

## BUY

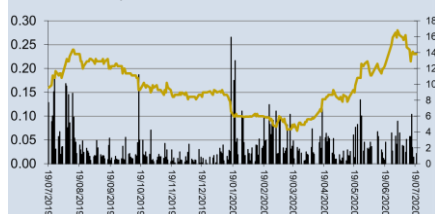
Current Price \$0.27

Target Price \$0.27

Ticker:	PNR		
Sector:	Metals and Mining		
Shares on Issue (m):	1,176.98		
Market Cap (\$m):	317.78		
Cash (m):	24.00		
Enterprise Value (\$m):	293.78		
52 wk High/Low:	0.280	0.069	
12m Av Daily Vol (m):	2.51		
<b>Key Metrics</b>	<b>19A</b>	<b>20F</b>	<b>21F</b>
EV/EBITDA (x)	7.14	12.03	8.04
EV/EBIT (x)	149.0	35.3	9.6
P/E (x)	200.00	-32.01	11.18
<b>Ratios</b>	<b>19A</b>	<b>20F</b>	<b>21F</b>
ND/(ND+E)	0.0%	0.0%	0.0%
EBITDA Mgn	22.0%	24.7%	38.7%
RoA	1.4%	-7.7%	18.7%
RoE	0.8%	-8.3%	19.2%
<b>Financials:</b>	<b>19A</b>	<b>20F</b>	<b>21F</b>
Revenue (\$m)	77.1	87.7	82.9
EBITDA (\$m)	16.9	21.7	32.1
EBIT (\$m)	0.8	7.4	26.8
PBT (\$m)	0.8	6.5	26.8
NPAT (\$m)	0.8	-9.1	26.0
Net Assets (\$m)	100.4	109.0	135.0
Op CF (\$m)	19.0	17.5	34.2
<b>Per Share Data:</b>	<b>19A</b>	<b>20F</b>	<b>21F</b>
EPS Dil. (cps)	0.001	-0.008	0.024
DPS (cps)	0.000	1.000	2.000
Div Yield	0.000	0.000	0.000
NTAPS (cps)	0.039	-0.024	0.002
CFPS (cps)	6.927	-11.413	115.041

<b>Projects</b>	<b>Stage</b>		
Halls Creek	Producing		
Norseman (50%)	BFS		
<b>Min Resources</b>	<b>Mt</b>	<b>Grade (g/t)</b>	<b>Au(koz)</b>
	19,381	4.2	2,594
<b>Min Reserves</b>	<b>Mt</b>	<b>Grade (g/t)</b>	<b>Au(koz)</b>
	0.84	6.6	179

Share Price Graph



Please refer to important disclosures at end of the report (from page 4)

Wednesday, 22 July 2020

## Pantoro (PNR)

### Lake Cowan Delivers as Anticipated

Analysts | Michael Eidne | Matthew Keane

#### Quick Read

PNR has released an exciting set of drilling results from exploration drilling at the Sailfish prospect on Lake Cowan. Due to the challenges relating to access, work on the lake has been limited in the past. However, PNR's systematic modern exploration program is beginning to bear fruit, evidence by intercepts such as 8.1m @ 67.3g/t Au. We maintain our BUY recommendation and \$0.27 price target.

#### Drilling Results | Positive

**PNR Announced High-Grade Drilling Results:** PNR has announced high-grade drilling results from its exploration program from the Sailfish prospect on Lake Cowan at the Norseman Gold Project (see Figure 1. over). The results are from an initial eight diamond hole drill program designed from a lithological and structural model that was developed with the help of geological consultant Model Earth. The following intercepts were reported:

- 8.1m @ 67.29 g/t Au from 78.6m
  - Inc. 0.7m @ 521 g/t Au
  - Inc. 0.25m @ 252g/t Au
- 3.5m @ 2.56g/t Au from 64m
  - Inc. 0.3m 26.2 g/t Au
- 1.8m @ 4.25 g/t Au from 171m

**On Lake Drilling Challenges:** Due to the fact the drilling is below the lake cover, PNR experienced some issues around core recovery, which resulted in some core sections being lost. Although, even with this issue, the grades in the recovered core point to the potential of a high-grade gold discovery in the area.

**Prospective Area:** Western Mining drilled in this area in the early 1990s as part of a program that ultimately led to the discovery of the Harlequin deposit which is only several kilometres from Sailfish. The Harlequin deposit produced 800koz @ 10g/t Au when it was last mined and still contains 754kt @ 17.29 g/t Au for 419koz.

**Similar geological setting to other deposits in the area:** Early geological interpretation shows that Sailfish is a shallow SE dipping lode with orientations similar to Harlequin. The mineralisation is hosted in the hanging wall basalts, which is consistent with some of the multiple lodes at Harlequin but has also been found in the Bluebird Gabbro. The Bluebird Gabbro hosts the 1.8Moz North Royal deposit several km to the east. PNR is currently undertaking the review and reprocessing of the extensive geophysical datasets. Additional diamond drilling is underway on another lake anomaly.

