

March 23, 2023

ADD (no change)

Stock code:	PAN AU
Price:	A\$0.155
12-month target price:	A\$0.25
Previous target price:	A\$0.39
Up/downside to target price:	61.3%
Dividend yield:	0.0%
12-month TSR*:	61.3%
Market cap:	A\$318m
Average daily turnover:	A\$0.7m
Index inclusion:	ALL ORDINARIES

* Total stock return – Up/downside to target price + 12-month forward dividend yield.

Price performance

(%)	1M	3M	12M	3Y
Absolute	-	-8.8	-48.3	19.2
Rel ASX/S&P200	-	-7.8	-43.9	-25.2



Source: Bloomberg

Financial summary

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue (A\$m)	90.4	234.6	259.2	284.3
EBITDA Norm (A\$m)	20.2	48.4	66.5	92.3
Net Profit (A\$m)	6.3	5.8	22.2	43.4
EPS Norm (A\$)	0.00	0.00	0.01	0.02
EPS Growth Norm (%)	NA	NA	282.2%	95.5%
P/E Norm (x)	NA	NA	15.5	7.8
DPS (A\$)	0.00	0.00	0.00	0.00
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/EBITDA (x)	16.8	7.1	4.6	2.7
Gearing (Net Debt/EBITDA)	1.13	0.49	-0.15	-0.77

Source: Company data, Morgans estimates

Related research

[PAN \(ADD - TP A\\$0.39\) - 27 Apr 2022](#)

[PAN \(ADD - TP A\\$0.39\) - 04 Apr 2022](#)

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Analyst(s) own shares in the following stocks mentioned in this report:

– N/A

Panoramic Resources

Savannah Mine Plan sets 12+ years of production

- PAN has released an updated Mine Plan for the Savannah Nickel Operation underlining a 12+ year operating life, with strong upside to extend.
- Operations are steadily ramping up and design production levels are forecast to achieve PAN's target mine rate of 960ktpa in early FY24.
- We attain a price target of A\$0.25/share using our DCF NPV model at a 10% discount rate. We retain an Add rating on the stock.

Event

- Panoramic releases updated Mine Plan for the Savannah Operation.

Analysis

- The robust Mine Plan evaluates a 12-year mine life (FY24-35) at a 960ktpa mine rate producing an average ~9.4ktpa nickel, ~5.0ktpa of copper and ~714t of cobalt at a Base Case All-in cost estimated at A\$8.57/lb of payable nickel (or US\$6.00/lb payable Ni) versus today's spot nickel price of ~US\$10.3/lb.
- Ore sourced from the Savannah North deposit underlines the mining strategy, with further drilling planned during operations with the aim to upgrade Inferred Resources into Ore Reserve, and through targeting ore grade mineralisation which remains open along strike and at depth. Additional material could feed into the Mine Plan at the Savannah orebody, where recent drilling intercepted ore extensions beneath the historical workings.

Forecast and valuation update

- We have updated our production profile for the remainder of FY23 based on the company's steady production ramp-up rate achieved in H1 FY23.
- We have refreshed our target price based on updated consensus forecasts for nickel, copper, and cobalt, with our DCF valuation applying PAN's published operating life until the end of FY35. Our price target adjusts to A\$0.25/share (previously A\$0.39/share) and we retain an Add rating on the stock.

Investment view

- PAN is our preferred nickel exposure on the ASX with a 12+ year mine life, on track to reach nameplate production this year, and significant exploration at both Savannah, Savannah North and regional targets.
- While our DCF valuation is built on PAN's published study operating life only, based on recent positive drilling results beneath Savannah workings, and open-ended mineralisation at Savannah North, we see strong potential to increase the mine life through upcoming exploration and Resource definition drilling to re-classify Inferred and Indicated Resources into mineable Reserves.
- PAN also produces copper and cobalt in concentrate, giving significant by-product credits and additional revenue over the life of mine.

Price catalysts

- Q3 FY23 quarterly production results and shipment updates.
- Underground drilling results below the Savannah orebody 900 fault.

Risks

- Operating input costs, mainly fuel and labour, present a risk to PAN's ability to meet our forecast margins. However, signs of a steadier labour market and softening freight costs are reducing these pressures compared to CY22.

