



Panoramic Resources Ltd (PAN.ASX)

Savannah Raise Boring on Track for Early Completion

Event:

- Raise bore updates; upgraded Ni price, earnings, valuation, and PT.

Investment Highlights:

- Within budget and ahead of schedule, raise boring update continues to demonstrate positive progress:** back reaming of the vent raise continues to progress ahead of schedule, with 253m completed so far. Productivity remains high, with specialist contractor RUC Mining achieving close to 9m per day, almost treble the budgeted rates.
- Raise boring completion brought forward to CY20e end:** better than expected progress has now seen the company bring forward expectation of completion of the raise boring to December 2020 (prior 1Q21e), noting there is 101m of reaming remaining, and effectively having completed its CY20e program in mid-November. The company notes ground conditions are excellent.
- Lateral UG development also ahead of schedule:** Barmenco has opened up three levels at Savannah with an additional level to be intersected next week. Barmenco's progress is a month ahead of a seven-month schedule.
- Cash of \$27M at 30 September 2020 and no debt.** We expect the Panton Project divestment (previously announced 12 October) to close in December and deliver \$12M cash to the company.

Earnings and Valuation:

- We have updated forecast earnings to **-\$5M, \$7M and \$53M in FY21-23e (prior -\$13M, -\$9M, and \$12M)**, and EPS to **-0.2, 0.3, and 2.6cps (prior -0.6, -0.4, and 0.6cps)**, respectively.
- We have **increased our LT nickel price by 16% to US\$8.50/lb (prior US\$7.35/lb) and upgraded it over FY21-23e by 8%, 9%, and 16%**. We are constructive in our nickel outlook and hold the view that both growing class I nickel demand from EV and battery growth, as well as depletion and limited new sulphide supply discovery underpins our bullish forecasts. We have also increased our LT copper price to US\$3.22/lb (prior US\$3.10/lb) and 1%, 1%, -1% in FY21-23e. We have AUDUSD changes of 4%, 6%, 5% in FY21-23e and LT of 0.75.
- We have an increased valuation of \$0.23 per PAN share (prior \$0.14)**, as a result of our updated assumptions. We continue to assume restart in Q2 CY21e, even as raise boring and underground development appear to be ahead of schedule, and continue to assume a twelve-month ramp, and an increased LT nickel price of US\$8.50/lb.

Recommendation:

- We maintain our **Buy recommendation of PAN with an increased price target of \$0.23/share** (prior \$0.14), due to its long life, high grade nickel sulphide asset, existing infrastructure, and exploration potential.
- We continue to note the regular encouraging updates from Savannah on the raise boring and development program are **management's methodical progress through derisking milestones**, which in turn derisk Savannah restart.
- 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 10,584,679 PAN shares. Cranport Pty Ltd owns 24,918,434 PAN shares. Refer to end of report for details.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target (A\$/share)	\$0.23			
Previous	\$0.14			
Share Price (A\$)	\$0.145			
ASX Code	PAN			
52 week low - high (A\$)	0.065-0.315			
Capital structure				
Shares on Issue (M)	2,050.9			
Market Cap, undil. (A\$M)	297			
Net Cash/(Debt) (A\$M)	27			
EV (A\$M)	271			
12mth Av Daily Volume ('000)	6,243			
Y/e Jun A\$	FY20a	FY21e	FY22e	FY23e
Sales, \$M	69.1	1.3	86.0	200.8
EBITDA adj. \$M	-24.8	-4.7	14.7	60.9
NPAT adj. \$M	-50.5	-4.8	7.1	53.2
EPS adj c	-5.1	-0.2	0.3	2.6
PER (x)	nm	nm	nm	nm
Dividend c	0.0	0.0	0.0	0.0

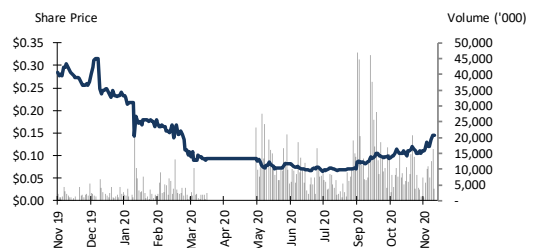
Board

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

Major Shareholders

Western Areas Ltd	19.9%
Zeta Resources Ltd	17.6%

Share Price Graph



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