

## PANTORO LIMITED (PNR)

### Credit Where It's Due

Pantoro Limited (PNR) has had a strong quarter of production from its Halls Creek Gold Mine relative to the MarQ, generating \$4.8M in cashflow from the operation. The Company produced 9.6koz, above guidance and our 9koz expectation. FY20 production totalled 38.7koz @ \$1,739/oz AISC with total gold sales of 39.6koz. While 600oz more than guidance for the JunQ is a relatively small amount, it is still 7%. The market tends to punish producers for misses and therefore should credit them when guidance is exceeded. The stock was up 12% on reporting day, aided by a rebounding gold price. Importantly, cash costs of A\$1,327/oz and AISC of A\$1,578/oz were at the very lower end of guidance; A\$1,300-\$1,450/oz and A\$1,550-\$1,700/oz respectively, allowing for site cashflow generation above our modelling.

Increased throughput and grade has been the difference at Halls Creek, with stockpiled material aiding production growth. The Company has an estimated 70kt of stockpiles available for blending. We note the drop in mined tonnes and increase in grade qoq is reflecting the downscaling of mining methods to single boom jumbo and smaller development profile, and increased air-legging, which has had a positive impact on costs. AISC of A\$1,578/oz is down from A\$1,872/oz in the MarQ. PNR expects similar production to that of JunQ in Q1 & Q2 FY21, with costs to tightened up and fall. With no hedging in place, cashflow from Halls Creek is expected to be similar (A\$3-5M) in Q1, increasing to \$A5-8M in Q2.

### CNGP gearing up for resource, reserves and studies

An aggressive drilling program continues at Central Norseman, where \$6.1M was spent during the quarter (including staff costs), up on the \$3.6M in MarQ and our \$4.5M expectation. We expect this expenditure to fall once the resource/reserve drilling and study work is completed late this quarter.

At Scotia, PNR has demonstrated opportunities outside the current resource, and point to both open pit and underground expansion opportunities. As well as the recent Panda discovery, PNR has been drilling in anticipation of restarting open pit operations at Scotia before heading underground. Latest results include **10m @ 11.6g/t Au** from 151m and **9m @ 13g/t Au** from 121m, both outside the current resource. The deposit has a current resource of 382koz @ 6.3g/t Au, within a larger resource for the mining centre, which includes satellites at Lady Eleanor and Free Gift. Elsewhere, latest results from the OK Underground Mine show very high-grade, narrow gold from a ~7,500m program designed to extend mineralisation at depth in the O2 Lode, and to infill the Star of Erin Lode. OK has a current resource of 88koz @ 17g/t in the O2, O3 & O4 Lodes and 107koz @ 22.8g/t Au in the Star of Erin Lode.

### Fully unhedged - maintain Speculative Buy

With PNR now fully unhedged, it is set to capitalise on the current gold price. With relatively small volumes of production, we really see the Company as a developer, whose combined assets can produce an initial 100koz of attributable gold per annum in FY22. The Company ended the quarter with \$24M cash and bullion, down from \$27M at the end of March despite investing \$6.1M at its Central Norseman development asset, so is not quite self-funding yet. Our NAV is 24cps (up from 23cps) with Halls Creek becoming less risked in our view. Our spot NAV is 31cps and 12-month price target is 27cps (up from 21cps), reflecting greater weighting towards a spot price scenario. We maintain our Speculative Buy recommendation.

15 Jul 2020

Share Price	\$0.240
Valuation	\$0.24
Price Target (12 month)	\$0.27

**Brief Business Description:**  
Gold producer and explorer

**Hartleys Brief Investment Conclusion**

Gold producer focussed on optimising the Halls Creek project in WA. Recently agreed to acquire 50% of the Central Norseman Gold Project

**Chairman & MD**

Wayne Zekulich (Non-Exec Chairman)  
Paul Omrlec (Managing Director)