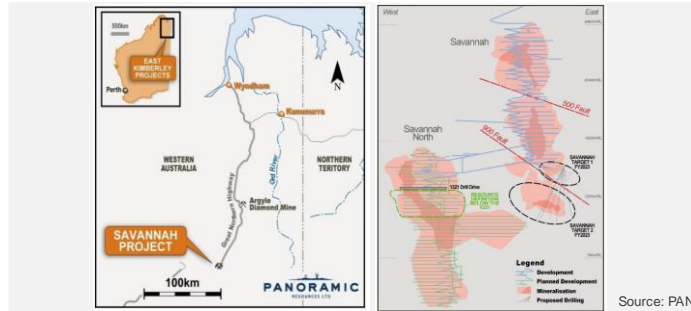
Panoramic Resources

Price (A\$):	0.155	12-month target price (A\$):	0.246
Market cap (A\$m):	318	Up/downside to target price (%):	61.3
Free float (%):	78.9	Dividend yield (%):	0.0
Index inclusion:	ALL ORDINARIES	12-month TSR (%):	61.3

as at March 23, 2023

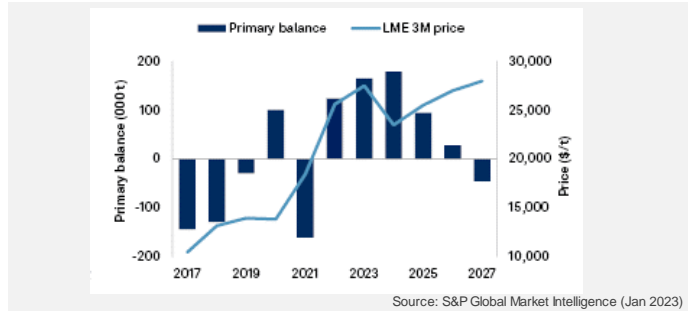
Panoramic Resources Limited (ASX: PAN) is a company headquartered in Perth, Western Australia, which owns the Savannah Nickel Project in the East Kimberley. Operations at Savannah were restarted in 2021 and the project was successfully recommissioned with first concentrate shipment achieved in December 2021. Savannah has a 12+ year mine life with clear potential to further extend this through ongoing exploration.

Map of PAN Savannah



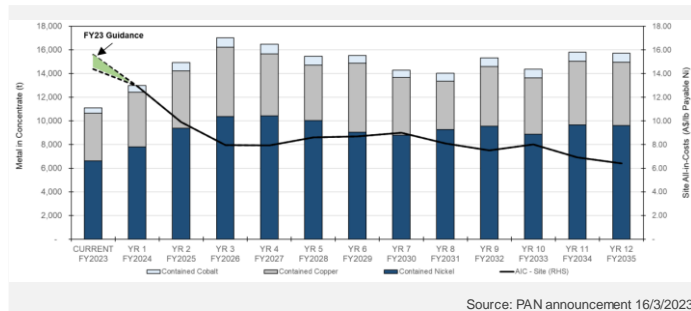
Source: PAN

Nickel price forecast to stay elevated in 2023 whilst market in surplus



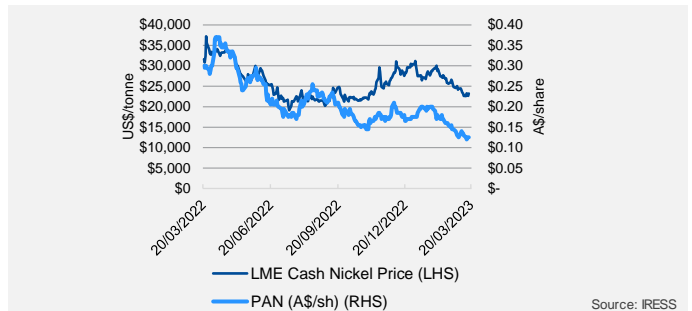
Source: S&P Global Market Intelligence (Jan 2023)

Metal in concentrate and All-in-Costs (AIC)



Source: PAN announcement 16/3/2023

PAN share price Vs. LME Nickel price



Source: IRESS

Bull points



- Nickel is a key ingredient in steel making and the lithium ion battery used in electric vehicles.
- PAN is ramping-up operations and steadily delivering concentrate shipments.
- Savannah produces a highly saleable nickel-copper-cobalt concentrate and one of two ASX listed primary nickel producers in Western Australia.
- Savannah well positioned in a tier 1 jurisdiction and within close proximity to key offtake market in Asia.
- Savannah has a long production history with an update mine life plan of 12+ years with further potential to extend through drilling the open Savannah North Orebody.

