

22 July 2020

Pantoro Limited (PNR)**BUY****Share Price: A\$0.27****Another high grade target added at Norseman****Target Price: A\$0.35**

PNR has released a number of high grade drill results from the Sailfish Prospect at Norseman. An initial, first-pass drilling program has confirmed historical results at Sailfish, including 8.1m at 67.3g/t Au which followed up on a previous hit of 1.5m at 461g/t Au. Sailfish is one of several targets which reside under sedimentary cover on Lake Cowan and demonstrates the potential for further significant discoveries within the Norseman project area. The Lake Cowan area has had no systematic exploration since the +1Moz Harlequin discovery in the early 1990's. The addition of new high grade ore sources to the existing 4.4Moz resource would likely underpin a larger production target over a longer mine life at Norseman. Maintain BUY, \$0.35/sh PT (unchanged). Spot valuation of \$0.45/sh.

Bonanza grade hits at Sailfish Prospect, Norseman

- Successful 8-hole first-pass drill program, results incl:
 - 8.1m at 67g/t Au from 79m (incl 0.7m at 521g/t Au)
 - 1.8m at 4.3g/t Au from 171m (incl 1m at 7.7g/t Au)
 - 3.5m at 5.6g/t Au from 64m (incl 0.3m at 26g/t Au)
- Significant core loss through high grade zones (assumed 0g/t Au) likely due to the soft, friable nature of the high grade lode mineralisation
- Historical drilling by WMC in the early 1990's included
 - 1.5m at 461.5g/t Au from 77m (incl 1m at 690g/t Au)
 - 1.4m at 21.2g/t Au from 137m
 - 0.3m at 54g/t Au from 96m
- Exploration and the understanding of the Sailfish Prospect remains in the early stages, with additional large-diameter drilling being planned

Significant exploration upside at Norseman

- PNR continue to drill with 4-5 rigs at Norseman, combining resource/reserve infill/extension and greenfield exploration programs
- Targets under the cover sequences on Lake Cowan remain highly prospective; we expect additional high grade discoveries as greenfield drilling progresses
- WMC discovered the Harlequin deposit on Lake Cowan in the early 1990's which produced +800koz at 10g/t

Key Dates Ahead

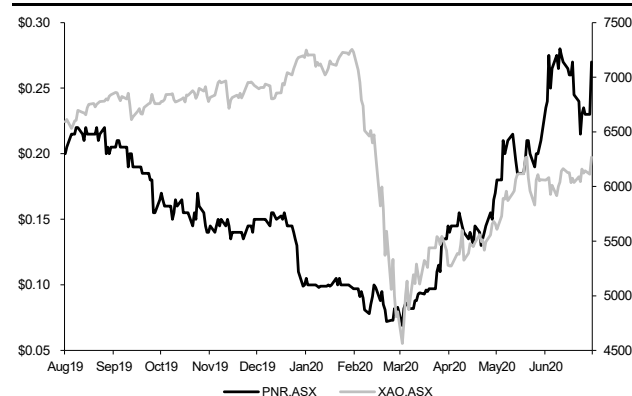
- Ongoing – infill, extensional & greenfield drilling results
- End SepQ 20 – Resource & reserve update
- End SepQ 20 – DFS on Stage 1 production plan
- DecQ 20 – FID and start of construction
- 2H CY21 – first production from Norseman

Company Data

Shares – ordinary (M)	1177
Market capitalisation (\$M)	317.8
12 month low/high (\$)	0.06/ 0.28
Average monthly turnover (\$M)	26.2
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End June	FY19A	FY20F	FY21F	FY22F	FY23F
Revenue (\$M)	77.0	79.0	93.8	173.9	290.3
Costs (\$M)	-60.0	-62.6	-55.0	-101.0	-140.7
EBITDA (\$M)	17.0	16.3	38.8	72.9	149.6
NPAT (\$M)	0.8	-24.8	19.2	42.9	91.6
EPS (¢ps)	0.1	-2.1	1.6	3.3	7.1
EPS growth (%)	-94%	na	na	114%	114%
PER (x)	253	na	15.4	7.2	3.4
Op. Cashflow (\$M)	41.9	-29.7	11.3	29.1	74.9
OCFPS (¢ps)	3.5	-2.5	0.9	2.3	5.8
POCFPS (x)	7.6	-10.8	30.5	11.9	4.6
Enterprise Value (\$M)	229.6	259.5	248.1	219.0	144.2
EV / EBITDA (x)	13.5	15.9	6.4	3.0	1.0
Payout ratio (%)	na	na	na	na	na
Dividends (¢ps)	0	0	0	0	0
Yield (%)	na	na	na	na	na
Franking (%)	na	na	na	na	na

PNR – performance over one year**Disclosure and Disclaimer**

This report must be read with the disclosure and disclaimer on the final page of this document.

