

Pantoro Ltd

(PNR \$0.195) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	20th April 2021	\$0.30/sh

Mar Q: Norseman works begin, TUL contributing

Investment case

Pantoro Ltd (PNR) reported slightly weaker production than we expected, from its Halls Creek Gold Mine in the MarQ, although we maintain that its Norseman Gold Project (50% PNR) remains the key value driver going forward. The Norseman DFS (Oct 2020), showed a 6-year mine life at ~110kozpa (-50koz attributable) with significant potential for growth, first gold is scheduled for early CY22. Over the medium to long term we see potential for the Norseman mill to be expanded to 1.5Mtpa from 1.0Mtpa for only modest capex, which would enable production of +150kozpa (+75kozpa attrib) assuming its largely filled from high grade underground ore feed. We expect a strong year of news flow in CY21, with exploration results from the 100,000m of drilling at Norseman along with development milestones throughout the year. If PNR is able to consolidate the ownership of the Norseman Gold Mine at some point, then we believe it would unlock significant value for all stakeholders. We maintain our Speculative Buy recommendation with a price target of \$0.30/sh.

Key points

- The Company had a slightly weaker than expected quarter of production at its Halls Creek project, with 8.4koz (10.1koz DecQ) at a reported cost of A\$1,644/oz (A\$1,435/oz DecQ), this was compared to guidance of 9.0koz (+/-10%) at an AISC of A\$1,550-1750/oz.
- The weaker production was blamed on higher than average rainfall during the quarter limiting oxide feed into the mill resulting in lower throughput (55.3kt MarQ vs 57.3kt DecQ) with head grades also down to 5.0g/t compared to DecQ 5.8g/t.
- The Company's net cash position reduced by ~A\$11m during the quarter to A\$54.3m (debt free), after spending A\$15m on the Norseman gold project.
- After accounting for the A\$15m spend at Norseman we estimate PNR has CAIC of A\$1,714/oz in the MarQ.
- We note that PNR's Norseman's gold project JV partner Tulla resources (TUL) has paid its first cash into the JV and is now required to contribute on a 50% basis.
- Guidance has been maintained for the JunQ at 9.0koz (+/-10%) at an AISC between A\$1,550-1,750/oz.
- We expect modest cash flow generation from Halls Creek to contribute to exploration and development at the Norseman gold project.
- EPC engineering works were awarded to GR Engineering (GNG) during the quarter with the ball mill ordered and demolition of the old plant underway.
- We have slightly increased our capex estimate for the Norseman build to ~A\$100m to be conservative, (PNR ~A\$50m attrib) DFS -A\$90m, due to the minor upgrades to the plant capacity announced in the quarterly. Although this should be partially offset through a reduction in the camp capex (A\$8.4m).

Pantoro Ltd	Year End 30 June	
Share Price	0.20	A\$/sh
Price Target	0.30	A\$/sh
Valuation	0.22	A\$/sh (npv 10%)

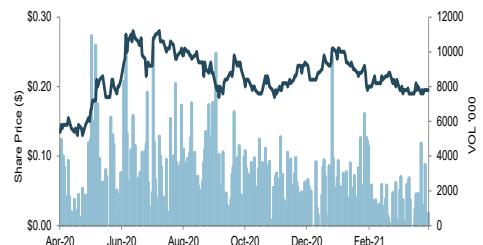
Shares on issue	1435	m, diluted *
Market Capitalisation	275	A\$m
Enterprise Value	220	A\$m
Debt	0	A\$m
Cash	54	A\$m
Largest Shareholder	Robmar Inv.	15.1%

Production F/Cast	2020A	2021F	2022F
Attrib. Prod'n (koz)	39	36	56
Cash Cost (A\$/oz)	1491	1290	1252
Total Cost (A\$/oz)	2083	1904	1856

Assumptions	2020A	2021F	2022F
Gold US\$/oz	1587	1886	1900
AUDUSD	0.67	0.75	0.75

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	82	90	142
EBITDA (A\$m)	1	37	63
NPAT (A\$m)	-29	-14	11
Cashflow (A\$m)	19	22	61
CFPS (Ac)	1	2	4
P/CFPS (x)	14.4	12.5	4.6
EPS (Ac)	-2	-1	1
EPS growth (%)	na	na	na
PER (x)	na	na	25.0
EV:EBITDA (x)	253.1	6.4	4.0
EV:EBIT (x)	-7.9	-16.5	22.9
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity (%)	na	na	na
Interest Cover (x)	na	na	na