Bear points



- Operational ramp-up phase - Panoramic has not yet reached nameplate mine rate of 960ktpa, however the company is on track to reach this target in FY2023.
- High inflationary environment - Key operating costs including diesel and labour still remain at high levels due to tight workforce market and a high oil price.
- Ongoing COVID-19 supply chain impacts - Freight costs coming down although still relatively high. Delays sourcing equipment parts is common across the sector.
- Volatile nickel price and foreign exchange risk.

Environmental, Social and Governance

ESG

Exposure

Management

Exposure

The Savannah Project is currently in the ramp up phase and on track to reach nameplate production in FY24. The Savannah mining operation utilises a small heavy machinery fleet to mine nickel-copper-cobalt ore. The mine sites processing facilities, tailings dams, roads and workshops are in place already and therefore eliminating any further clearing activities. Experienced company management support employees, local communities and other key stakeholders linked to the business.

Management

Adopting a low impact approach to mining nickel and significantly minimising any environmental impact. The management team have in-depth experience across mining operations in Western Australia. Environmental management at Savannah will be comprehensive throughout the life of mine.

Source: Morgans

Figure 1: Financial summary

FINANCIAL SUMMARY						Panoramic Resources Ltd ASX:PAN		
Income statement (A\$m)	Jun-22A	Jun-23E	Jun-24E	Jun-25E	Jun-26E	Market Information		
Sales Revenue	\$90	\$235	\$259	\$284	\$308	Share Price	A\$m	0.155
Operating Costs	-\$71	-\$180	-\$186	-\$186	-\$174	Issued Shares	m	2051
Operating expenses	-\$7	-\$7	-\$7	-\$7	-\$7	12 Month Low	A\$	0.12
EBITDA	\$20	\$48	\$66	\$92	\$127	12 Month High	A\$	0.38
Depreciation	-\$9	-\$37	-\$40	-\$47	-\$42	Valuation summary		
EBIT	\$12	\$11	\$27	\$45	\$85	Savannah NPV	NPV @10%	\$ 509 \$ 0.25
Net interest expense	-\$5	-\$5	-\$4	-\$2	-\$1	Savannah Resource		\$ 65 \$ 0.03
Pre-tax profit	\$6	\$6	\$22	\$43	\$84	Exploration		\$ 20 \$ 0.01
Income tax expense	\$0	\$0	\$0	\$0	\$0	Corp. Overhead		\$ (44) \$ (0.02)
After-tax profit	\$6	\$6	\$22	\$43	\$84	Debt		\$ (60) \$ (0.03)
Minority interests	\$0	\$0	\$0	\$0	\$0	Cash		\$ 27 \$ 0.01
NPAT	\$6	\$6	\$22	\$43	\$84	Total NAV		\$ 516 \$ 0.25
Significant items	\$0	\$0	\$0	\$0	\$0	Price/NAV		0.62
NPAT post abnormals	\$6	\$6	\$22	\$43	\$84	Target Price		\$ 0.25

Cash flow statement (A\$m)	Jun-22A	Jun-23E	Jun-24E	Jun-25E	Jun-26E	Production (conc) (kt)	Jun-22A	Jun-23E	Jun-24E	Jun-25E	Jun-26E
Cash flow from ops	26.2	42.9	62.2	90.3	126.6	Nickel	3.0	6.7	7.9	9.6	10.0
Capex	-61.8	-39.0	-28.5	-28.8	-23.0	Copper	1.9	4.2	5.1	5.1	5.1
						Cobalt	0.2	0.5	0.7	0.7	0.7
Incr/(decr) in equity	0.0	0.0	0.0	0.0	0.0	Cash Cost	Jun-22A	Jun-23E	Jun-24E	Jun-25E	Jun-26E
Incr/(decr) in debt	30.3	4.5	-23.9	-19.0	-11.2	Savannah (A\$/lb)	\$17.5	\$11.7	\$9.4	\$7.8	\$6.9
Ordinary dividend paid	0.0	0.0	0.0	0.0	0.0	Key Metrics					
Other financing cash flow	0.0	0.0	0.0	0.0	0.0	AUD/USD	0.73	0.68	0.69	0.70	0.70
Cash flow from fin	30.3	4.5	-23.9	-19.0	-11.2	Nickel price (US\$/lb)	10.9	11.0	10.1	9.5	10.1
Forex and disc ops	0.0	0.0	0.0	0.0	0.0	Nickel price (A\$/lb)	15.0	16.2	14.6	13.6	14.4
Inc/(decr) cash	-2.5	8.4	9.8	42.5	92.4	EPS	0.0	0.0	0.0	0.0	0.0
Equity FCF	-35.6	3.9	33.7	61.5	103.6	DPS	0.0	0.0	0.0	0.0	0.0

