

Pantoro Limited

(PNR \$0.22) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	22 nd July 2021	\$0.34/sh ▲ from \$0.30/sh

JunQ: Halls Creek steady, Norseman progressing

Event

Pantoro Limited (PNR) released its JunQ report, highlighting production of 8.9koz at a reported AISC of A\$1,570/oz.

Impact

Production was inline with guidance of 9.0koz (+/-10%) at an AISC between A\$1,500 - \$1,750/oz.

The Company finished the quarter with a **strong net cash position of A\$49.2m** which is down A\$5m, after spending A\$6.1m at Norseman.

- The Company has maintained production guidance at Halls Creek mine at ~9koz at AISC of A\$1,550-1750/oz for the SepQ and DecQ, we continue to assume production inline with guidance.
- A slight increase to both the Valuation and Price target due largely to the incorporation of a relatively small proportion of higher grade Mainfield ore (Crown Reef) into our production profile, given the recent drill success.

Action

We maintain our Speculative Buy Recommendation, increasing our Valuation and Price Target to: 24cps (22cps previously) and 34cps (30cps previously) respectively.

Key Catalysts

- Ongoing exploration results from Norseman with 6 drill rigs currently active.
- Debt financing (we assume A\$30m is secured 2H CY21).
- Norseman approvals, allowing construction to commence.
- Gold price and market sentiment.

Pantoro Ltd	Year End 30 Jun	
Share Price	0.22	A\$/sh
Price Target	0.34	A\$/sh
Valuation	0.24	A\$/sh (npv 10%)

Shares on issue	1431m, diluted *
Market Capitalisation	310 A\$m
Enterprise Value	261 A\$m
Debt	0 A\$m
Cash	49 A\$m
Largest Shareholder	Robmar Inv. 15.1%

Production F/Cast	2020A	2021F	2022F
Attrib. Prod'n (koz)	39	35	56
Cash Cost (A\$/oz)	1491	1313	1252
AISC (A\$/oz)	1739	1558	1576

Assumptions	2020A	2021F	2022F
Gold US\$/oz	1587	1864	1850
AUDUSD	0.67	0.75	0.75

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	82	88	138
EBITDA (A\$m)	1	34	60
NPAT (A\$m)	-29	1	17
Cashflow (A\$m)	19	15	63

CFPS (Ac)	1	1	4
P/CFPS (x)	16.2	20.8	5.0

EPS (Ac)	-2	0	1
EPS growth (%)	na	na	na
PER (x)	na	na	18.8

EV:EBITDA (x)	286.1	6.3	3.9
EV:EBIT (x)	-8.9	216.9	14.0

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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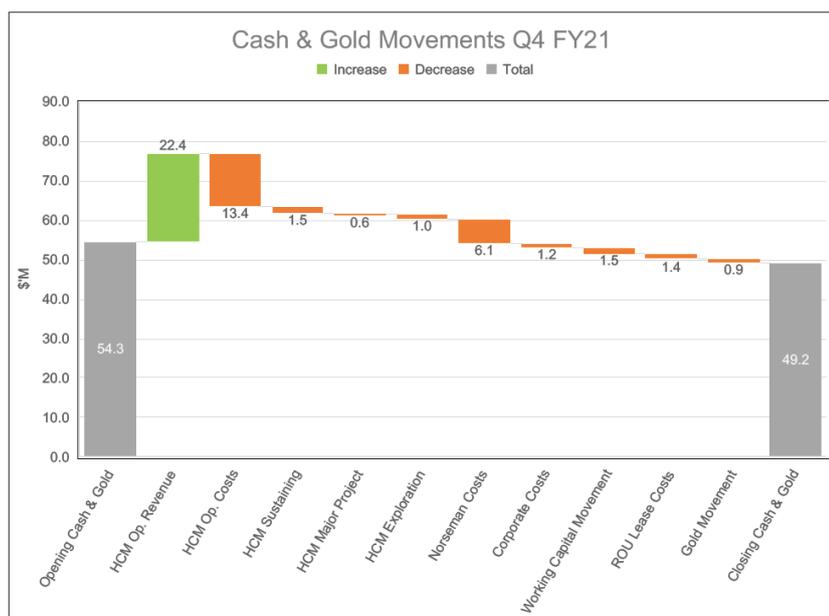
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Analysis

