

26 October 2020

Pantoro Limited (PNR)

BUY **Share Price: A\$0.21**

Halls Creek keeps doing its thing

Target Price: A\$0.35

PNR has produced 8,012oz at A\$1,612/oz AISC from the Halls Creek operation in the SepQ. Whilst slightly below guidance (9,000koz \pm 5%), cash flow of \$4m was in line with expectations due a higher realised gold price. Quarterly guidance remains unchanged. Cash from Halls Creek continues to be put to good use as the Norseman development takes shape following the recent completion of the Definitive Feasibility Study. With a low-cost, fully funded pathway to first production, we see further value creation as aggressive extensional and greenfield exploration advances at Norseman over the coming 12-18 months. Maintain BUY, PT of \$0.35/sh (prev, \$0.31/sh) after revising gold price forecasts.

Halls Creek cash used to unlock Norseman

- Gold production of 8,012oz at A\$1,612/oz, slightly weaker than guidance (9,000oz \pm 5%) and our estimate (9,000oz at A\$1,650/oz AISC)
- Grades expected to improve as mining moves into higher grade stopes, as evidenced by recent drilling and development, particularly at depth in Rowdies (Figure 1)
- Despite lower gold output, the AISC was below our estimate, showing good cost control in the quarter
- Cashflow of \$4.1m, after \$1m on expanding the tailings storage facility to provide +18 months capacity
- DecQ & MarQ guidance unchanged, with cashflow expected at the top-end of the \$3.5-6m/qtr range

More value to be unlocked at Norseman (50% PNR)

- The recent Norseman DFS outlined a low capex (\$89m), low risk and rapid restart of gold production
- Only one third of the 4.2Moz resource was considered in the DFS; ongoing drilling to progressively convert more ounces into future mine plans
- Aggressive 100,000m infill, extensional and greenfields drilling campaign over the coming 12-18 months, targeting a doubling of the mining inventory
- An improved production profile and longer mine life is expected; we see 150kozpa for a minimum of 10yrs
- With \$65m cash, PNR is fully funded for its share of capital development costs to bring Norseman into operation and conduct planned exploration programs

Key Dates Ahead

- Ongoing – drilling results from Norseman
- Mar. Q'21 – final permits/approvals
- Jun. Q'21 – start of construction
- Mid CY22 – first gold at Norseman

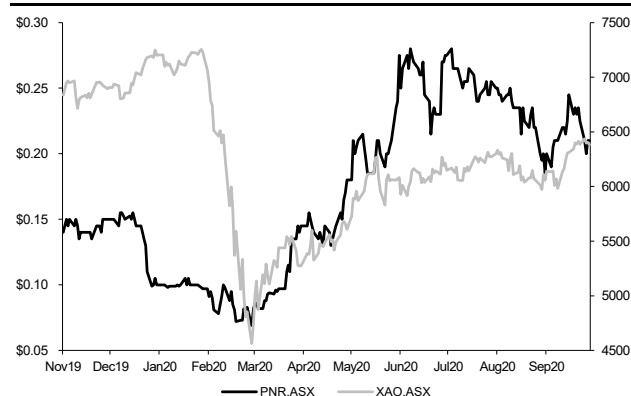
Company Data

Shares – ordinary (M)	1408.4
Market capitalisation (\$M)	295.8
12 month low/high (\$)	0.06/ 0.29
Average monthly turnover (\$M)	13.8
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End June	FY20A	FY21F	FY22F	FY23F	FY24F
Revenue (\$M)	82.1	92.7	93.8	183.6	142.5
Costs (\$M)	-66.7	-55.1	-56.1	-114.9	-71.9
EBITDA (\$M)	15.4	37.6	37.7	68.8	70.6
NPAT (\$M)	-29.2	18.0	15.0	46.2	61.8
EPS (¢ps)	-2.4	1.4	1.1	3.2	4.3
EPS growth (%)	na	na	-23%	207%	34%
PER (x)	na	15	20	6	5
Op. Cashflow (\$M)	38.0	37.6	31.9	63.5	65.1
OCFPS (¢ps)	3.2	2.9	2.2	4.4	4.6
POCFPS (x)	7	7	9	5	5
Enterprise Value (\$M)	273.3	225.5	257.6	236.3	210.7
EV / EBITDA (x)	17.7	6.0	6.8	3.4	3.0
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)