**Top Shareholders**

Robmar Investments Pty Ltd 16.9%

**Company Address**

1187 Hay Street  
West Perth WA 6005

**Issued Capital**

1177.0m

- fully diluted 1188.5m

**Market Cap** A\$282.5m

- fully diluted A\$285.3m

**Cash and Bullion (30 Jun 2020)** A\$24.0m

**Debt (30 Jun 2020)** A\$0.0m

**EV** A\$261.3m

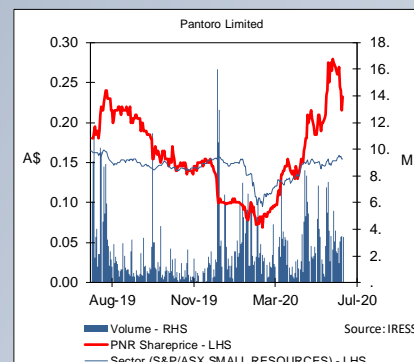
**EV/Resource oz** A\$101/oz

**EV/Reserve oz** A\$146/oz

Prelim. (A\$m)	FY19a	FY20e	FY21e
Prod (koz Au)	43	40	58
Op Cash Flw	19	12	63
Norm NPAT	1	-1	25
CF/Share (cps)	2.0	1.1	5.9
EPS (cps)	0.1	-0.1	3.3
P/E	268.5	-240.8	7.3

**Resources (koz)** 2,579

**Reserves (koz)** 179



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Hartleys has assisted in the completion of part of a capital raising in the past 12 months for Pantoro Limited, for which it has earned fees.