Brett McKay

+61 2 9239 9605

Analysis

Pantoro Limited (PNR)											
Year End June						Share price (A\$)					0.27
						Issued Shares (m)					1,177
						Market Cap (A\$m)					318
						Options/Rights/Escrowed (m)					4.6
						Dilution (\$25m at \$0.25/sh) (m)					100
						Fully Diluted no. of Shares (m)					1,282
Profit & Loss Statement (A\$m)						Production					
Revenue	FY19A	FY20F	FY21F	FY22F	FY23F	Gold price (US\$/oz)	FY19A	FY20F	FY21F	FY22F	FY23F
Costs	(60.0)	(62.6)	(55.0)	(101.0)	(140.7)	AUD:USD	0.71	0.67	0.71	0.71	0.70
EBITDA	17.0	16.3	38.8	72.9	149.6	Gold price (A\$/oz)	1,779	2,328	2,604	2,500	2,357
Depreciation & Amortisation	(16.1)	(25.0)	(20.0)	(20.0)	(20.0)	Ore processed (Mt)	0.21	0.23	0.22	0.60	1.22
Operating profit	0.9	(8.7)	18.8	52.9	129.6	Halls Creek	0.21	0.23	0.22	0.22	0.22
NOI	(0.1)	(15.2)	0.0	0.0	0.0	Norseman	0.00	0.00	0.00	0.38	1.00
EBIT	0.8	(23.9)	18.8	52.9	129.6	Gold grade (g/t Au)	6.7	5.7	5.5	5.8	5.7
Interest income	0.2	1.1	0.5	0.7	1.3	Halls Creek	6.7	5.7	5.5	5.5	5.5
Interest expense	(0.1)	(2.0)	(0.0)	(0.0)	(0.0)	Norseman	na	na	na	5.9	5.8
Tax expense	0.0	0.0	0.0	(10.7)	(39.2)	Gold produced (koz Au)	43	39	36	70	123
Minority interest	0.0	0.0	0.0	0.0	0.0	Halls Creek	43	39	36	36	36
Reported NPAT	0.8	(24.8)	19.2	42.9	91.6	Norseman (PNR 50%)	0	0	0	34	87
EPS Reported (A\$c)	0.1	(2.1)	1.6	3.3	7.1	Mill contribution to production					
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	Halls Creek	100%	100%	100%	52%	29%
Avg. no. of fully-diluted shares (m)	877	1,181	1,232	1,282	1,282	Norseman (PNR 50%)	0%	0%	0%	48%	71%
YE no. of fully-diluted shares (m)	1,184	1,182	1,282	1,282	1,282						
Cash Flow Statement (A\$m)						Costs (A\$/oz)					
EBITDA	FY19A	FY20F	FY21F	FY22F	FY23F	C1 cash costs	FY19A	FY20F	FY21F	FY22F	FY23F
Investment in working capital	0.6	4.8	(0.4)	(2.3)	(5.2)	Halls Creek	1,229	1,491	1,378	1,302	952
Tax expense	0.0	0.0	0.0	(10.7)	(39.2)	Norseman	na	na	na	1,381	1,463
Operating Cash Flow	17.6	21.2	38.4	59.9	105.1	AISC	1,434	1,739	1,650	1,484	1,147
Capex	(26.0)	(16.2)	(40.5)	(14.5)	(16.5)	Halls Creek	1,434	1,739	1,650	1,651	1,632
Exploration	(4.3)	(23.3)	(7.0)	(7.0)	(5.0)	Norseman	na	na	na	1,395	1,047
Other investments	0.0	(10.0)	(5.0)	(10.0)	(10.0)	Resource					
Investing Cash Flow	(30.2)	(49.5)	(52.5)	(31.5)	(31.5)	Category	Mt	g/t Au	Au (koz)		
Net interest received / (paid)	0.1	(1.0)	0.4	0.7	1.2	Halls Creek	M, I, & Inf	1.6	7.5	395	
Debt drawdown / (repayment)	0.2	0.2	0.0	0.0	0.0	Norseman (PNR 50%)	M, I, & Inf	17.8	3.9	2,212	
Dividends paid	0.0	0.0	0.0	0.0	0.0	Total	M, I, & Inf	19.4	4.2	2,607	
Equity raised / (repaid)	54.1	0.0	25.0	0.0	0.0	Leverage & Ratios					
Financing Cash Flow	54.4	(0.7)	25.4	0.7	1.2	Debt/Equity	FY19A	FY20F	FY21F	FY22F	FY23F
Non-operating/Other	0.2	(0.7)	0.0	0.0	0.0	Net Debt/Equity	0.8%	1.2%	0.8%	0.6%	0.4%
Inc/(Dec) in Cash	41.9	(29.7)	11.3	29.1	74.9	Interest Cover (x)	cash	cash	cash	cash	cash
							na	-25	na	na	na
Balance Sheet (A\$m)											
Cash & Equivalents	FY19A	FY20F	FY21F	FY22F	FY23F	P/E (x)	FY19A	FY20F	FY21F	FY22F	FY23F
Receivables	53.7	24.0	35.4	64.5	139.3	EV/EBITDA (x)	284	na	17.3	8.1	3.8
Inventories	1.3	1.6	1.9	3.5	5.8	Price/Book (x)	15.6	18.0	7.3	3.5	1.2
Other Current Assets	4.2	4.7	5.6	10.4	17.4	Book value per share (A\$c)	3.2	3.7	2.4	1.7	1.1
PPE and Exploration & Development	0.8	0.8	0.8	0.8	0.8	ROE (%)	8.5	7.2	10.5	14.6	22.6
Deferred tax asset	57	109	141	153	164		1%	-27%	17%	27%	38%
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0	Valuation					
Total Assets	122	154	204	261	367	Halls Creek Project (NPV)			(A\$m)	(A\$/ps)	
Payables and other current Liabilities	4.1	14.1	19.1	29.1	39.1	Non-mine inventory			50	0.04	
Short Term Debt (excl lease liabilities)	15.3	20.9	21.7	25.8	29.9	Halls Creek Resource			72	0.06	
Long Term Debt (excl lease liabilities)	0.8	1.0	1.0	1.0	1.0	Norseman mine invent. (100%) (NPV)			505	0.39	
Other Non Current Liabilities	0.0	0.0	0.0	0.0	0.0	Non-mine inventory (100%)			119	0.09	
Non-controlling interest (NCI)	5.2	46.7	46.7	46.7	46.7	Norseman Gold Project (100%)			624	0.49	
Total Liabilities incl NCI	21	69	69	74	78	PNR interest in Norseman			50%		
Equity attributable to PNR	100	86	135	188	289	Norseman Resource (PNR 50%)			312	0.24	
Total Liabilities and Equity	122	154	204	261	367	Halls Creek & Norseman			384	0.30	
						Exploration upside (nominal)			50	0.04	
						Corporate costs			(22)	(0.02)	
						Enterprise value			412	0.32	
						FY 21F net cash (debt)			34	0.03	
						Equity value			446	0.35	