- The Company processed 58.8kt at 5.0g/t in the JunQ producing 8.88koz, compared to the MarQ 55.3Kt at 5.0g/t and 8.4koz.
- The Company finished the quarter with a strong cash position of A\$49.2m (no debt) which is down A\$5m, after spending A\$6.1m at Norseman.
- PNR is currently debt-free but we assume will be able to secure a debt facility of A\$30m in 2H CY21 to fund PNR’s capex share of the Norseman capex which is A\$45m.
- We note that PNR’s Norseman’s gold project JV partner Tulla resources (TUL.asx) continues to contribute on a 50% basis into the JV.
- As a reminder PNR’s 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.
- We now assume a production profile at Norseman that incorporates a small proportion of higher grade ore feed coming from Mainfield (Crown Reef) in CY24 and CY25.
- The introduction of higher grade ore feed has lifted production both CY24 and CY25 to -62koz and -66koz respectively which is ~20% above PNR’s DFS production profile (see chart below).
- We note that if approvals are delayed further it may have an impact on first production which is currently scheduled for early CY22. The Company expects approvals to be granted during this quarter.
- We reiterate that 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.
- 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.

Cash waterfall



Historical quarterly production results from Halls Creek

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Physical Summary	FY2021			
	Q1	Q2	Q3	Q4
UG Ore Mined (t)	55,725	49,172	44,220	47,594
UG Grade Mined (g/t Au)	4.90	6.35	5.67	5.72
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)	57,968	57,263	55,322	58,826
Head Grade (g/t Au)	4.64	5.81	5.02	4.98
Recovery (%)	92.7%	94.7%	94.3%	94.2%
Gold Produced (oz)	8,012	10,143	8,429	8,880
Cost Summary (\$/oz)				
Production costs	\$1,458	\$1,138	\$1,373	\$1,408
Stockpile Adjustments	-\$92	\$49	\$24	-\$79
C1 Cash Cost	\$1,365	\$1,187	\$1,397	\$1,330
Royalties	\$46	\$58	\$61	\$62
Marketing/Cost of sales	\$6	\$5	\$5	\$6
Sustaining Capital	\$188	\$177	\$175	\$166
Corporate Costs	\$7	\$7	\$5	\$7
All-in Sustaining Costs	\$1,612	\$1,435	\$1,644	\$1,570
Major Project Capital	\$2.65M	\$1.79M	\$1.12M	\$0.62M
Exploration Cost	\$0.73M	\$1.06M	\$0.82M	\$0.98M
Project Capital	\$3.38M	\$2.85M	\$1.94M	\$1.59M

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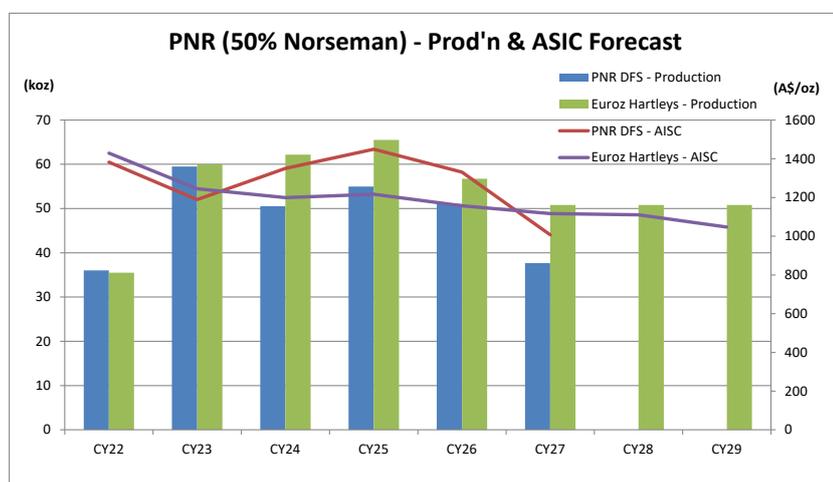
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Key Variables