## SUMMARY MODEL

Pantoro Limited							Share Price	
PNR							\$0.240	
<b>Key Market Information</b>								
Share Price							\$0.240	
Market Capitalisation - ordinary							A\$282m	
Net Cash							\$24m	
Market Capitalisation - fully diluted							A\$285m	
EV							A\$309m	
Issued Capital							1177.0m	
Options							11.6	
Issued Capital (fully diluted inc. all options)							1188.5m	
Issued Capital (fully diluted inc. all options and new capital)							1188.5m	
Valuation							\$0.24	
12month price target							\$0.27	
<b>P&amp;L</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Net Revenue	A\$m	77.0	85.0	151.2	218.7	178.0		
Total Costs	A\$m	-60.1	-63.4	-84.4	-121.3	-103.4		
EBITDA	A\$m	17.0	21.6	66.8	97.4	74.6		
- margin		22%	25%	44%	45%	42%		
Depreciation/Amort	A\$m	-16.1	-22.7	-31.6	-46.4	-53.4		
EBIT	A\$m	0.8	-1.2	35.2	51.1	21.3		
Net Interest	A\$m	0.0	0.1	0.1	0.1	0.1		
Norm. Pre-Tax Profit	A\$m	0.8	-1.1	35.3	51.2	21.4		
Reported Tax Expense	A\$m	0.0	0.0	0.0	0.0	0.0		
Normalised NPAT	A\$m	0.8	-0.7	24.7	35.8	15.0		
Abnormal Items	A\$m	0.0	-0.3	10.6	15.4	6.4		
Reported Profit	A\$m	0.8	-1.1	35.3	51.2	21.4		
Minority	A\$m	0.0	0.0	0.0	0.0	0.0		
Profit Attrib	A\$m	0.8	-1.1	35.3	51.2	21.4		
<b>Balance Sheet</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Cash	A\$m	53.7	22.6	7.0	48.0	98.4		
Other Current Assets	A\$m	6.4	8.0	13.5	19.1	15.7		
Total Current Assets	A\$m	60.1	30.6	20.5	67.2	114.1		
Property, Plant & Equip.	A\$m	57.5	64.7	95.4	90.9	61.2		
Exploration	A\$m	4.1	16.7	33.2	45.2	50.2		
Investments/other	A\$m	0.0	0.0	0.0	0.0	0.0		
Tot Non-Curr. Assets	A\$m	61.6	81.5	128.6	136.2	111.5		
Total Assets	A\$m	121.7	112.1	149.1	203.3	225.6		
Short Term Borrowings	A\$m	-	-	-	-	-		
Other	A\$m	16.1	7.6	9.3	12.3	10.8		
Total Curr. Liabilities	A\$m	16.1	7.6	9.3	12.3	10.8		
Long Term Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0		
Other	A\$m	5.2	5.2	5.2	5.2	5.2		
Total Non-Curr. Liabil.	A\$m	5.2	5.2	5.2	5.2	5.2		
Total Liabilities	A\$m	21.3	12.8	14.5	17.5	16.1		
Net Assets	A\$m	100.4	99.3	134.6	185.8	209.5		
Net Debt	A\$m	-53.7	-22.6	-7.0	-48.0	-98.4		
<b>Cashflow</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Operating Cashflow	A\$m	18.9	11.4	63.1	94.8	76.5		
Income Tax Paid	A\$m	0.0	0.0	0.0	0.0	0.0		
Interest & Other	A\$m	0.1	0.1	0.1	0.1	0.1		
Operating Activities	A\$m	19.0	11.5	63.2	94.9	76.6		
Property, Plant & Equip.	A\$m	-24.0	-20.0	-57.3	-31.9	-23.6		
Exploration and Devel.	A\$m	-2.1	-12.6	-16.5	-12.0	-5.0		
Other	A\$m	-4.1	-10.0	-5.0	-10.0	0.0		
Investment Activities	A\$m	-30.2	-42.6	-78.8	-53.9	-28.6		
Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0		
Equity or "tbc capital"	A\$m	57.0	0.0	0.0	0.0	2.3		
Dividends Paid	A\$m	0.0	0.0	0.0	0.0	0.0		
Financing Activities	A\$m	53.1	0.0	0.0	0.0	2.3		
Net Cashflow	A\$m	41.9	-31.1	-15.6	41.0	50.3		
<b>Shares</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Ordinary Shares - End	m	1073.1	1073.1	1073.1	1073.1	1083.3		
Ordinary Shares - Weighted	m	931.2	1073.1	1073.1	1073.1	1078.2		
Diluted Shares - Weighted	m	931.3	1073.1	1073.1	1073.1	1073.1		
<b>Ratio Analysis</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Cashflow Per Share	A\$ cps	2.0	1.1	5.9	8.8	7.1		
Cashflow Multiple	x	0.0	0.0	0.0	0.0	0.0		
Earnings Per Share	A\$ cps	0.1	-0.1	3.3	4.8	2.0		
Price to Earnings Ratio	x	268.5	-240.8	7.3	5.0	12.1		
Dividends Per Share	AUD	-	-	-	-	-		
Dividend Yield	%	0%	0%	0%	0%	0%		
Net Debt / Net Debt + Equity	x	-115%	-29%	-5%	-35%	-88%		
Interest Cover	X	-	11.2	na	na	na		
Return on Equity	%	1%	na	18%	19%	7%		
Analyst: Paul Howard +61 8 9268 3045 "tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained. Sources: IRESS, Company Information, Hartleys Research								
							15 July 2020	
							Speculative Buy	
<b>Directors</b>							<b>Company Information</b>	
