

22 July 2021

Pantoro Limited (PNR)

BUY Share Price: **A\$0.22**

A solid quarter, Norseman construction imminent

Target Price: A\$0.30

PNR has reported another solid quarter from its Halls Creek gold operations, with 8.9koz at A\$1,570/oz AISC, with production at the mid-point of guidance and costs at the low end of the expected range. With a stable operational outlook, FCF from Halls Ck continues to be invested at Norseman, where PNR is well prepared to begin construction and six rigs continue to generate exciting results, which will deliver considerable upside. Maintain BUY, PT of A\$0.30/sh (prev. \$0.31/sh).

Stability and consistency at Halls Creek

- Output of 8,880koz at A\$1,570/oz compared to guidance of 9koz \pm 10% at A\$1,550-1,750/oz AISC and our forecast of 9koz at A\$1,582/oz AISC
- \$3.1m of cash flow after capex and exploration
- Quarterly guidance for SepQ and DecQ of 9koz \pm 10% at A\$1,550-1,750/oz AISC is unchanged
- FY21 output of 35.5koz at A\$1,558/oz AISC which generated \$17m in cash from Halls Creek

Slight delay to the start of Norseman construction

- Final approvals to construct the new processing plant at Norseman are still awaited, with delays due to the unusually high number of applications with regulators
- 11 month construction period, with the timing of first gold dependant on receipt of final approvals
- Long lead items ordered, plant construction contract with GR Engineering and FEED well advanced, accommodation camp nearing completion

Recent drill results have been impressive

- Norseman drilling continues with 6 rigs, generating significant results over recent weeks from the Mainfield, Scotia and Maybell mining centres
- Recent results at Mainfield include 5.7m at 35.9g/t, incl 1.4m at 141.6g/t, 2m at 21g/t, 6m at 15g/t
- PNR aiming to double reserve in coming 12-18 months
- Three key target areas to build the mining inventory (i) continued conversion of existing resources into reserves; (ii) extending existing deposits, which are almost all open at depth and (iii) new discoveries
- Milled grade yet to be optimised; preferentially treating higher grades could see +4g/t Au for 120-130kozpa
- Expansion potential to 1.5Mtpa for minimal capex

Key dates ahead

- Ongoing – exploration results
- Jun. Q'21 – Norseman start of construction
- Mid-CY22 – first gold from Norseman

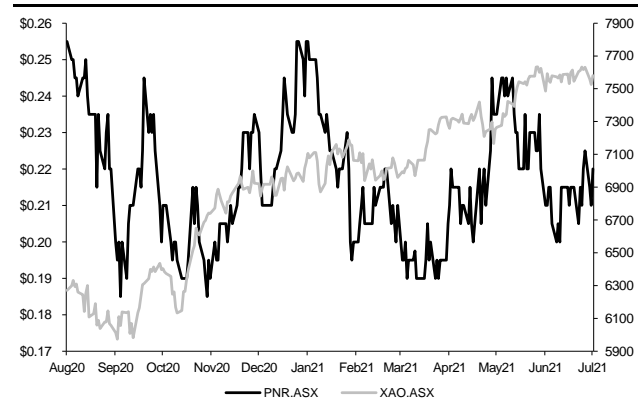
Company Data

| | |
|--------------------------------|-----------------|
| Shares – ordinary (M) | 1409 |
| Dilution (M) | 14.9 |
| Total (fully diluted) (M) | 1423.9 |
| Market capitalisation (\$M) | 310 |
| 12 month low/high (\$) | 0.18/ 0.29 |
| Average monthly turnover (\$M) | 4.8 |
| GICS Industry | Metals & Mining |