Source: Petra Capital

Petra Capital
Level 17, 14 Martin Place, Sydney NSW 2000

ABN 95 110 952 782
ACN 110 952 782
AFSL 317 944

Director:	George Marias	+61 (0)2 9239 9601	gmarias@petracapital.com.au
Research (Resources):	Brett McKay	+61 (0)2 9239 9605	bmckay@petracapital.com.au
Research (Resources):	Craig Brown	+61 (0)2 9239 9629	cbrown@petracapital.com.au
Research (Resources):	Hugh Stackpool	+61 (0)2 9239 9625	hstackpool@petracapital.com.au
Research (Resources):	David Brennan	+61 (0)2 9239 9630	dbrennan@petracapital.com.au
Research (Industrials):	Killian Murphy	+61 (0)2 9239 9607	kmurphy@petracapital.com.au
Research (Industrials):	David McFadyen	+61 (0)2 9239 9642	dmcfadyen@petracapital.com.au
Research (Industrials):	James Lennon	+61 (0)2 9239 9618	jlennon@petracapital.com.au
Research (Industrials):	Nick Basile	+61 (0)2 9239 9633	nbasile@petracapital.com.au
Sales:	Frank Barila	+61 (0)2 9239 9603	fbarila@petracapital.com.au
Sales:	Vincent Pisani	+61 (0)2 9239 9617	vpisani@petracapital.com.au
Sales:	Peter Veldhuizen	+61 (0)2 9239 9609	pveldhuizen@petracapital.com.au
Sales:	Michael Casey	+61 (0)2 9239 9608	mcasey@petracapital.com.au
Sales:	Neil Watson	+61 (0)2 9239 9602	nwatson@petracapital.com.au
Sales:	Leigh Gardner	+61 (0)2 9239 9620	lgardner@petracapital.com.au
Sales:	Vince Barila	+61 (0)2 9239 9627	vbarila@petracapital.com.au
Sales:	Colin Redmond	+61 (0)2 9239 9613	credmond@petracapital.com.au
Sales:	Richard Macphillamy	+61 (0)2 9239 9604	rmacphillamy@petracapital.com.au
Sales:	Paul Doherty	+61 (0)407 194 549	pdoherty@petracapital.com.au
Sales:	Trevor Pike	+61 (0)413 119 995	tpike@petracapital.com.au
Sales:	Rob Dobson	+61 (0)2 9239 9628	rdobson@petracapital.com.au
Corporate (ECM):	Verity Barritt	+61 (0)2 9239 9622	vbarritt@petracapital.com.au
Administration:	Krystle Garven	+61 (0)2 9239 9635	kgarven@petracapital.com.au
Administration:	Samantha Tingley	+61 (0)2 9239 9636	stingley@petracapital.com.au
Administration:	Larissa Falvo	+61 (0)2 9239 9611	lfalvo@petracapital.com.au
Administration:	Emma Pagalday	+61 (0)2 9239 9621	epagalday@petracapital.com.au
Legal & Compliance:	Stephen Newton	+61 (0)2 9239 9612	snewton@petracapital.com.au
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

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