Wayne Zekulich (Non-Exec Chairman)							1187 Hay Street	
Paul Orrlic (Managing Director)							West Perth WA 6005	
Scott Haffadine (Executive Director)							+61 9215 6005	
Kyle Edwards (Non-Exec Director)							+61 9220 5757	
Mike Jefferies (Non-Exec Director)							<a href="http://www.pantoro.com.au">www.pantoro.com.au</a>	
<b>Top Shareholders</b>							<b>m shares</b>	
Robmar Investments Pty Ltd							198.4	
Tulla Resources Group							100.0	
							16.9	
							8.5	
<b>Reserves &amp; Resources</b>							<b>Mt</b>	
<b>TOTAL RESOURCES (Attributable)</b>							<b>19.2</b>	
Measured (Nicolsons)							0.3	
Indicated (Nicolsons)							0.9	
Inferred (Nicolsons)							0.4	
Central Norseman Resources (100%)							35.5	
<b>TOTAL RESERVES</b>							<b>0.8</b>	
							<b>4.2</b>	
							<b>2,579</b>	
							<b>8.1</b>	
							<b>6.7</b>	
							<b>4.1</b>	
							<b>3.9</b>	
							<b>6.6</b>	
							<b>179</b>	
<b>Production Summary - Nicolsons</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Mill Throughput	Mt	0.22	0.22	0.22	0.22	0.00		
Milled grade	g/t	6.8	5.7	5.5	5.5	5.5		
Combined Recovery & Payability	%	92%	96%	93%	93%	93%		
Gold	(koz)	43.0	39.6	36.2	36.2	18.1		
Mine Life	yr	3.75	2.75	1.75	0.75	-		
<b>Production Summary - Central Norseman</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Mill Throughput	Mt	-	-	0.50	1.00	1.00		
Milled grade	g/t	-	-	2.4	4.0	4.0		
Combined Recovery & Payability	%	-	-	92%	92%	92%		
Gold (attributable)	(koz)	-	-	22.2	51.8	59.2		
Mine Life	yr	-	-	8.50	7.50	6.50		
<b>Costs</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
Cost per milled tonne	\$A/t	228.5	253.4	215.0	215.0	215.0		
EBITDA / tonne milled ore	\$A/t	77.1	98.0	92.8	79.9	74.6		
C1: Operating Cash Cost = (a)	\$A/oz	1,136	1,456	1,308	1,259	1,212		
(a) + Royalty = (b)	\$A/oz	1,181	1,509	1,383	1,336	1,288		
C2: (a) + depreciation & amortisation = (c)	\$A/oz	1,511	2,030	1,850	1,786	1,903		
(a) + actual cash for development = (d)	\$A/oz	1,839	2,531	2,658	1,872	1,583		
C3: (c) + Royalty	\$A/oz	1,556	2,083	1,925	1,863	1,978		
(d) + Royalty	\$A/oz	1,884	2,584	2,733	1,949	1,658		
Group AISC (incl. CNGP from FY21)	\$A/oz	1,329	1,739	1,883	1,592	1,493		
<b>Price Assumptions</b>								
	Unit	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
AUDUSD	A\$/US\$	0.71	0.66	0.68	0.71	0.74		
Gold	US\$/oz	1294	1567	1763	1763	1690		
Gold	A\$/oz	1823	2382	2601	2492	2293		
<b>Hedging</b>								
Hedges maturing?		Jun 19	Jun 20	Jun 21	Jun 22	Jun 23		
		No	No	No	No	No		
<b>Sensitivity Analysis</b>								
	Valuation					FY20 NPAT		
Base Case	0.24					-1.1		
Spot Prices	0.31 (29.0%)					2.52 (-335.8%)		
Spot USDAUD 0.70, Gold \$1806/oz.								
AUDUSD +/-10%	0.18 / 0.29 (-23.7% / 23.1%)					-2.8 / 1.1 (165.6% / -202.4%)		
Gold +/-10%	0.29 / 0.18 (20.9% / -26.1%)					0.9 / -3.0 (-182.2% / 182.2%)		
Production +/-10%	0.29 / 0.17 (21.7% / -26.9%)					-1.1 / -1.1 (0.0% / 0.0%)		
Operating Costs +/-10%	0.20 / 0.26 (-14.2% / 11.5%)					-6.8 / 4.7 (539.7% / -539.7%)		
<b>Unpaid Capital</b>								
	Year Expires					No. (m)	\$m	% ord
	30-Jun-20					0.0	0.0	0%
	30-Jun-21					0.0	0.0	0%
	30-Jun-22					0.0	0.0	0%
	30-Jun-23					10.2	2.3	1%
	30-Jun-24					1.4	0.0	0%
	<b>TOTAL</b>					<b>11.6</b>	<b>2.3</b>	<b>1%</b>
<b>Share Price Valuation (NAV)</b>							<b>Riskd Est. A\$m A\$/share</b>	
100% Halls Creek (pre-tax NAV at disc. rate of 8%)							56	
50% Central Norseman (pre-tax NAV at disc. rate of 14%)							178	
Other Exploration							40	
Forwards							0	
Corporate Overheads							-18	
Net Cash (Debt)							24	
Tax (NPV future liability)							0	
Options & Other Equity							2	
Hedging							0	
<b>Total</b>							<b>282.1</b>	
Spot Valuation: USD/AUD 0.70, Gold \$1806/oz.							364	
							0.31	
							Last Updated: 15/07/2020	