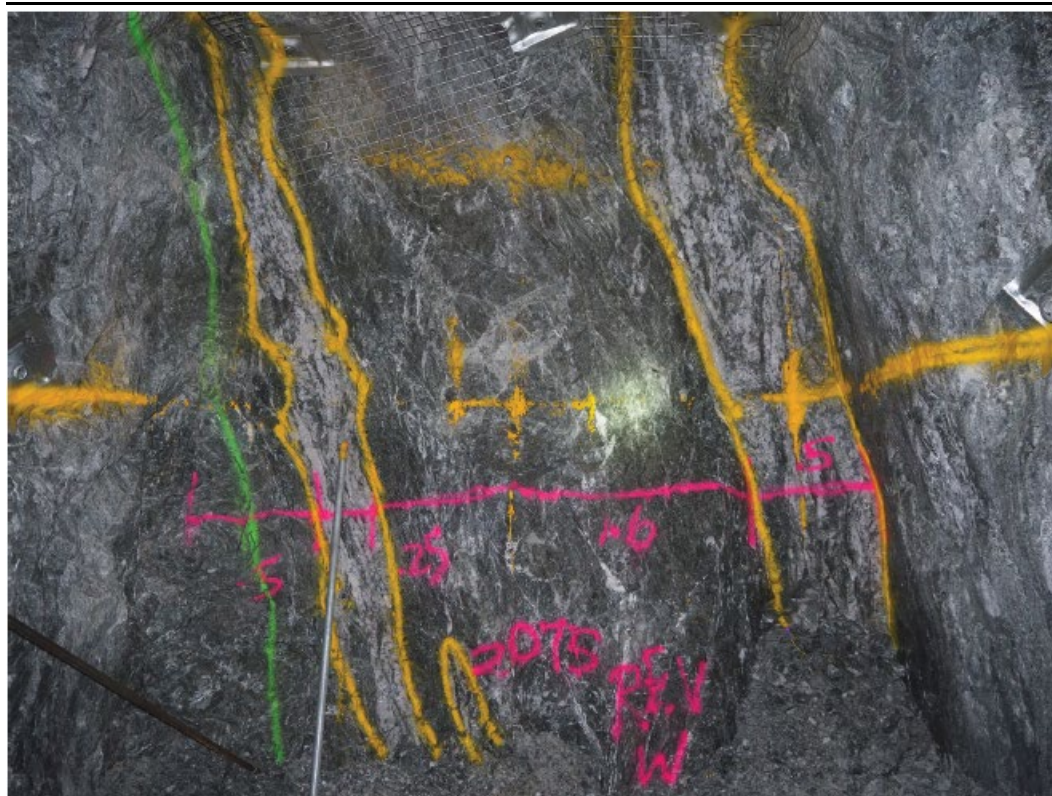
Year End June						Share price (A\$)					
						0.21					
						1,408					
						296					
						21.4					
						0					
						1,430					