Financial Summary (fully diluted/normalised)

| Year End June | FY20A | FY21F | FY22F | FY23F | FY24F |
|------------------------|-------|-------|-------|--------|--------|
| Revenue (\$M) | 82.1 | 87.7 | 83.5 | 166.2 | 169.1 |
| Costs (\$M) | -66.7 | -51.7 | -54.8 | -114.1 | -102.2 |
| EBITDA (\$M) | 15.4 | 36.0 | 28.7 | 52.1 | 66.8 |
| NPAT (\$M) | -29.2 | 16.5 | 9.3 | 30.3 | 57.2 |
| EPS (¢ps) | -2.4 | 1.3 | 0.7 | 2.1 | 4.0 |
| EPS growth (%) | na | na | -48% | 223% | 89% |
| PER (x) | na | 17 | 33 | 10 | 5 |
| Op. Cashflow (\$M) | 38.0 | 36.0 | 26.6 | 48.2 | 61.2 |
| OCFPS (¢ps) | 3.2 | 2.8 | 1.9 | 3.4 | 4.3 |
| POCFPS (x) | 7 | 8 | 12 | 6 | 5 |
| Enterprise Value (\$M) | 287.5 | 260.6 | 282.2 | 264.5 | 242.0 |
| EV / EBITDA (x) | 18.6 | 7.2 | 9.8 | 5.1 | 3.6 |
| 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\$) | 0.220 | |
| | | | Issued Shares (m) | 1,409 | |
| | | | Market Cap (A\$m) | 310 | |
| | | | Options/Rights/Escrowed (m) | 14.9 | |
| | | | Dilution (m) | 0 | |
| | | | Fully Diluted no. of Shares (m) | 1,424 | |
| Profit & Loss Statement (A\$M) | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F |
| Revenue | 82.1 | 87.7 | 83.5 | 166.2 | 169.1 |
| Costs | (66.7) | (51.7) | (54.8) | (114.1) | (102.2) |
| EBITDA | 15.4 | 36.0 | 28.7 | 52.1 | 66.8 |
| Depreciation & Amortisation | (29.2) | (20.0) | (20.0) | (20.0) | (10.0) |
| Operating profit | (13.8) | 16.0 | 8.7 | 32.1 | 56.8 |
| NOI | (16.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | (29.8) | 16.0 | 8.7 | 32.1 | 56.8 |
| Interest income | 0.6 | 0.4 | 1.0 | 0.8 | 1.1 |
| Interest expense | (0.0) | 0.0 | (0.4) | (0.4) | 0.0 |
| Tax expense | 0.0 | 0.0 | 0.0 | (2.2) | (0.7) |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported NPAT | (29.2) | 16.5 | 9.3 | 30.3 | 57.2 |
| EPS Reported (A\$) | (2.4) | 1.3 | 0.7 | 2.1 | 4.0 |
| DPS - Declared (A\$) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Avg. no. of fully-diluted shares (m) | 1,195 | 1,303 | 1,413 | 1,424 | 1,424 |
| YE no. of fully-diluted shares (m) | 1,197 | 1,409 | 1,424 | 1,424 | 1,424 |
| Cash Flow Statement (A\$M) | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F |
| EBITDA | 15.4 | 36.0 | 28.7 | 52.1 | 66.8 |
| Investment in working capital | 13.3 | 0.0 | (2.1) | (1.7) | (5.0) |
| Tax expense | 9.3 | 0.0 | 0.0 | (2.2) | (0.7) |
| Operating Cash Flow | 38.0 | 36.0 | 26.6 | 48.2 | 61.2 |
| Capex | (40.2) | (24.5) | (41.9) | (25.9) | (34.7) |
| Exploration | (4.3) | (30.0) | (7.0) | (5.0) | (5.0) |
| Other investments | 0.0 | (5.0) | 0.0 | 0.0 | 0.0 |
| Investing Cash Flow | (44.5) | (59.5) | (48.9) | (30.9) | (39.7) |
| Net interest received / (paid) | 0.6 | 0.4 | 0.6 | 0.4 | 1.1 |
| Debt drawdown / (repayment) | (0.8) | 0.0 | 10.0 | 0.0 | (10.0) |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity raised / (repaid) | 18.3 | 50.0 | 0.0 | 0.0 | 0.0 |
| Financing Cash Flow | 18.1 | 50.4 | 10.6 | 0.4 | (8.9) |
| Non-operating/Other | (42.9) | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(Dec) in Cash | (31.2) | 26.9 | (11.7) | 17.7 | 12.6 |
| Balance Sheet (A\$M) | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F |
| Cash & Equivalents | 22.5 | 49.4 | 37.7 | 55.4 | 68.0 |
| Receivables | 1.1 | 1.8 | 1.7 | 3.3 | 3.4 |
| Inventories | 3.6 | 5.3 | 5.0 | 10.0 | 10.1 |
| Other Current Assets | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| PPE and Exploration & Development | 134 | 174 | 203 | 214 | 243 |