Fig. 1: Earnings Changes

Unit	30 Jun 17			30 Jun 18			30 Jun 19			30 Jun 20			30 Jun 21			30 Jun 22		
	Actual	Actual	Actual	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff			
Received Gold Price	A\$/oz	1632	1670	1791	2191	2143	-2%	2591	2591	0%	2491	2487	0%					
Au Production (sold)	koz	39	52	43	39	40	1%	59	58	-2%	80	88	10%					
Group AISC (incl. CNGP from FY21)	A\$/oz	1212	1244	1329	1765	1739	-1%	1769	1883	6%	1547	1592	3%					
<b>Net Revenue</b>	<b>A\$m</b>	<b>63.9</b>	<b>87.2</b>	<b>77.0</b>	<b>85.7</b>	<b>85.0</b>	<b>-1%</b>	<b>154.1</b>	<b>151.2</b>	<b>-2%</b>	<b>196.4</b>	<b>218.7</b>	<b>10%</b>					
<b>Total Costs</b>	<b>A\$m</b>	<b>-62.6</b>	<b>-54.2</b>	<b>-60.1</b>	<b>-64.4</b>	<b>-63.4</b>	<b>-2%</b>	<b>-79.7</b>	<b>-84.4</b>	<b>6%</b>	<b>-102.3</b>	<b>-121.3</b>	<b>19%</b>					
Total Cash Costs	A\$/oz	-1599.3	-1038.8	-1396.4	-1645.3	-1599.2	-3%	-1340.2	-1446.1	8%	-1283.7	-1379.1	7%					
EBITDA	A\$m	1.3	33.0	17.0	21.3	21.6	1%	74.4	66.8	-10%	96.1	97.4	1%					
- margin		0.0	0.4	0.2	0.2	0.3	2%	0.5	0.4	-8%	0.5	0.4	-8%					
Depreciation/Amort	A\$m	-17.0	-19.4	-16.1	-23.3	-22.7	-2%	-33.0	-31.6	-4%	-47.6	-46.4	-3%					
<b>EBIT</b>	<b>A\$m</b>	<b>-15.7</b>	<b>13.5</b>	<b>0.8</b>	<b>-1.9</b>	<b>-1.2</b>	<b>-38%</b>	<b>41.4</b>	<b>35.2</b>	<b>-15%</b>	<b>48.5</b>	<b>51.1</b>	<b>5%</b>					
Net Interest	A\$m	0.0	0.1	0.0	0.1	0.1	0%	0.1	0.1	0%	0.1	0.1	0%					
<b>Norm. Pre-Tax Profit</b>	<b>A\$m</b>	<b>-25.7</b>	<b>13.6</b>	<b>0.8</b>	<b>-1.8</b>	<b>-1.1</b>	<b>-41%</b>	<b>41.5</b>	<b>35.3</b>	<b>-15%</b>	<b>48.6</b>	<b>51.2</b>	<b>5%</b>					
Norm. Tax Expense	A\$m	7.7	-4.1	0.0	0.5	0.3	-41%	-12.5	-10.6	-15%	-14.6	-15.4	5%					
- rate		30.0%	30.0%	0.0%	30.0%	30.0%	0%	30.0%	30.0%	0%	30.0%	30.0%	0%					
Reported Tax Expense	A\$m	0.0	0.0	0.0	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%					
<b>Normalised NPAT</b>	<b>A\$m</b>	<b>-18.0</b>	<b>9.5</b>	<b>0.8</b>	<b>-1.3</b>	<b>-0.7</b>	<b>-41%</b>	<b>29.1</b>	<b>24.7</b>	<b>-15%</b>	<b>34.0</b>	<b>35.8</b>	<b>5%</b>					
Abnormal Items	A\$m	-7.8	4.1	0.0	-0.5	-0.3	-41%	12.5	10.6	-15%	14.6	15.4	5%					
Reported Profit	A\$m	-25.7	13.6	0.8	-1.8	-1.1	-41%	41.5	35.3	-15%	48.6	51.2	5%					
Minority	A\$m	0.0	0.0	0.0	0.0	0.0	0%	0.0	0.0	0%	0.0	0.0	0%					
<b>Profit Attrib</b>	<b>A\$m</b>	<b>-25.7</b>	<b>13.6</b>	<b>0.8</b>	<b>-1.8</b>	<b>-1.1</b>	<b>-41%</b>	<b>41.5</b>	<b>35.3</b>	<b>-15%</b>	<b>48.6</b>	<b>51.2</b>	<b>5%</b>					
capex + exploration	A\$m	-19.2	-22.2	-21.9	-3.8	-7.4	97%	-40.8	-40.8	0%	-22.3	-19.9	-11%					
Net Debt	A\$m	-9.7	-11.7	-53.7	-17.2	-22.6	31%	-8.6	-7.0	-19%	-46.7	-48.0	3%					
Dividends Per Share	cps	-	-	-	-	-	-	-	-	-	-	-						

