	x	N/A	N/A	N/A	N/A	14.0
Dividend	¢	0.0	0.0	0.0	0.0	0.0
Yield	%	0.0	0.0	0.0	0.0	0.0
Franking	%	0	0	0	0	0

Financial Summary

Code	PAN
Analyst	Warren Edney
Date	31-July-19
Share Price (\$A)	\$0.35
Market Capitalisation (A\$m)	\$194
Enterprise value (A\$m)	\$205
Year End	30 June

Key Ratios	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Reported NPAT	(5)	(48)	4	(4)	14	27
Attributable NPAT	(5)	(48)	(10)	(4)	14	27
EPS - Adjusted	(1.1)	(9.7)	(1.8)	(0.7)	2.5	4.8
EPS Growth (%)	N/A	N/A	N/A	N/A	N/A	92%
P/E (x)	(33.3)	(3.6)	(19.6)	(51.0)	14.0	7.3
OCFPS (c)	(1.7)	(1.3)	(2.0)	8.3	12.6	14.6
P/CF (x)	(20.5)	(26.6)	(17.4)	4.2	2.8	2.4
DPS (c)	-	-	-	-	-	1.6
Dividend Yield (%)	-	-	-	-	-	5%
EV/EBIT (x)	N/A	N/A	286.3	155.5	12.8	8.5
EV/EBITDA (x)	N/A	N/A	21.0	5.4	2.7	-

Assumptions	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
AUD/USD	0.75	0.78	0.75	0.73	0.75	0.75
Nickel (US\$/lb)	4.60	5.71	5.89	5.70	5.93	6.25
Nickel (A\$/lb)	6.09	7.35	7.83	7.78	7.95	8.33
Copper (US\$/lb)	2.44	3.06	2.79	2.83	2.90	2.93
Cobalt (US\$/lb)	20.46	32.45	31.54	29.56	29.23	29.01
Gold (US\$/oz)	1,258	1,298	1,262	1,349	1,325	1,300

Production Forecasts	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Savannah - nickel in conc (t)	-	-	2,442	10,206	11,756	11,245
Lanfranchi - nickel in ore (t)	-	-	-	-	-	-
Nickel in Ore (t)	-	-	2,959	12,150	14,250	13,630
Nickel in Ore/Concentrate (t)	-	-	2,442	10,206	11,756	11,245
Payable nickel (t)	-	-	1,709	7,144	8,229	7,871
Copper in Concentrate (t)	-	-	1,446	6,014	6,113	6,049
Cobalt in Concentrate (t)	-	-	122	600	612	605

Unit Costs	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
C1 Cash Costs (A\$/lb Ni in conc)	-	-	8.01	4.04	3.03	3.13
Cash Costs (A\$/lb payable)	-	-	11.75	6.17	4.71	4.87
Cash Costs (US\$/lb payable)	-	-	8.83	4.52	3.51	3.65

Profit & Loss (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Operating Revenue	8	-	23	168	179	183
Other Income	1	1	2	-	-	-
Total Revenue	9	1	25	168	179	183
Operating Expenses	9	-	25	120	111	109
Exploration Expensed	0	1	3	6	5	5
Corporate/other	4	47	(13)	4	4	4
EBITDA	(4)	(47)	10	39	59	65
Depreciation & Amortisation	1	0	9	37	43	41
EBIT	(5)	(48)	1	1	16	24
Net Interest / (Expense)	0	(0)	(3)	(5)	(2)	2
NPBT	(5)	(48)	(2)	(4)	14	27
Tax Expense (Benefit)	(0)	(0)	(6)	-	-	-
NPAT - Reported	(5)	(48)	4	(4)	14	27
Significant Items	-	-	13	-	-	-
NPAT - Adjusted	(5)	(48)	(10)	(4)	14	27

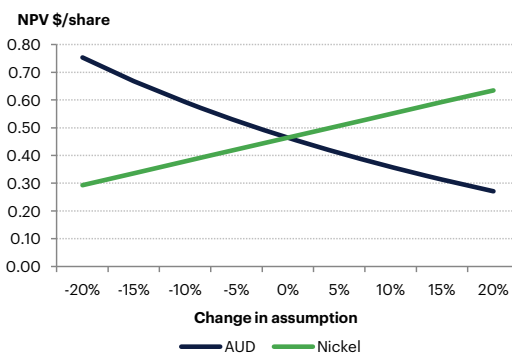
Cash Flow (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Cash Flow from Ops	(7)	(6)	(11)	46	70	81
Capex	(1)	(4)	(37)	(35)	(24)	(30)
Free Cash Flow	(8)	(10)	(48)	11	46	51
Cash Flow From Investing	9	(8)	(31)	(43)	(21)	(27)
Cash Flow From Financing	(1)	19	45	(11)	(21)	(20)

Balance Sheet (A\$m)	FY17A	FY18A	FY19E	FY20E	FY21E	FY22E
Cash	21	25	28	20	47	81
Property, Plant & Equipment	30	28	108	105	86	75
Total Assets	146	121	221	213	214	228
Debts	1	-	47	36	15	4
Liabilities	34	35	101	91	69	59
Equity	112	86	119	116	129	147
Gearing (%) - ND / (ND + Eq.)	(21%)	(42%)	14%	12%	(33%)	(109%)