Share Price Chart



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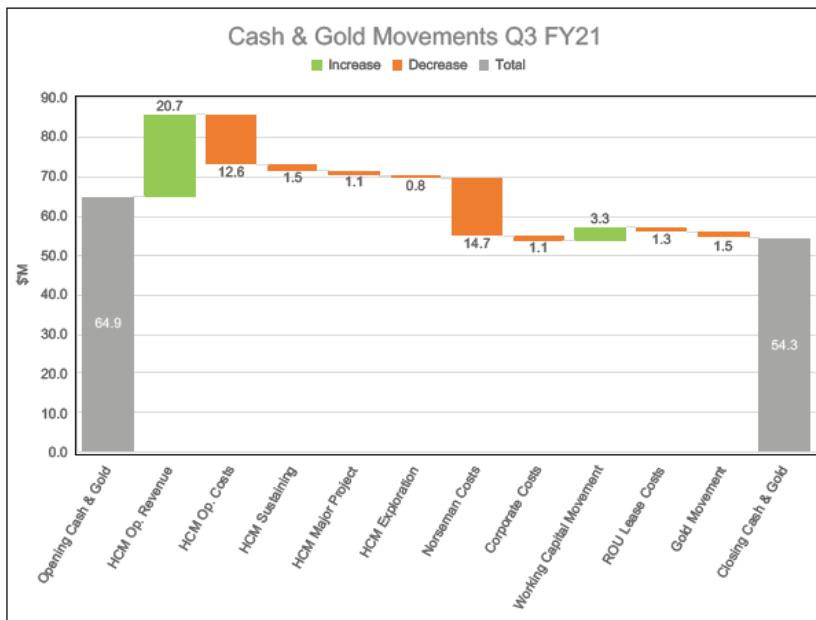
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- We continue to assume that PNR will be able to secure a debt facility in the order of A\$40m in the coming months, although we do note that there remains the risk of further equity dilution.
- Strong exploration news flow is expected to continue from Norseman with 5-6 drill rigs on site, we are eagerly awaiting the first drill results from Mainfield, with multiple quartz reefs intersections awaiting assay.
- PNR continues to be unhedged, with the Company achieving a gold price of A\$2,316/oz during the quarter (A\$2,540/oz DecQ).
- We maintain our Speculative Buy recommendation with a price target of \$0.30/sh, key risks include execution risk along with approvals which are expected in early May.

Cash waterfall



Historical quarterly production results from Halls Creek.

Physical Summary	FY 2020		FY 2021	
	Q4	Q1	Q2	Q3
UG Ore Mined (t)	45,882	55,725	49,172	44,220
UG Grade Mined (g/t Au)	6.37	4.90	6.35	5.67
OP BCM Mined	0	0	0	0
OP Ore Mined (t)	0	0	0	0
OP Grade Mined (g/t Au)	0.00	0.00	0.00	0.00
Ore Processed (t)	59,002	57,968	57,263	55,322
Head Grade (g/t Au)	5.45	4.64	5.81	5.02
Recovery (%)	92.7%	92.7%	94.7%	94.3%
Gold Produced (oz)	9,586	8,012	10,143	8,429
Cost Summary (\$/oz)				
Production costs	\$1,344	\$1,458	\$1,138	\$1,373
Stockpile Adjustments	-\$17	-\$92	\$49	\$24
C1 Cash Cost	\$1,327	\$1,365	\$1,187	\$1,397
Royalties	\$65	\$46	\$58	\$61
Marketing/Cost of sales	\$6	\$6	\$5	\$5
Sustaining Capital	\$174	\$188	\$177	\$175
Corporate Costs	\$7	\$7	\$7	\$5
All-in Sustaining Costs	\$1,578	\$1,612	\$1,435	\$1,644
Major Project Capital	\$1.40M	\$2.65M	\$1.79M	\$1.12M
Exploration Cost	\$0.36M	\$0.73M	\$1.06M	\$0.82M
Project Capital	\$1.76M	\$3.38M	\$2.85M	\$1.94M

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Demolition works underway.



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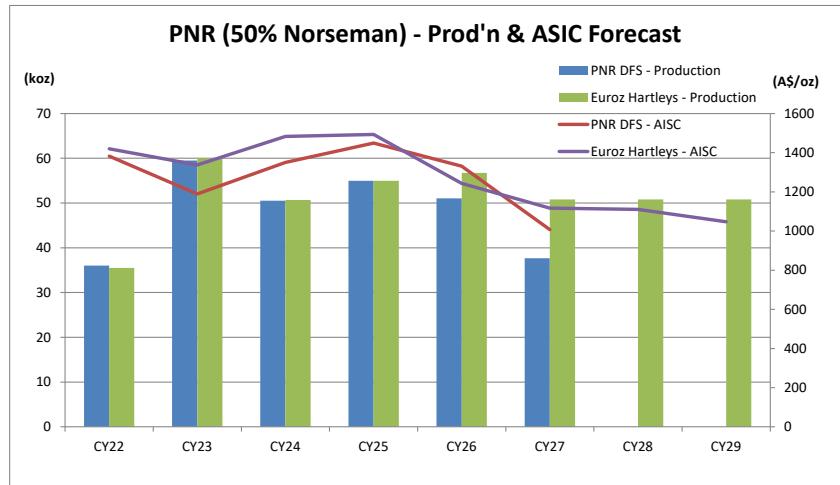
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Key Variables