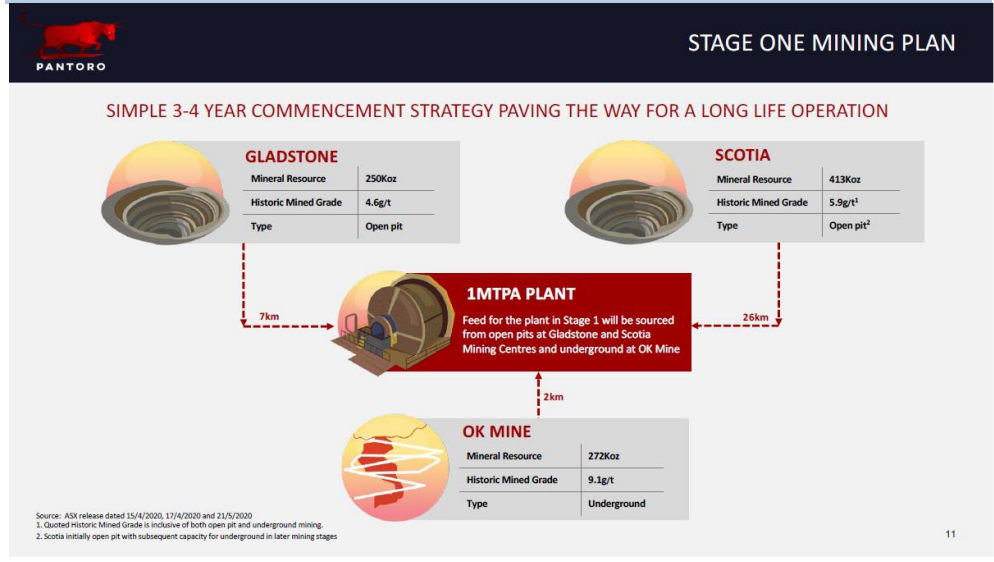
FY20 production (sold) was 40koz at AISC of A\$1,739/oz

Source: Hartleys' Estimates

## CENTRAL NORESMAN GOLD PROJECT

Fig. 2: Stage 1 mining Plan

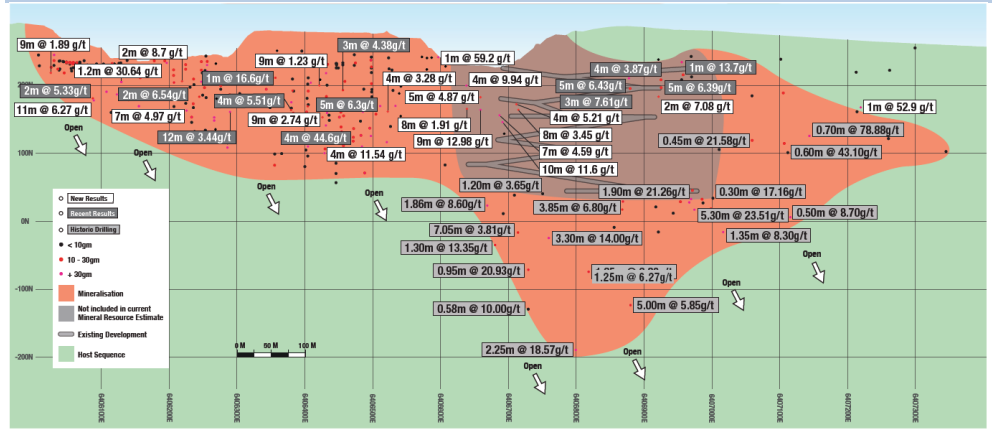
PNR is assessing a 1Mtpa opportunity at CNGP to produce ~100-120kozpa initially



Source: Pantoro Limited

Fig. 3: Scotia Long Section

The latest results from Scotia and the OK Underground Mine will support an updated resource and reserve in the near-term.



Source: Pantoro Limited

## PRICE TARGET

Our price target is based on ~220ktpa throughput at Halls Creek over the coming 27-months, and updated for the recent outlook provided in the JunQ 2020 Report by the Company.

As per the June 2020 Investor Presentation, we model redevelopment of the Central Norseman Gold Project over the coming 12 months to establish an initial 1Mtpa operation, producing ~100koz to 120kozpa, of which 50% of production will be attributable to PNR. We also assume an initial period of toll treatment to generate early cashflow and assist with funding the redevelopment.

