

Foster Stockbroking

From: Foster Stockbroking
Sent: 06 April 2021 09:44
To: Foster Stockbroking
Subject: Panoramic Resources Ltd (PAN, \$0.135, mkt cap \$277M). Savannah Restart. BUY, PT \$0.23 (unchanged).



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Panoramic Resources Ltd (PAN, \$0.135, mkt cap \$277M). Savannah Restart. BUY, PT \$0.23 (unchanged).

The analyst does not own PAN securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 7,972,140 PAN shares. Cranport Pty Ltd owns 22,299,201 PAN shares. Refer to end for details.

Event:

- Savannah restart announcement.

Investment Highlights:

- **Restart of Savannah Nickel Operation:** the company has announced it proposes to restart the Savannah Nickel operation, with underground mining and development scheduled to recommence in August 2021, ore processing in November 2021, and first concentrate shipment targeted for December 2021.
- **Long-life, high-grade nickel sulphide asset with attractive economics:** the company contemplates a 12-year mine life with average annual production target of 9,072 nickel, 4,683t copper, and 676t cobalt in concentrate, yielding NPV8 of A\$353M and total pre-tax cash flow of A\$610M.
- **Financing and offtake secured:** loan facility of up to US\$45M (A\$59M) secured from Trafigura, comprising a five-year US\$30M offtake loan prepayment facility and a US\$15M revolving credit loan facility. The loan facility term and repayment schedule aligns with a new nickel and copper concentrate offtake with Trafigura from February 2023 to February 2028.
- **Underground mining and processing plant operators in place:** underground mining contractor Barminco will operate at site with a new mining fleet, having signed a four-year mining services agreement. Primero will operate the Savannah processing plant for three years, with the LOI offering strong incentives to improve recoveries beyond budget.
- **Strong cash buffer for restart, no debt:** the company has A\$27M cash and no debt. Together with the anticipated financing of A\$59M, we believe the company is well capitalised for its restart at Savannah. The company estimates maximum capital drawdown of A\$41M with major infrastructure in place. We hold the view the company will have a strong cash position for Savannah restart, and avoids need for an equity raise.

Recommendation:

- We continue to **recommend PAN as a Buy with an unchanged price target of \$0.23/share**, due to its long life, high grade nickel sulphide asset, existing infrastructure, and exploration potential. The restart announcement is a major and positive catalyst after a diligent review and implementation of operational strategies to de-risk

Savannah. Financing and offtake have now been secured, while both mining contractor and plant operator are now in place for operations.

- **Catalysts for the stock** include: 1) operational restart at Savannah in CY21e including mining commencement and first product shipment; 2) updates on exploration.

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Disclosure review. All the disclosures in the report have been reviewed and checked by Keith Quinn, Compliance Committee member.