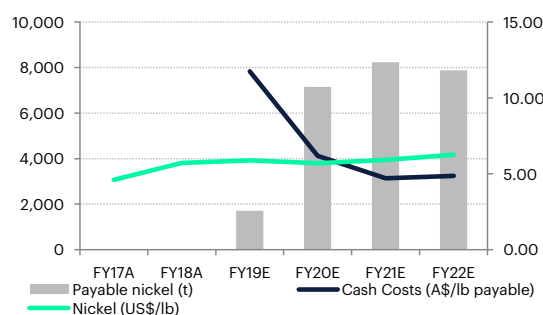
Rating	BUY
Price Target	\$0.43
Upside/(Downside)	23%
Valuation	\$0.43
Risk	Speculative
Price/NPV	0.81 X

Valuation Summary	A\$m	A\$/Share
NPV @ 8.58% WACC		
Savannah	220	0.40
Horizon Gold	8	0.01
Other	-	-
Exploration	6	0.01
Sub-Total	234	0.42
Corporate	(16)	(0.03)
Net Cash / (Debt)	(11)	(0.02)
Total Valuation	239	0.43

Valuation Sensitivity



Production & Costs



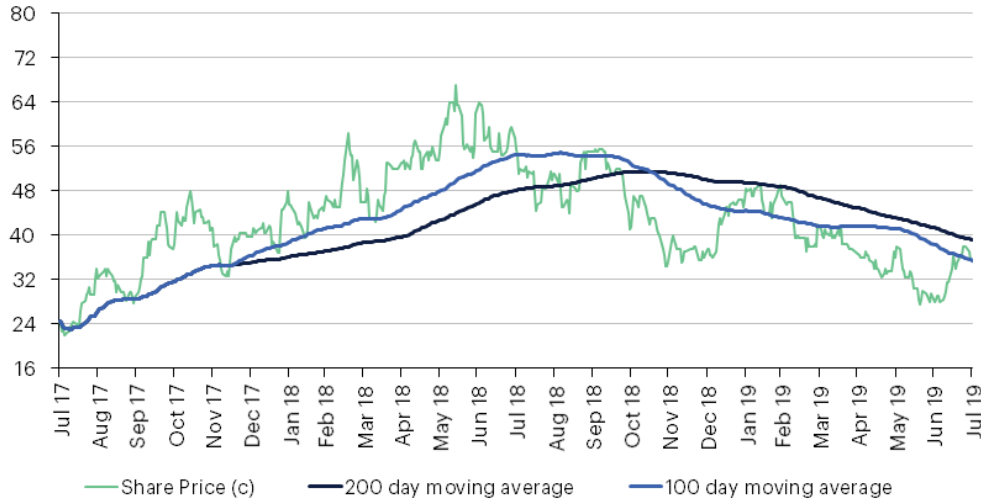
Savannah Reserves & Resources

Reserve (P+P)	Mt	Ni	Cu	Co
Above 900m	1.558	1.16%	0.74%	0.60%
North	6.650	1.42%	0.61%	0.10%
Combined	8.208	1.15%	0.63%	0.19%

Resource (M+I)	Mt	Ni	Cu	Co
Above 900m	2.034	1.39%	0.88%	0.07%
Below 900m	0.905	1.65%	0.76%	0.10%
North Upper	5.987	1.53%	0.60%	0.11%
North Lower	3.549	1.97%	0.97%	0.14%
North Other	0.735	1.85%	0.52%	0.12%
Combined	13.210	1.65%	0.75%	0.11%

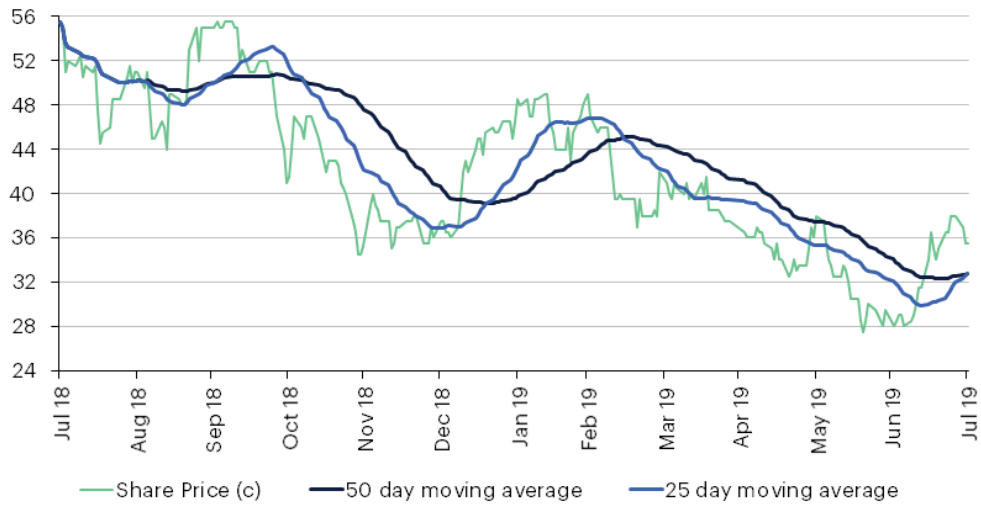
Appendix

Fig.1: Long term momentum indicators



Source: Iress

Fig.2: Short term momentum indicators



Source: Iress

This document has been prepared and issued by:

E.L. & C. Baillieu Limited

ABN 74 006 519 393

Australian Financial Service Licence No. 245421

Participant of ASX Group

Participant of NSX Ltd

Analysts' stock ratings are defined as follows:

Buy: The stock's total return is expected to increase by at least 10-15 percent from the current share price over the next 12 months.

Hold: The stock's total return is expected to trade within a range of $\pm 10-15$ percent from the current share price over the next 12 months.

Sell: The stock's total return is expected to decrease by at least 10-15 percent from the current share price over the next 12 months.

EL&C Baillieu Analysts' stock ratings distribution as of 25 June 2019:

Buy: 55%

Hold: 41%

Sell: 4%

Disclosure of potential interest and disclaimer:

E.L. & C. Baillieu Limited (EL&C Baillieu) and/or its associates may receive commissions, calculated at normal client rates, from transactions involving securities of the companies mentioned herein and may hold interests in securities of the companies mentioned herein from time to time. Your adviser will earn a commission of up to 55% of any brokerage resulting from any transactions you may undertake as a result of this advice.

When we provide advice to you, it is based on the information you have provided to us about your personal circumstances, financial objectives and needs. If you wish to rely on our advice, it is important that you inform us of any changes to your personal investment needs, objectives and financial circumstances.

If you do not provide us with the relevant information (including updated information) regarding your investment needs, objectives and financial circumstances, our advice may be based on inaccurate information, and you will need to consider whether the advice is suitable to you given your personal investment needs, objectives and financial circumstances. Please do not hesitate to contact our offices if you need to update your information held with us. Please be assured that we keep your information strictly confidential.

No representation, warranty or undertaking is given or made in relation to the accuracy of information contained in this advice, such advice being based solely on public information which has not been verified by EL&C Baillieu.

Save for any statutory liability that cannot be excluded, EL&C Baillieu and its employees and agents shall not be liable (whether in negligence or otherwise) for any error or inaccuracy in, or omission from, this advice or any resulting loss suffered by the recipient or any other person.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

EL&C Baillieu assumes no obligation to update this advice or correct any inaccuracy which may become apparent after it is given.

E.L. & C. Baillieu Limited

ABN 74 006 519 393

Australian Financial Service Licence No. 245421

Participant of ASX Group

Participant of NSX Ltd

www.baillieu.com.au

Melbourne (Head Office)

Address Level 22, 35 Collins Street

Melbourne, VIC 3000 Australia

Postal PO Box 48, Collins Street West

Melbourne, VIC 8007 Australia

Phone +61 3 9602 9222

Facsimile +61 3 9602 2350

Email melbourne@baillieu.com.au

Adelaide Office

Address Ground Floor, 226 Greenhill Road,

Eastwood SA 5063

Postal PO Box 171

Fullarton SA 5063

Phone +61 8 7074 8400

Facsimile +61 8 8362 3942

Email adelaide@baillieu.com.au

Bendigo Office

Address Level 1, 10-16 Forest Street

Bendigo, VIC 3550

Postal PO Box 84

Bendigo, VIC 3552

Phone +61 3 4433 3400

Facsimile +61 3 4433 3430

Email bendigo@baillieu.com.au

Geelong Office

Address 16 Aberdeen Street

Geelong West Vic 3218

Postal PO Box 364

Geelong Vic 3220 Australia

Phone +61 3 5229 4637

Facsimile +61 3 4229 4142

Email geelong@baillieu.com.au

Gold Coast Office

Address Suite 202 Level 2, Eastside Building

6 Waterfront Place, Robina QLD 4226

Phone +61 7 5628 2670

Facsimile +61 7 5677 0258

Email goldcoast@baillieu.com.au

Newcastle Office

Address Level 1, 120 Darby Street

Cooks Hill, NSW 2300 Australia

Postal PO Box 111

The Junction, NSW 2291 Australia

Phone +61 2 4037 3500

Facsimile +61 2 4037 3511

Email newcastle@baillieu.com.au

Perth Office

Address Level 9, 216 St Georges Terrace

Perth WA 6000 Australia

Postal PO Box 7662, Cloisters Square

Perth, WA 6850 Australia

Phone +61 8 6141 9450

Facsimile +61 8 6141 9499

Email perth@baillieu.com.au

Sydney Office

Address Level 40, 259 George Street

Sydney, NSW 2000 Australia

Postal PO Box R1797

Royal Exchange, NSW 1225 Australia

Phone +61 2 9250 8900

Facsimile +61 2 9247 4092

Email sydney@baillieu.com.au