Our Price Target Methodology includes weighting for the base case at consensus and spot pricing. We gold producers attracting a premium at present, we have increased our weighting towards spot. We model potential mine life growth at Halls Creek and a scenario where the CNGP resource grades beats our expectation. We also model a Net cash backing scenario with low weighting.

**Fig. 4: PNR Price Target Methodology**

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	40%	\$0.24	\$0.25
NPV at spot commodity and fx prices	35%	\$0.31	\$0.34
Exploration success adds mine life (1 additional year) at Halls Creek	10%	\$0.25	\$0.26
Central Norseman achieves resource grade of 5g/t, in excess of base case (4.2g/t Au)	10%	\$0.30	\$0.31
Net cash backing	5%	\$0.02	\$0.02
<b>Risk weighted composite</b>		<b>\$0.26</b>	
<b>12 Months Price Target</b>		<b>\$0.27</b>	
Shareprice - Last		\$0.240	
<b>12 mth total return (% to 12mth target )</b>		<b>14%</b>	

Source: Hartleys' Estimates

Our price target is  
27cps

## VALUATION

Our sum of parts valuation for PNR is based on discounted cashflows for the Halls Creek Gold Project and includes a second operation at the Central Norseman Gold Project (CNGP). We model cashflows for the projects with discount rates appropriate for the stage of production/development. We model Nicolsons Underground and Wagtail Underground in line with Company guidance, quarterly actuals and the recent 1H-FY21 Outlook. We assume a high conversion of resource to minable ounces, and the whole project having a mine life to end-2022.

We model CNGP in line with Company presentations where it plans to establish operations supporting production of ~100-120kozpa of which 50% is attributable to PNR. We assume a modest 40% of conversion of the current (historic) resources to reserves and await further information from PNR before we include any potential expansion to +200kozpa. We estimate AISC will initially be in the region of A\$1,500/oz. We model a considerable capital (\$40M), mine (\$25M) and exploration (\$30M) investment in the CNGP over the next 3 years. Given no formal studies have been released for CNGP, there is both upside and downside risk to our valuation.

Valuation of 24cps

**Fig. 5: Hartleys Sum of Parts Valuation for PNR**

Share Price Valuation (NAV)	Risked Est. A\$m	A\$/share
100% Halls Creek (pre-tax NAV at disc. rate of 8%)	56	0.05
50% Central Norseman (pre-tax NAV at disc. rate of 14%)	178	0.15
Other Exploration	40	0.03
Forwards	0	0.00
Corporate Overheads	-18	-0.01
Net Cash (Debt)	24	0.02
Tax (NPV future liability)	0	0.00
Options & Other Equity	2	0.00
Hedging	0	0.00
<b>Total</b>	<b>282.1</b>	<b>0.24</b>
<i>Spot Valuation: USD/AUD 0.70, Gold \$1806/oz.</i>	364	0.31