Profit & Loss Statement (A\$M)						Production					
	FY20A	FY21F	FY22F	FY23F	FY24F		FY20A	FY21F	FY22F	FY23F	FY24F
Revenue	82.1	92.7	93.8	183.6	142.5	Gold price (US\$/oz)	1,563	1,903	1,863	1,813	1,700
Costs	(66.7)	(55.1)	(56.1)	(114.9)	(71.9)	AUD:USD	0.67	0.72	0.72	0.71	0.71
EBITDA	15.4	37.6	37.7	68.8	70.6	Gold price (A\$/oz)	2,328	2,647	2,605	2,553	2,411
Depreciation & Amortisation	(29.2)	(20.0)	(20.0)	(20.0)	(10.0)	Ore processed (Mt)	0.23	0.22	0.22	1.12	1.00
Operating profit	(13.8)	17.6	17.7	48.8	60.6	Halls Creek	0.23	0.22	0.22	0.22	0.00
NOI	(16.0)	0.0	0.0	0.0	0.0	Norseman	0.00	0.00	0.00	0.90	1.00
EBIT	(29.8)	17.6	17.7	48.8	60.6	Gold grade (g/t Au)	5.7	5.3	5.5	3.2	3.9
Interest income	0.6	0.4	1.4	0.8	1.2	Halls Creek	5.7	5.3	5.5	5.5	na
Interest expense	(0.0)	0.0	0.0	0.0	0.0	Norseman	na	na	na	2.6	3.9
Tax expense	0.0	0.0	(4.0)	(3.3)	0.0	Gold produced (koz Au)	39	35	36	72	59
Minority interest	0.0	0.0	0.0	0.0	0.0	Halls Creek	39	35	36	36	0
Reported NPAT	(29.2)	18.0	15.0	46.2	61.8	Norseman (PNR 50%)	0	0	0	36	59
EPS Reported (A\$)	(2.4)	1.4	1.1	3.2	4.3	Mill contribution to production					
DPS - Declared (A\$)	0.0	0.0	0.0	0.0	0.0	Halls Creek	100%	100%	100%	50%	0%
Avg. no. of fully-diluted shares (m)	1,195	1,314	1,430	1,430	1,430	Norseman (PNR 50%)	0%	0%	0%	50%	100%
YE no. of fully-diluted shares (m)	1,197	1,430	1,430	1,430	1,430						
Cash Flow Statement (A\$M)						Costs (A\$/oz)					
	FY20A	FY21F	FY22F	FY23F	FY24F		FY20A	FY21F	FY22F	FY23F	FY24F
EBITDA	15.4	37.6	37.7	68.8	70.6	C1 cash costs	1,491	1,423	1,437	1,466	1,032
Investment in working capital	13.3	0.0	(1.8)	(2.0)	(5.5)	Halls Creek	1,491	1,423	1,381	1,463	na
Tax expense	9.3	0.0	(4.0)	(3.3)	0.0	Norseman	na	na	na	1,468	1,032
Operating Cash Flow	38.0	37.6	31.9	63.5	65.1	AISC	1,739	1,687	1,709	1,640	1,159
Capex	(40.2)	(16.5)	(48.4)	(27.9)	(35.7)	Halls Creek	1,739	1,687	1,653	1,637	na
Exploration	(4.3)	(23.8)	(7.0)	(5.0)	(5.0)	Norseman	na	na	na	1,642	1,159
Other investments	0.0	(5.0)	(10.0)	(10.0)	0.0	Resource	Category	Mt	g/t Au	Au (koz)	
Investing Cash Flow	(44.5)	(45.3)	(65.4)	(42.9)	(40.7)	Halls Creek	M, I, & Inf	1.6	6.6	339	
Net interest received / (paid)	0.6	0.4	1.4	0.8	1.2	Norseman (PNR 50%)	M, I, & Inf	17.8	3.9	2,212	
Debt drawdown / (repayment)	(0.8)	0.0	0.0	0.0	0.0	Total	M, I, & Inf	19.4	4.1	2,551	
Dividends paid	0.0	0.0	0.0	0.0	0.0						
Equity raised / (repaid)	18.3	55.0	0.0	0.0	0.0	Leverage & Ratios	FY20A	FY21F	FY22F	FY23F	FY24F
Financing Cash Flow	18.1	55.4	1.4	0.8	1.2	Debt/Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Non-operating/Other	(42.9)	0.0	0.0	0.0	0.0	Net Debt/Equity	cash	cash	cash	cash	cash
Inc/(Dec) in Cash	(31.2)	47.8	(32.1)	21.4	25.6	Interest Cover (x)	na	na	na	na	na
Balance Sheet (A\$M)						P/E (x)					
	FY20A	FY21F	FY22F	FY23F	FY24F						
Cash & Equivalents	22.5	70.3	38.1	59.5	85.1	EV/EBITDA (x)	17.7	6.0	6.8	3.4	3.0
Receivables	1.1	1.9	1.9	3.7	2.9	Price/Book (x)	3.0	1.7	1.4	1.1	0.9
Inventories	3.6	5.6	5.6	11.0	8.6	Book value per share (A\$)	8.3	12.5	14.3	18.2	22.5
Other Current Assets	0.8	0.8	0.8	0.8	0.8	ROE (%)	-30%	13%	8%	20%	21%
PPE and Exploration & Development	134	160	205	228	259						
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Valuation	(A\$m)	(A\$/ps)			
Other Non Current Assets	0.0	5.0	15.0	25.0	25.0	Halls Creek NPV		57		0.04	
Total Assets	162	243	266	328	381	Non-mine inventory		20		0.01	
Payables and other current Liabilities	27.7	28.3	26.6	31.8	23.0	Halls Creek Project		77		0.05	
Short Term Debt (excl lease liabilities)	0.0	0.0	0.0	0.0	0.0	Norseman NPV (100%)		496		0.35	
Long Term Debt (excl lease liabilities)	0.0	0.0	0.0	0.0	0.0	Non-mine inventory (100%)		140		0.10	
Other Non Current Liabilities	35.8	35.8	35.8	35.8	35.8	Norseman Gold Project (100%)		636		0.44	
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	PNR interest in Norseman		50%			
Total Liabilities incl NCI	64	64	62	68	59	Norseman Gold Project (PNR 50%)		318		0.22	
Equity attributable to PNR	99	179	204	260	322	Halls Creek & Norseman		395		0.28	
Total Liabilities and Equity	162	243	266	328	381	Exploration upside (nominal)		50		0.03	
						Corporate costs		(22)		(0.02)	
						Enterprise value		423		0.30	
						FY 21F net cash (debt)		70		0.05	
						Equity value		493		0.35	

