



Panoramic Resources Ltd (PAN.ASX)

Getting Ready for Restart

Event:

- We initiate research coverage on Panoramic Resources Ltd (PAN.ASX).

Investment Highlights:

- Panoramic Resources Ltd (PAN)** is an ASX listed company targeting restart of its Savannah Nickel project in WA (100% interest).
- Long life, quality nickel sulphide asset:** recently updated ore reserve and mineral resource extends mine life to thirteen years. Reserve contains 102kt Ni at a solid 1.23% Ni grade, while the project is further assisted by copper and cobalt by-products.
- Significant investment at site:** more than \$100M invested in mining, processing, and site infrastructure along with successful 13+ years of operating history. Any exploration success has the potential to highlight value of existing infrastructure at site.
- Exploration upside:** on ground exploration is set to resume this month, with near mine potential identified at Oxide, Stoney Creek, and Norton, with little to no historical drilling. We note also Savannah North remains open along strike and at depth.
- Underground development for restart is tracking well:** Barmingo has started work on the underground development of Savannah North, and is expected to finish Q1CY21e. Successful clearance of the vent raise technical hurdle is critical path to unlocking value in the Savannah project.
- Cash of \$31M at 30 June 2020 and no debt.** Recent recapitalisation has erased debt and hedging arrangements, and gives the company sufficient runway to progress development to enable operational restart, as well as fund near term exploration.
- Cornerstone investor is also technical partner in success.** Recap introduced Western Areas Ltd (WSA) to the register which provides technical voice to the development works at Savannah, as well as a potential corporate suitor.

Earnings and Valuation:

- We forecast earnings of **-\$13M, -\$9M, and \$12M in FY21-23e, and EPS of -0.6, -0.4, and 0.6cps**, respectively.
- We have derived a valuation of **\$0.14 per PAN share**. Our valuation is underpinned by NPV₁₀ of A\$258M for Savannah, assuming restart in Q2 CY21e, twelve month ramp, and LT nickel price of US\$7.35/lb.

Recommendation:

- We initiate coverage of PAN with a **Buy recommendation and price target of \$0.14/share**, due to its long life, high grade nickel sulphide asset, existing infrastructure, and exploration potential. Recent recap has removed debt as well as hedging arrangements, and a significant positive for the company. Stock trades at significant discount in our view, which has potential to reverse on successful achievement of technical milestones.
- Catalysts for the stock** include: 1) underground development progress, especially critical development milestones including vent raise; 2) operational restart in mid Q2 CY21e; 3) updates on exploration.

Disclosure

The analyst does not own PAN securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 10,087,500 PAN shares. Cranport Pty Ltd owns 26,192,090 PAN shares. Refer to end of report for details.

Recommendation	Buy
Previous	N/A
Risk	High
Price Target (A\$/share)	\$0.14
Previous	N/A
Share Price (A\$)	\$0.07
ASX Code	PAN
52 week low - high (A\$)	0.065-0.334

Capital structure

Shares on Issue (M)	2,050.9
Market Cap, undil. (A\$M)	144
Net Cash/(Debt) (A\$M)	31
EV (A\$M)	113
12mth Av Daily Volume ('000)	4,008

Y/e Jun A\$	FY19a	FY20e	FY21e	FY22e
Sales, \$M	27.9	59.4	1.5	85.4
EBITDA adj. \$M	-3.3	-32.1	-4.7	13.9
NPAT adj. \$M	-18.6	-56.0	-13.4	-9.3
EPS adj c	-3.7	-7.2	-0.6	-0.4
PER (x)	nm	nm	nm	nm
Dividend c	0.0	0.0	0.0	0.0

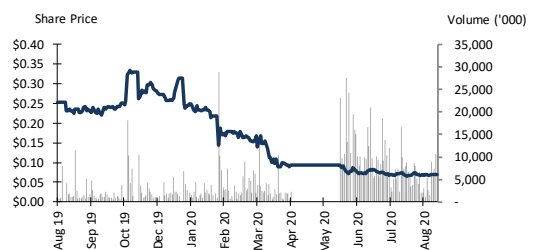
Board

Nicholas Cernotta	Non-Executive Chairman
Rebecca Hayward	Deputy Chairman
Gillian Swaby	Director
Peter Sullivan	Director
Victor Rajasooriar	Managing Director & CEO
Michael Ball	CFO

Major Shareholders

Western Areas Ltd	19.9%
Zeta Resources Ltd	17.6%

Share Price Graph



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Panoramic Resources (PAN)