Val/ Sh	Gold \$									
	\$0.22	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.04	\$0.07	\$0.09	\$0.12	\$0.14	\$0.17	\$0.19	\$0.22	\$0.24
	10%	\$0.06	\$0.09	\$0.11	\$0.14	\$0.16	\$0.19	\$0.22	\$0.24	\$0.27
	5%	\$0.08	\$0.11	\$0.13	\$0.16	\$0.19	\$0.22	\$0.24	\$0.27	\$0.30
	0%	\$0.10	\$0.13	\$0.16	\$0.19	\$0.22	\$0.24	\$0.27	\$0.30	\$0.33
	-5%	\$0.13	\$0.16	\$0.19	\$0.22	\$0.25	\$0.28	\$0.30	\$0.33	\$0.36
	-10%	\$0.15	\$0.18	\$0.22	\$0.25	\$0.28	\$0.31	\$0.34	\$0.37	\$0.40
	-15%	\$0.18	\$0.22	\$0.25	\$0.28	\$0.32	\$0.35	\$0.38	\$0.41	\$0.44

Euroz Forecast	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24
Gold (USD)	\$1,294	\$1,587	\$1,886	\$1,900	\$1,800	\$1,700
Gold (AUD)	\$1,823	\$2,367	\$2,528	\$2,533	\$2,432	\$2,297
Gold Price Rec'd	\$1,823	\$2,367	\$2,528	\$2,533	\$2,432	\$2,297
AUDUSD	\$0.71	\$0.67	\$0.75	\$0.75	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.22/sh

Target Price - \$0.30/sh

Bull Scenario - \$0.50/sh

The Company is able to expand the Norseman mill to 1.5mtpa and extend the high-grade underground mineralisation maintaining production above +150kozpa (100%).

Base Scenario - \$0.30/sh

The Company is able to smoothly ramp up its Norseman gold operation as per the DFS with slightly elevated costs, with the gold price remaining at current levels. We assume they will be able to extend the high-grade underground production adding and additional 2 years to the mine life.

Bear Scenario - \$0.05/sh

A\$ Gold prices fall 30% and the Norseman gold project has commissioning issues running overbudget. The Norseman LOM plan fails to reconcile with actuals resulting in higher opex and/or lower production. Additional equity is required to reduce Balance Sheet risk. LOM is not extended beyond the mine plan.

Company Summary

Pantoro Ltd (PNR) owns the Halls Creek gold mine in the Kimberley which produces modest production of ~36koz pa, however the market's eyes are firmly focussed on its 50% owned Norseman gold project PNR represents a rare opportunity for investors to buy into one of the last remaining historical production hubs in WA at a decent valuation. Near term catalysts include further exploration results along with the finalisation of a financing package to get Norseman back into production, we estimate first gold in early CY22.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz.

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Market Statistics			Year End 30 June	
Share Price	\$0.20 A\$/sh	Directors		
Issued Capital		W Zekulich	NE Chair	
Fully paid Ord Shares	1,408.4 m	P Cmrlec	MD	
Opts & Perf rights @ var	26.7 m	S Haffadine	NE Dir	
Total Dil	1,435.0 m	K Edwards	NE Dir	
		F Van Maanen	NE Dir	
Mkt Capital'n	\$275 m			
Enterprise Value	\$220 m			
Debt	\$- m	Robmar Inv.	15.3%	
Cash	\$54 m	Tulla Res.	7.1%	
Hedging - None				

Asset Valuation		A\$m	A\$/sh
100% Halls Creek (NPV@ 10%)		67	0.05
50% Norseman (NPV@ 10%)		155	0.11
Other Exploration		50	0.03
Corporate Overheads		(20)	(0.01)
Net Cash (Debt)		54	0.04
Tax (NPV future liability)		-	-
Options & Other Equity		3	0.00
Hedging		-	-
Total		309	0.22