Major Shareholders -September 2020 (Source: Iress)			
Robmar Investments	14.9%	Richard Farleigh	1.6%
Tulla Resources Group	7.1%	Franklin Resources	1.4%
1832 Asset Management	3.8%	Invesco	1.2%

Source: Petra Capital

Figure 1: High grade development face in the REV Lode at Rowdies



REV splay lode being developed on the 2075 level with face grade of 2.85m @ 15.4 g/t.

Source: Company reports

Figure 2: Summary of Changes

		FY21F			FY22F			FY23F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	93	94	-1%	94	90	4%	184	170	8%
EBITDA	A\$m	38	39	-3%	38	34	11%	69	55	25%
EBIT	A\$m	18	19	-7%	18	14	26%	49	35	39%
NPAT	A\$m	18	19	-6%	15	12	24%	46	33	38%
EPS	A\$/sh	1.4	1.5	-6%	1.1	0.8	24%	3.2	2.3	38%
DPS	A\$/sh	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na
NPV/sh	A\$/sh	0.35	0.31	13%						
Price target	A\$/sh	0.35	0.31	13%						
Gold output (Halls Ck & Norseman)	koz	35.0	36.0	-3%	36	36	0%	72	72	0%
AISC	A\$/oz	1,687	1,650	2%	1,709	1,706	0%	1,640	1,635	0%