Val/sh		Gold \$								
\$0.24		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUSUSD	15%	\$0.06	\$0.09	\$0.12	\$0.14	\$0.17	\$0.19	\$0.22	\$0.24	\$0.27
	10%	\$0.08	\$0.11	\$0.14	\$0.16	\$0.19	\$0.22	\$0.24	\$0.27	\$0.30
	5%	\$0.10	\$0.13	\$0.16	\$0.19	\$0.22	\$0.24	\$0.27	\$0.30	\$0.33
	0%	\$0.13	\$0.15	\$0.18	\$0.21	\$0.24	\$0.27	\$0.30	\$0.33	\$0.36
	-5%	\$0.15	\$0.18	\$0.21	\$0.24	\$0.27	\$0.30	\$0.34	\$0.37	\$0.40
	-10%	\$0.18	\$0.21	\$0.24	\$0.28	\$0.31	\$0.34	\$0.37	\$0.40	\$0.43
	-15%	\$0.21	\$0.24	\$0.28	\$0.31	\$0.35	\$0.38	\$0.41	\$0.44	\$0.47

Euroz Forecast	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24
Gold (USD)	\$1,294	\$1,587	\$1,864	\$1,850	\$1,800	\$1,700
Gold (AUD)	\$1,823	\$2,367	\$2,499	\$2,467	\$2,432	\$2,297
Gold Price Rec'd	\$1,823	\$2,367	\$2,499	\$2,467	\$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 - \$0.24/sh
Target Price - \$0.34/sh

Bull Scenario - \$0.50/sh

A\$ gold price rises a further 20% on our long-term A\$2,360/oz assumptions. The Company is able to expand the Norseman mill to 1.5mtpa and extend the high-grade underground mineralisation maintaining production above +130kozpa (100%).

Base Scenario - \$0.34/sh

The Company is able to smoothly ramp up its Norseman gold operation as per the DFS with the introduction of higher grade Mainfield ore in CY34 and CY25, 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 Kimberly which produces modest production of ~36koz pa, however the markets 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 Hartleys.

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Market Statistics Year End 30 June

Share Price	\$0.22	A\$/sh	Directors	
Issued Capital			W Zekulich	NE Chair
Fully paid Ord Shares	1,409.0	m	P Cmrlec	MD
Opts & Perf rights @ var	21.9	m	S Haffadine	NE Dir
Total Dil	1,430.9	m	K Edwards	NE Dir
			F Van Maanen	NE Dir
Mkt Capital'n	\$310	m	Shareholders	
Enterprise Value	\$261	m	Robmar Inv.	15.3%
Debt	\$-	m	Tulla Res.	7.1%
Cash	\$49	m		
Hedging - None				

Asset Valuation A\$m A\$/sh

100% Halls Creek (NPV@ 10%)	61	0.04
50% Norseman (NPV@ 10%)	204	0.14
Other Exploration	50	0.03
Corporate Overheads	(19)	(0.01)
Net Cash (Debt)	49	0.03
Tax (NPV future liability)	-	-
Options & Other Equity	3	0.00
Hedging	-	-
Total	348	0.24
Price Target	485	0.34

F/Cast Production (A\$m) 2020A 2021F 2022F 2023F

Halls Creek					
Throughput	Ktpa	228	229	229	229
Milled grade	g/t	5.7	5.1	5.5	5.5
Production	Koz	39	35	38	38
Cash Cost	A\$/oz	1,491	1,313	1,289	1,289
AISC (A\$/oz)	A\$/oz	1,739	1,558	1,608	1,769

Norseman					
Production (100%)	Koz	-	-	36	96
Production (50%)	Koz	-	-	18	48
Cash Cost	A\$/oz	-	-	1,170	1,047
AISC (A\$/oz)	A\$/oz	-	-	1,507	1,311
All in Costs (A\$/oz)	A\$/oz	-	-	1,860	1,557