F/Cast Production	(A\$m)	2020A	2021F	2022F	2023F
Halls Creek					
Throughput	Ktpa	228	228	229	229
Milled grade	g/t	5.7	5.4	5.5	5.5
Production	Koz	38.7	36	38	38
Cash Cost	A\$/oz	1,491	1,290	1,289	1,289
AISC (A\$/oz)	A\$/oz	1,739	1,597	1,609	1,769
All in Costs (A\$/oz)	A\$/oz	2,083	1,904	1,855	1,830
Norseman					
Production (100%)	Koz	-	-	36	96
Production (50%)	Koz	-	-	18	48
Cash Cost	A\$/oz	-	-	1,170	1,047
AISC (A\$/oz)	A\$/oz	-	-	1,489	1,311
All in Costs (A\$/oz)	A\$/oz	-	-	1,860	1,557
Group	Koz	39	36	56	86
Cash Cost (A\$/oz)	A\$/oz	1,491	1,290	1,252	1,155
AISC (A\$/oz)	A\$/oz	1,739	1,597	1,571	1,515
All in Costs (A\$/oz)	A\$/oz	2,083	1,904	1,856	1,678
Avg Spot Price (US\$)		1,587	1,886	1,900	1,800
Avg Price Rec'd (A\$)		2,367	2,528	2,533	2,432
USD:AUD		0.67	0.75	0.75	0.74

Ratio Analysis (A\$m)	2020A	2021F	2022F	2023F
CF (A\$m)	19	22	61	96
CF / Sh (Ac/sh)	1	2	4	7
CF Ratio (x)	14	13	5	3
Earnings (A\$m)	(29)	(14)	11	38
EPS (Ac/sh)	(2.0)	(1.0)	0.8	2.6
EPS Growth (%)	na	na	na	237%
Earnings Ratio (x)	na	na	25	7
E'prise Val. (A\$m)	225	237	254	203
EV : EBITDA (x)	253	6	4	2
EV : EBIT (x)	(8)	(17)	23	5
Net Debt / ND+Eq (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
EBIT Margin (%)	-35%	-16%	8%	18%
ROE (%)	-23%	-13%	9%	21%
ROA (%)	-13%	-6%	4%	14%
Div. (Ac/sh)	-	-	-	-
Div. payout ratio (x)	-	-	-	-
Div. Yield (%)	0%	0%	0%	0%
Div. Franking (%)	0%	0%	0%	0%

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Profit and Loss (A\$m)	2020A	2021F	2022F	2023F
Gold Revenue	127	90	142	209
Hedging Revenue	(45)	-	-	-
Interest Revenue	(1)	0	0	0
Other Revenue	-	-	-	-
TOTAL REVENUE	82	90	142	209
Operating Costs	79	49	74	106
Dep/Amort	30	51	52	62
Writeoffs (explor)	-	-	-	-
Provisions	-	-	-	-
Corp O/H	2	4	4	4
EBITDA	1	37	63	99
EBIT	(29)	(14)	11	38
Interest Expense	(1)	0	0	0
NPBT	(29)	(14)	11	38
Tax	-	-	-	-
Minorities	-	-	-	-
NET PROFIT	(20)	(10)	8	26
Net Abnormal Gain/(Loss)	(9)	(4)	3	11
NET PROFIT After Abn'l	(29)	(14)	11	38

Cash Flow (A\$m)	2020A	2021F	2022F	2023F
Net Profit	(29)	(14)	11	38
+ Working Capital Adj.	19	(15)	(6)	(14)
+ Dep/Amort	30	51	52	62
+ Provisions	(O)	-	-	-
+ Tax Expense	-	-	3	11
- Tax Paid	-	-	-	-
- Deferred Revenue	-	-	-	-
Operating Cashflow	19	22	61	96
-Capex + Development	(19)	(26)	(61)	(39)
-Exploration	(18)	(13)	(7)	(7)
-Assets Purchased	(8)	(5)	(10)	-
+Asset Sales	-	-	-	-
+ Other	-	-	-	-
Investing Cashflow	(44)	(44)	(78)	(46)
+Equity Issues	-	-	2	2
+Loan D/down/Receivable	-	40	-	-
-Other	6	-	-	-
-Loan Repayment	-	-	15	25
-Dividends	-	-	-	-
Financing Cashflow	(6)	40	(13)	(23)
Period Sur (Def)	(31)	18	(30)	28
Cash Balance	22	41	11	39

Balance Sheet (A\$m)	2020A	2021F	2022F	2023F
Assets				
Cash	13	41	11	39
Current Receivables	1	7	12	17
Other Current Assets	4	1	1	1
Non-Current Assets	134	127	152	136
Total Assets	162	176	176	194
Liabilities				
Borrowings	9	49	34	9
Current Accounts Payable	16	4	6	9
Other Liabilities	47	47	47	47
Total Liabilities	73	101	88	66
Net Assets	90	75	88	128

	Reserves			Resources		
	mt	g/t	k oz	mt	g/t	k oz
Norseman Gold (100%)	9.1	2.1	602	35.0	3.8	4,241
Norseman Gold (PNR 50%)	4.5	2.1	301	17.5	3.8	2,121
Nicolsons Gold	1.0	4.6	150	1.6	6.6	339
Total (k oz)			451			2,460
EV per oz			489			90

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