Source: Petra Capital



26 October 2020

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):	James Lennon	+61 (0)2 9239 9618	jlennon@petracapital.com.au
Research (Industrials):	Nick Basile	+61 (0)2 9239 9633	nbasile@petracapital.com.au
Research (Industrials):	Ken Wagner	+61 (0)2 9239 9642	kwagner@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:	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:	Darren Sheppard	+61 (0)417 039 647	dsheppard@petracapital.com.au
Sales:	Tyrone Lara	+61 (0)2 9239 9608	tlara@petracapital.com.au
Sales:	Rob Dobson	+61 (0)2 9239 9628	rdobson@petracapital.com.au
Sales:	Victoria Smith	+61 (0)2 9239 9616	vsmith@petracapital.com.au
Corporate (ECM):	Verity Barritt	+61 (0)2 9239 9622	vbarritt@petracapital.com.au
Corporate (ECM):	Richard Amland	+61 (0)2 9239 9610	ramland@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
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

Disclosure

This document has been prepared in Australia by Petra Capital Pty Ltd which holds an Australian Financial Services License AFSL 317 944. Petra Capital Pty Ltd is an ASX Market Participant. Petra Capital Pty Ltd and its associates, officers, directors, employees and agents, from time to time, may receive brokerage, commissions, fees or other benefits or advantages, hold securities in companies researched by Petra Capital Pty Ltd and may trade in these securities either as principal or agent.

Disclaimer

The information or advice contained in this report has been obtained from sources that were accurate at the time of issue, however the information has not been independently verified and as such, Petra Capital Pty Ltd cannot warrant its accuracy or reliability. Persons relying on this information do so at their own risk. To the extent permitted by law, Petra Capital Pty Ltd disclaims all liability or responsibility for any direct or indirect loss or damage (including consequential loss or damage) caused by any error or omission within this report, or by persons relying on the contents of this report.

This report is published by Petra Capital Pty Ltd by way of general information or advice only. This report does not take into account specific investment needs or other considerations that may be pertinent to individual investors. Before making any investment decisions based on this report, parties should consider, with or without an investor adviser, whether any relevant part of this report is appropriate to their financial circumstances and investment objectives. Petra Capital Pty Ltd is a licensed institutional/wholesale stockbroking firm. The report is only intended for institutional and sophisticated clients to whom Petra Capital Pty Ltd has issued the report. Petra Capital Pty Ltd is not licensed to advise retail investors – retail investors should contact their own stockbroker or financial adviser/planner for advice.

Ratings

Information regarding the scope and expertise of our research services, processes for selection for coverage, and the management of conflicts of interest can be found on Petra Capital's website at <http://www.petracapital.com.au/research-disclosures>.

Petra Capital uses the following ratings system and definitions: Buy - Forecast to outperform the Market by more than 5%; Hold - Forecast to perform up to 5% above or below the Market; Sell - Forecast to underperform the Market by more than 5%; Speculative Buy - Speculative Investment; Take Profits - Recommend taking short term profits in a stock we remain fundamentally positive on a medium term view; Accept Offer - For a company under takeover where we see the offer as a fair price with low risk of a competing offer; No Rating - No rating at this time. Market performance is relative to the S&P/ASX Small Ordinaries Index which we assume generates a neutral return on a 12 month basis.

US Investors

This material is intended for use in the US only by major US Institutional Investors, as that term is defined by the SEC Rule 15a-6. Transactions with US Institutional Investors and major US Institutional Investors, as those terms are defined by SEC Rule 15a-6, are chaperoned by Global Alliance Securities, LLC, ("Global Alliance"), a SEC-registered broker-dealer and FINRA member (web: www.globalalliancesecurities.com) in accordance with the agreement between Global Alliance and Petra Capital Pty Ltd. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore, its accuracy is not guaranteed. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or to make any investment. Any opinion or estimate constitutes the preparer's best judgement as of the date of preparation and is subject to change without notice. Petra Capital Pty Ltd or Global Alliance and their associates or affiliates, and their respective officers, directors and employees may buy or sell securities mentioned herein as agent or principal for their own account.

Other International

International investors are encouraged to contact their local regulatory authorities to determine whether restrictions apply in buying/selling this investment.