Group	Koz	39	35	56	86
Cash Cost (A\$/oz)	A\$/oz	1,491	1,313	1,252	1,155
AISC (A\$/oz)	A\$/oz	1,739	1,558	1,576	1,515

Avg Spot Price (US\$)	1,587	1,864	1,850	1,800
Avg Price Rec'd (A\$)	2,367	2,499	2,467	2,432
USD:AUD	0.67	0.75	0.75	0.74

Ratio Analysis (A\$m) 2020A 2021F 2022F 2023F

CF (A\$m)	19	15	63	96
CF / Sh (Ac/sh)	1	1	4	7
CF Ratio (x)	16	21	5	3

Earnings (A\$m)	(29)	1	17	44
EPS (Ac/sh)	(2.0)	0.1	1.2	3.1
EPS Growth (%)	na	na	na	164%
Earnings Ratio (x)	na	na	19	7

E'prise Val. (A\$m)	254	219	232	181
EV : EBITDA (x)	286	6	4	2
EV : EBIT (x)	(9)	217	14	4

Net Debt / ND+Eq (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
EBIT Margin (%)	-35%	1%	12%	21%
ROE (%)	-23%	1%	7%	15%
ROA (%)	-13%	0%	5%	10%

Div. (Ac/sh)	-	-	-	-
Div. payout ratio (x)	-	-	-	-
Div. Yield (%)	0%	0%	0%	0%
Div. Franking (%)	0%	0%	0%	0%

Profit and Loss (A\$m) 2020A 2021F 2022F 2023F

Gold Revenue	127	88	138	209
Hedging Revenue	(45)	-	-	-
Interest Revenue	(1)	0	0	0
Other Revenue	-	-	-	-
TOTAL REVENUE	82	88	138	209
Operating Costs	79	49	74	106
Dep/Amort	30	33	43	55
Writeoffs (explor)	-	-	-	-
Provisions	-	-	-	-
Corp O/H	2	4	4	4
EBITDA	1	34	60	99
EBIT	(29)	1	17	44
Interest Expense	(1)	0	0	0
NPBT	(29)	1	17	44
Tax	-	-	-	-
Minorities	-	-	-	-
NET PROFIT	(20)	1	12	31
Net Abnormal Gain/(Loss)	(9)	0	5	13
NET PROFIT After Abn'l	(29)	1	17	44

Cash Flow (A\$m) 2020A 2021F 2022F 2023F

Net Profit	(29)	1	17	44
+ Working Capital Adj.	19	(20)	(2)	(17)
+ Dep/Amort	30	33	43	55
+ Provisions	(0)	-	-	-
+ Tax Expense	-	0	5	13
- Tax Paid	-	-	-	-
- Deferred Revenue	-	-	-	-
Operating Cashflow	19	15	63	96
-Capex + Development	(19)	(24)	(59)	(38)
-Exploration	(18)	(13)	(7)	(7)
-Assets Purchased	(8)	(5)	(10)	-
+Asset Sales	-	-	-	-
+ Other	-	-	-	-
Investing Cashflow	(44)	(42)	(76)	(45)
+Equity Issues	-	53	2	2
+Loan D'down/Receivable	-	-	30	-
-Other	6	-	-	-
-Loan Repayment	-	-	-	10
-Dividends	-	-	-	-
Financing Cashflow	(6)	53	32	(8)
Period Sur (Def)	(31)	26	19	43
Cash Balance	22	49	67	111

Balance Sheet (A\$m) 2020A 2021F 2022F 2023F

Assets				
Cash	13	49	67	111
Current Receivables	1	12	11	17
Other Current Assets	4	1	1	1
Non-Current Assets	134	143	176	166
Total Assets	162	205	256	294

Liabilities				
Borrowings	9	9	39	29
Current Accounts Payable	16	4	6	9
Other Liabilities	47	47	47	47
Total Liabilities	73	61	93	86

Net Assets	90	144	162	209
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Reserves and Resources

	Reserves		Resources			
	mt	g/t	koz	mt	g/t	koz
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 (koz)			451			2,460
EV per oz			578			106

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