#### Recommendation

While PNR is trading at our target price of \$0.27ps, we believe the stock has momentum based on recent new discoveries and a production turnaround in Halls Creek. We, therefore, maintain our BUY recommendation.

## Pantoro

Recommendation	BUY
Current Price	0.270
Valuation	0.27
Target Price	0.27

Profit & Loss (A\$m) 31 Dec	2019A	2020E	2021E	2022E
Sales revenue	77.1	87.7	82.9	78.9
-Operating costs	(57.5)	(63.0)	(47.3)	(47.5)
-Exploration and evaluation	(0.1)	(0.3)	0.0	0.0
-Corporate	(2.5)	(2.7)	(3.5)	(3.5)
-Other expenses	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>16.9</b>	<b>21.7</b>	<b>32.1</b>	<b>27.8</b>
-D&A	(16.1)	(14.3)	(5.3)	(9.8)
<b>EBIT</b>	<b>0.8</b>	<b>7.4</b>	<b>26.8</b>	<b>18.0</b>
+ Interest Revenue	0.1	0.0	0.0	0.0
-Impairments	0.0	(15.2)	0.0	0.0
-Finance costs	0.0	0.0	0.0	0.0
<b>Operating profit</b>	<b>0.8</b>	<b>6.5</b>	<b>26.8</b>	<b>18.0</b>
-Tax expense	0.0	0.0	0.0	0.0
+Other	0.0	(0.4)	(0.9)	(0.9)
<b>NPAT</b>	<b>0.8</b>	<b>(9.1)</b>	<b>26.0</b>	<b>17.1</b>

Cash Flow (A\$m) 31 Dec	2019A	2020E	2021E	2022E
<b>Operating Cashflow</b>	<b>19.0</b>	<b>17.5</b>	<b>34.2</b>	<b>28.0</b>
- Capitalised Items (excl. exploration)	(28.1)	(20.5)	(11.7)	(16.0)
- Exploration & Evaluation	(2.1)	(17.7)	(20.0)	(4.0)
+ Other	0.0	0.0	0.0	0.0
<b>Free Cashflow</b>	<b>(11.2)</b>	<b>(20.7)</b>	<b>2.5</b>	<b>8.0</b>
+ Debt Drawdown (Repaid)	0.0	(0.3)	0.0	0.0
+ Equity Raised	56.7	0.0	0.0	0.0
- Finance Costs	(0.9)	(4.5)	0.0	0.0
Net Change in Cash	41.9	(25.5)	2.5	8.0
Cash at End Period	53.7	28.2	30.8	38.8

Balance Sheet (A\$m) 31 Dec	2019A	2020E	2021E	2022E
Cash and Cash Equivalents	53.7	29.8	32.3	40.3
Total assets	121.7	175.2	196.8	205.6
Current Debt	(0.8)	0.0	0.0	0.0
Total liabilities	(21.3)	(66.2)	(61.8)	(53.5)
<b>Net Assets</b>	<b>100.4</b>	<b>109.0</b>	<b>135.0</b>	<b>152.1</b>
Shareholders funds	236.2	253.9	253.9	253.9
<b>Total Equity</b>	<b>100.4</b>	<b>109.0</b>	<b>135.0</b>	<b>152.1</b>

Production and Assumptions	2019A	2020E	2021E	2022E
<b>Assumptions</b>				
Gold Price (US\$/oz)	1,264	1,575	1,563	1,550
AUD/USD FX	0.71	0.65	0.70	0.72
<b>Halls Creek</b>				
Gold Production 100% Basis (koz)	40.47	35.62	35.97	37.22
<b>Costs</b>				
C1 Costs (A\$/oz)	1,632	1,509	1,185	1,180
All-in Sustaining Cost (A\$/oz)	1,901	1,776	1,445	1,440

Resources and Reserves (Attributable)	Mt	Au g/t	Au (koz)
<b>Resources</b>			
Halls Creek	1.6	7.5	394
Norsman Underground (50%)	2.1	15.3	1,050
Norsman Surface (50%)	15.7	2.3	1,150
<b>Total</b>	<b>19.4</b>	<b>4.2</b>	<b>2,594</b>
EV/Resource (\$/oz)			113.15
<b>Reserves</b>			
Halls Creek	0.840	6.6	179

## Equities Research

Analyst: Michael Eidne

Sector	Metals & Mining
Issued Capital (m)	1,175.9
Market Cap (m)	\$317.5
Date	22-July-2020

Financial Summary	2019A	2020E	2021E	2022E
EV / EBITDA (x)	7.14	12.03	8.04	9.00
EV / EBIT (x)	148.98	35.34	9.62	13.91
<b>Reported earnings</b>				
Net profit (A\$m)	0.8	(9.1)	26.0	17.1
EPS (A\$cps)	0.0	(0.0)	0.0	0.0
PER (x)	200.0	(32.0)	11.2	17.0
<b>Normalised earnings</b>				
Net profit (A\$m)	0.8	(9.1)	26.0	17.1
EPS (A\$cps)	0.0	(0.0)	0.0	0.0
PER (x)	200.0	(32.0)	11.2	17.0
<b>Cashflow</b>				
Operating cashflow (\$m)	19.0	17.5	34.2	28.0
GCFPS (A\$cps)	0.0	(0.0)	0.0	0.0
PCF (x)	6.9	(11.4)	115.0	36.3
<b>Dividend</b>				
Dividend (A\$cps)	0.0	1.0	2.0	3.0
Yield (%)	0.0	0.0	0.0	0.0