| Deferred tax asset | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Non Current Assets | 0.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Total Assets | 162 | 236 | 253 | 288 | 331 |
| Payables and other current Liabilities | 27.7 | 27.4 | 24.9 | 29.9 | 25.1 |
| Short Term Debt (excl lease liabilities) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long Term Debt (excl lease liabilities) | 0.0 | 0.0 | 10.0 | 10.0 | 0.0 |
| Other Non Current Liabilities | 35.8 | 35.8 | 35.8 | 35.8 | 35.8 |
| Non-controlling interest (NCI) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Liabilities incl NCI | 64 | 63 | 71 | 76 | 61 |
| Equity attributable to PNR | 99 | 173 | 182 | 213 | 270 |
| Total Liabilities and Equity | 162 | 236 | 253 | 288 | 331 |
| Major Shareholders - July 2021 (Source: Iress) | | | | | |
| Robmar Investments | 14.9% | | AgaNola | 3.5% | |
| Tulla Resources Group | 7.1% | 1832 Asset Management | | 3.4% | |
| Franklin Resource | 3.6% | | Invesco | 1.8% | |
| Production | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F |
| Gold price (US\$/oz) | 1,563 | 1,849 | 1,763 | 1,750 | 1,650 |
| AUD:USD | 0.67 | 0.75 | 0.76 | 0.76 | 0.75 |
| Gold price (A\$/oz) | 2,328 | 2,474 | 2,319 | 2,310 | 2,193 |
| Ore processed (Mt) | 0.23 | 0.23 | 0.22 | 1.12 | 1.11 |
| Halls Creek | 0.23 | 0.23 | 0.22 | 0.22 | 0.11 |
| Norseman | 0.00 | 0.00 | 0.00 | 0.90 | 1.00 |
| Gold grade (g/t Au) | 5.7 | 5.1 | 5.5 | 3.2 | 4.0 |
| Halls Creek | 5.7 | 5.1 | 5.5 | 5.5 | 5.5 |
| Norseman | na | na | na | 2.6 | 3.9 |
| Gold produced (koz Au) | 39 | 35 | 36 | 72 | 77 |
| Halls Creek | 39 | 35 | 36 | 36 | 18 |
| Norseman (PNR 50%) | 0 | 0 | 0 | 36 | 59 |
| Mill contribution to production | | | | | |
| Halls Creek | 100% | 100% | 100% | 50% | 23% |
| Norseman (PNR 50%) | 0% | 0% | 0% | 50% | 77% |
| Costs (A\$/oz) | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F |
| C1 cash costs | 1,491 | 1,313 | 1,381 | 1,466 | 1,114 |
| Halls Creek | 1,491 | 1,313 | 1,381 | 1,463 | 1,650 |
| Norseman | na | na | na | 1,468 | 1,032 |
| AISC | 1,739 | 1,558 | 1,591 | 1,606 | 1,212 |
| Halls Creek | 1,739 | 1,558 | 1,591 | 1,603 | 1,704 |
| Norseman | na | na | na | 1,608 | 1,137 |
| Resource | | | | | |
| | Category | Mt | g/t Au | Au (koz) | |
| Halls Creek | M, I, & Inf | 1.6 | 6.6 | 339 | |
| Norseman (PNR 50%) | M, I, & Inf | 17.8 | 3.9 | 2,212 | |
| Total | M, I, & Inf | 19.4 | 4.1 | 2,551 | |
| Leverage & Ratios | | | | | |
| | FY20A | FY21F | FY22F | FY23F | FY24F |
| Debt/Equity | 0.0% | 0.0% | 5.5% | 4.7% | 0.0% |
| Net Debt/Equity | cash | cash | cash | cash | cash |
| Interest Cover (x) | na | na | na | na | na |
| P/E (x) | na | 17 | 33.4 | 10.4 | 5.5 |
| EV/EBITDA (x) | 18.6 | 7.2 | 9.8 | 5.1 | 3.6 |
| Price/Book (x) | 3.1 | 1.8 | 1.7 | 1.5 | 1.1 |
| Book value per share (A\$) | 8.3 | 12.3 | 12.8 | 14.9 | 18.9 |
| ROE (%) | -30% | 12% | 5% | 15% | 24% |
| Valuation | | | | | |
| | (A\$m) | | | (A\$/ps) | |
| Halls Creek NPV | 44 | | | 0.03 | |
| Non-mine inventory | 20 | | | 0.01 | |
| Halls Creek Project | 64 | | | 0.04 | |
| Norseman NPV (100%) | 443 | | | 0.31 | |
| Non-mine inventory (100%) | 140 | | | 0.10 | |
| Norseman Gold Project (100%) | 583 | | | 0.41 | |
| <i>PNR interest in Norseman</i> | 50% | | | | |
| Norseman Gold Project (PNR 50%) | 292 | | | 0.20 | |
| Halls Creek & Norseman | 355 | | | 0.25 | |
| Exploration upside (nominal) | 50 | | | 0.04 | |
| Corporate costs | (20) | | | (0.01) | |
| Enterprise value | 386 | | | 0.27 | |
| FY 22F net cash (debt) | 28 | | | 0.02 | |
| Equity value | 413 | | | 0.30 | |