Full Year Ended 30 June

Profit and Loss A\$M	2019a	2020e	2021e	2022e	2023e
Revenue	28	59	1	85	184
Operating Costs	31	91	4	68	143
EBITDA	-3	-32	-5	14	37
D&A	15	20	9	23	25
EBIT	-18	-52	-14	-9	12
Net Interest exp / (income)	1	4	-1	0	0
PBT	-20	-56	-13	-9	12
Tax exp / (benefit) adj.	0	0	0	0	0
NPAT underlying	-19	-56	-13	-9	12
Non-recurring items	21	0	0	0	0
NPAT reported	2	-56	-13	-9	12
EPS diluted, adj. cps	-3.7	-7.2	-0.6	-0.4	0.6

Cashflow A\$M	2019a	2020e	2021e	2022e	2023e
EBITDA	-3	-32	-5	14	37
Change in WC	5	-1	3	5	-7
Tax paid	0	0	0	0	0
Other	-11	0	0	25	0
Net interest	0	-4	1	0	0
Share based payments	1	0	0	0	0
Operating Cashflow	-8	-37	-1	44	30
Purchase of PP&E	-79	-46	-25	-35	-27
Acquisitions	0	0	0	0	0
Capitalised expenses	0	0	0	-1	1
Investments	15	9	0	0	0
Investing Cashflow	-64	-37	-25	-36	-26
Equity issue	21	140	0	0	0
Debt proceeds	40	0	0	0	0
Debt repayments	-1	-47	0	0	0
Other	-1	0	0	0	0
Financing Cashflow	59	93	0	0	0
Net Cashflow	-13	19	-26	8	4

Balance Sheet A\$M	2019a	2020e	2021e	2022e	2023e
Cash	13	31	5	13	18
Receivables	19	10	0	7	15
PPE	144	170	186	197	199
Capitalised exploration	28	19	19	20	20
Intangibles	0	0	0	0	0
Other	23	15	15	15	10
Total Assets	227	245	225	252	262
Accounts payable	22	11	4	16	18
Provisions	34	30	33	33	33
Debt	47	0	0	0	0
Other	8	5	2	27	24
Total Liabilities	112	46	39	76	74
Reserves and capital	231	371	371	371	371
Retained earnings	-122	-178	-191	-201	-189
NCI	6	6	6	6	6
Total Equity	115	199	185	176	188

Source: Company; Foster Stockbroking estimates

Financial Metrics	2019a	2020e	2021e	2022e	2023e
Sales growth, %	nm	136%	-98%	nm	116%
EPS growth, %	79%	95%	-91%	-31%	-227%
EBITDA margin, %	-13%	-54%	nm	16%	20%
EBIT margin, %	-73%	-87%	nm	-11%	6%
Gearing (ND/ND+E)	23%	-19%	-3%	-8%	-11%
Interest Cover (EBIT/net int)	13.2x	12.5x	-21.5x	-71.4x	39.0x
Average ROE %	-23%	-36%	-7%	-5%	7%
Average ROA %	-14%	-22%	-6%	-4%	4%
Wtd ave shares (M)	506	781	2,051	2,051	2,051
Wtd ave share diluted (M)	506	781	2,080	2,080	2,080

Commodity Assumptions	2019a	2020e	2021e	2022e	2023e
Prices					
Nickel, US\$/lb	6.14	6.27	6.52	6.87	6.89
Copper, US\$/lb	2.89	2.73	2.72	2.87	2.96
Cobalt, US\$/lb	24.10	13.16	12.37	12.74	16.60
AUDUSD	0.73	0.67	0.69	0.70	0.73
Production contained metals					
Nickel, kt	2.4	3.4	0.1	4.0	8.5
Copper, kt	1.5	2.2	0.0	2.6	4.9
Cobalt, kt	0.1	0.2	0.0	0.1	0.6
Costs					
C1 payable Ni, US\$/lb	4.61	9.06	5.57	4.34	4.30
AISC payable Ni, US\$/lb	6.26	10.46	35.26	5.24	4.94

Capital structure current	M
Ordinary shares	2,051
Options	29
Fully diluted	2,079

Company Valuation	A\$M	A\$/sh
DCF, WACC 10% nominal		
Segment		
Savannah	258	\$0.13
Exploration	5	\$0.00
Corporate	-22	-\$0.01
Net cash (debt)	31	\$0.02
Options	0	\$0.00
Total	277	\$0.14

JORC Resources and Reserves	Ore, Mt	Ni	Cu	Co
Savannah (100%)				
Reserves	8.3	1.2%	0.6%	0.1%
Resources	13.5	1.6%	0.7%	0.1%



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Disclosure review. All the disclosures in the report have been reviewed and checked by Rob Telford, Corporate.