Financial Ratios	2019A	2020E	2021E	2022E
<b>Balance Sheet Ratios</b>				
Net Debt (ND)	(53.7)	(29.8)	(32.3)	(40.3)
ND / ND + Equity (%)	(0.0)	(0.0)	(0.0)	(0.0)
ND/EBITDA	(0.0)	(0.0)	(0.0)	(0.0)
<b>Profitability Ratios</b>				
EBITDA Margin (%)	21.98%	24.71%	38.74%	35.25%
EBIT Margin (%)	1.05%	8.41%	32.38%	22.81%
Return on Assets (%)	1.35%	(7.72%)	18.69%	12.21%
Return on Equity (%)	0.83%	(8.32%)	19.25%	11.24%

Valuation Summary (7% Discount Rate)	A\$m	A\$/sh
Halls Creek Mining Operation (NPV)	63.5	0.05
Halls Creek Exploration and Unmined Resources	16.0	0.01
Norseman (50%)	220.0	0.19
<b>Total Project Value</b>	<b>299.5</b>	<b>0.25</b>
Corporate	(11.0)	(0.01)
Cash	24.0	0.02
<b>Total Net Value</b>	<b>312.5</b>	<b>0.27</b>

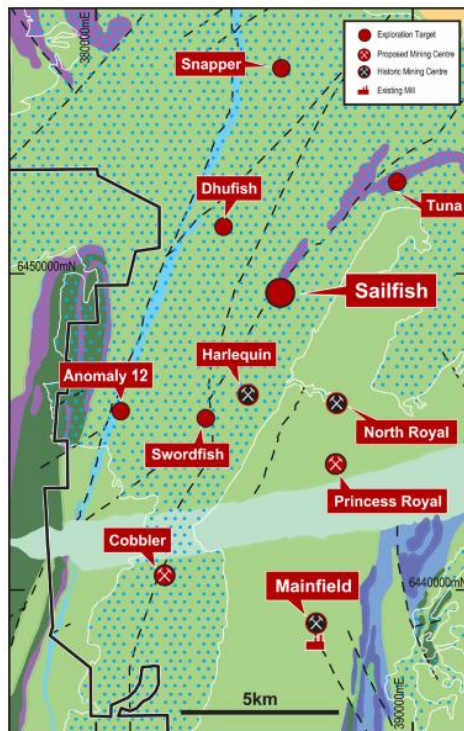
Directors	
Wayne Zekulich	Non Executive Chairman
Paul Cmrlec	Managing Director
Scott Huffadine	Operations Director
Kyle Edwards	Non-Executive Director
Mike Jefferies	Non-Executive Director

Substantial Shareholders	
Robmar Investments	16.87%
Tulla Group	8.50%
1832 Asset Management	4.59%

## Lake Cowan Delivers

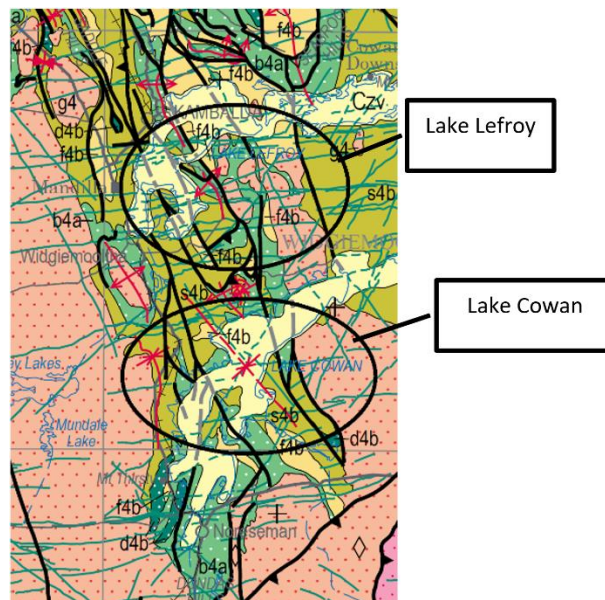
As highlighted in our previous report "Chasing the Big Prize" ([see link to report](#)), Argonaut has held the belief that Lake Cowan provides some of the best exploration potential of the Norseman Project. These results confirm our view that the Lake Cowan area has the potential to host a sizeable high-grade deposit similar to Gold Fields Invincible deposit (+2moz) on Lake Lefroy just to the north.

Figure 1: Map Showing the Lake Cowan area and PNR's exploration targets relative to existing deposits.



Source: PNR

Figure 2: Geological setting of Lake Lefroy and Lake Cowan.



Source: Argonaut

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