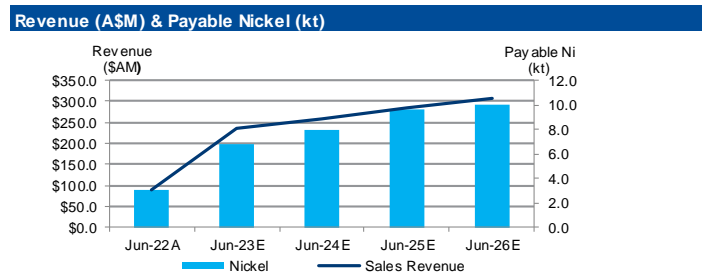
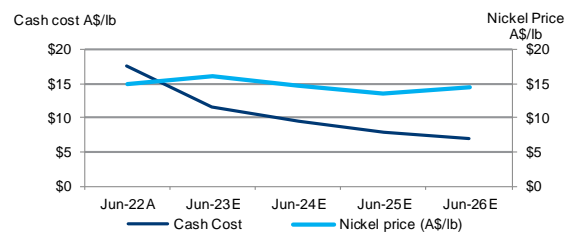
Balance sheet (A\$m)	Jun-22A	Jun-23E	Jun-24E	Jun-25E	Jun-26E	Dividend payout ratio (%)	Jun-22A	Jun-23E	Jun-24E	Jun-25E	Jun-26E
Cash & deposits	22	30	40	83	175	Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
						EBITDA Margin	22%	21%	26%	32%	41%
Investments	0	0	0	0	0	P/E	65.5x	93.8x	24.5x	12.6x	6.5x
Fixed assets	225	227	215	197	178	EV/EBITDA	21.0x	11.1x	7.7x	5.0x	2.9x
Total assets	271	281	279	304	377	FCF Yield	-0.1x	0.0x	0.1x	0.1x	0.2x
Short-term debt	9	32	22	11	0	Net Debt	14.3x	-8.5x	-31.8x	-82.5x	-174.9x
Trade payables	29	29	29	29	29	Net Debt / Equity	-0.1x	0.0x	0.2x	0.3x	0.5x
Long-term debt	36	22	8	0	0	Net Debt / EBITDA	0.0x	0.0x	0.0x	0.0x	0.0x
Other liabilities	54	54	54	54	54	Revenue (A\$m)					
Total liabilities	127	137	113	94	82	Revenue (Ni, Cu, Co)	\$90	\$235	\$259	\$284	\$308
Share capital	354	354	354	354	354	Revenue (A\$m) & Payable Nickel (kt)					
Retained earnings	-203	-197	-175	-132	-47	Revenue (\$A\$m)					
Total equity	174	179	202	245	329	Payable Ni (kt)					
Minority interest	0.0	0.0	0.0	0.0	0.0						
Total shareholders' equity	173.6	179.4	201.6	245.1	329.2						
Total liabilities & SE	300.8	316.0	314.3	338.8	411.7						

Directors and Management

Victor Rajasooriar	Managing Director & CEO
Nicholas Cernotta	Independent Non-Executive Chairman
Peter Sullivan	Non-Executive Director
Gillian Swaby	Non-Executive Director
Rebecca Hayward	Non-Executive Director
Grant Dyker	Chief Financial Officer

Substantial Holders

IGO Limited	21%
Zeta Resources	15%
Ausbil	5%



Source: Morgans estimates, company data

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