Source: Hartleys' Estimates

## RISKS

**Fig. 6: Key assumptions and risks for valuation**

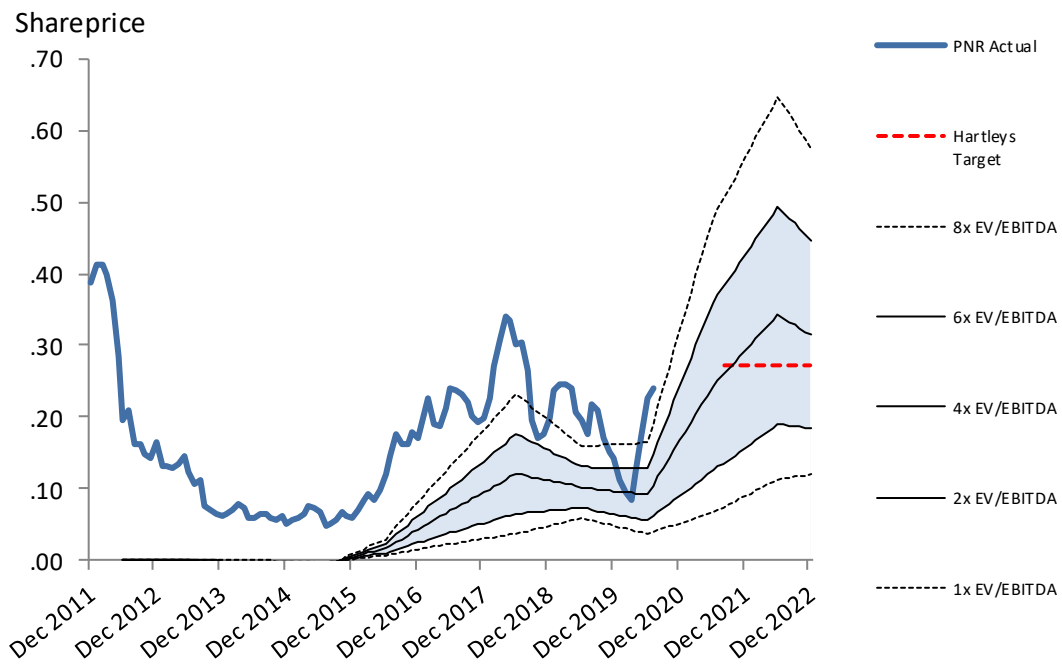
Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Geological risk	Moderate	High	Additional drilling required to improve resource confidence.
Rising gold prices	Moderate	High	We assume modest gold price increases in the near term.
No more expansions	Moderate	Upside	We assume the Halls Creek mill is not upgraded again.
Nicolsons operates effectively using downsized methods (single arm jumbo/air legging)	Low	Moderate	We assume Nicolsons has transitioned to a new mining method and will not suffer further setbacks.
100% resource conversion	High	Moderate	We assume a Halls Creek mining inventory that is higher than the current reserve.
Establishment of operations at Central Norseman	Moderate	High	We assume Central Norseman can be in production within 12months
Exploration upside potential	Moderate	Low	We assume meaningful exploration value, in addition to the assumed reserve conversion.

*Conclusion* Mine life, production from Halls Creek and Norseman development assumptions are the biggest risk to our valuation, which could have a material impact on our valuation.

Source: Hartleys' Research

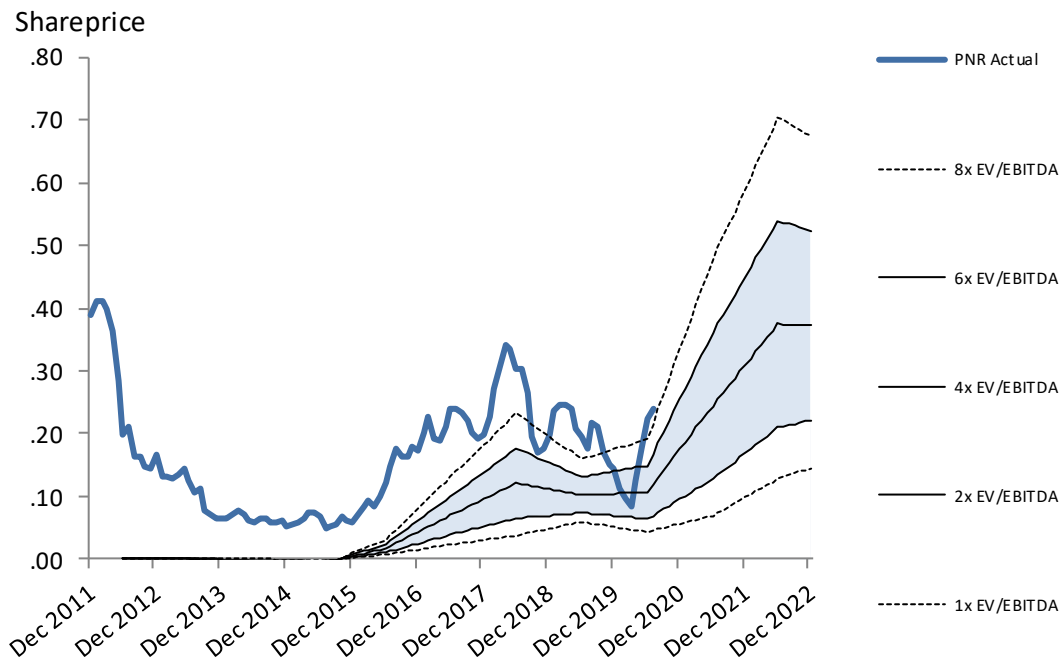
## EV/EBITDA BANDS

Fig. 7: Using Hartleys base case commodity forecasts



Source: Hartleys' Estimates, IRESS

Fig. 8: Using spot commodity prices



Source: Hartleys' Estimates, IRESS

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Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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