Source: Petra Capital

Figure 1: Summary of Changes

| | | FY21F | | | FY22F | | | FY23F | | |
|-----------------------------------|--------|-------------|-------------|------------|-------|-------|-------|-------|-------|-------|
| | | New | Old | % var | New | Old | % var | New | Old | % var |
| Revenue | A\$m | 88 | 87 | 1% | 83 | 82 | 1% | 166 | 166 | 0% |
| EBITDA | A\$m | 36 | 35 | 2% | 29 | 27 | 8% | 52 | 52 | 0% |
| EBIT | A\$m | 16 | 15 | 4% | 9 | 7 | 32% | 32 | 32 | 0% |
| NPAT | A\$m | 16 | 16 | 4% | 9 | 6 | 48% | 30 | 30 | -1% |
| EPS | A\$/sh | 1.3 | 1.2 | 5% | 0.7 | 0.4 | 51% | 2.1 | 2.1 | 1% |
| DPS | A\$/sh | 0.0 | 0.0 | na | 0.0 | 0.0 | na | 0.0 | 0.0 | na |
| NPV/sh | A\$/sh | 0.30 | 0.31 | -3% | | | | | | |
| Price target | A\$/sh | 0.30 | 0.31 | -3% | | | | | | |
| Gold output (Halls Ck & Norseman) | koz | 35.5 | 35.6 | 0% | 36 | 36 | 0% | 72 | 72 | 0% |
| AISC | A\$/oz | 1,558 | 1,582 | -2% | 1,591 | 1,660 | -4% | 1,606 | 1,634 | -2% |

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): | Hugh Stackpool | +61 (0)2 9239 9625 | hstackpool@petracapital.com.au |
| Research (Resources): | Craig Brown | +61 (0)2 9239 9629 | cbrown@petracapital.com.au |
| Research (Resources): | David Brennan | +61 (0)2 9239 9630 | dbrennan@petracapital.com.au |
| Research (Resources): | Andrew Harrington | +61 (0)2 9239 9614 | aharrington@petracapital.com.au |
| Research (Resources): | Kieran Barratt | +61 (0)2 9239 9610 | kbarratt@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 |
| Research (Industrials): | Daniel Ireland | +61 (0)2 9239 9647 | direland@petracapital.com.au |
| Research (Industrials): | Mark Yarwood | +61 (0)2 9239 9646 | myarwood@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 | pdoherly@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: | Vince Musumeci | +61 (0)2 9239 9606 | vmusumeci@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): | Georgia Chinchilla | +61 (0)2 9239 9632 | gchinchilla@petracapital.com.au |
| Administration: | Belinda Teichmann | +61 (0)2 9239 9636 | bteichmann@petracapital.com.au |
| Administration: | Nicole Sarapata | +61 (0)2 9239 9635 | nsarapata@petracapital.com.au |
| Administration: | Katy Phillips | +61 (0)2 9239 9624 | kphillips@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: | Danielle Smith | +61 (0)2 9239 9612 | dsmith@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.