

9 June 2021

## Pantoro Limited (PNR)

### Another discovery at Norseman

PNR has made another gold discovery at Scotia, which is one of four planned mining centres to feed into a centralised processing plant at Norseman. After Panda and Green Lantern, this is the third recent discovery at Scotia and a reminder of the significant prospectivity across the large Norseman project area (PNR 50%). The discovery is within a “sedimentary iron formation” (SIF), which is known to host deposits at the main historical Norseman mining areas, yet has not been targeted at Scotia, which is 25km to the south. Detailed geophysics and follow up drilling is planned, with at least 8km of prospective SIF to be targeted. With Norseman to pour first gold within 12 months, we see the current 100,000m drilling program delivering resource-reserve conversion, extension of known deposits, and new discoveries. This will continually grow Norseman and underpin a 150-200kozpa asset for +10 years. BUY, \$0.31/sh (unchanged).

#### SIF discovery could offer material upside at Scotia

- SIFs are known to both host and be closely associated with major gold deposits at Norseman, but it has never been tested at Scotia which is 25km to the south
- Initial 12-hole drill program targeted the SIF at the northern end of the Scotia mineralised system (Fig 1)
- Shallow gold mineralisation is associated with cross-cutting structures (Fig 2 & 3), with highlights including:
  - 14m at 12.8g/t incl 2m at 68.2g/t from 34m
  - 27m at 1.9g/t incl 9m at 4.6g/t from 58m
- Mineralisation defined over just 150m of strike, with a further 8km of SIF to be tested to the south
- Geophysics and follow up drilling is planned

#### Multiple upside opportunities to unlock further value

- PNR aiming to double reserves 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; potential for 150-200kozpa over coming years

#### Key Dates Ahead

- Ongoing – exploration results at Norseman & Halls Ck
- Jun/Jul '21 – Norseman start of construction
- Jul '21 – Jun. Q'21 production result
- Mid-CY22 – first gold from Norseman

BUY

Share Price: A\$0.24

Target Price: A\$0.31

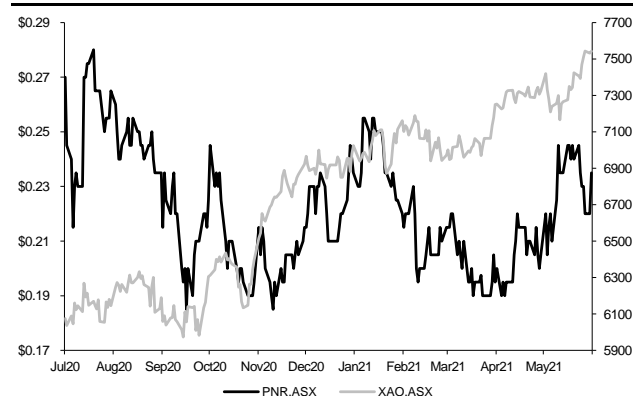
#### Company Data

Shares – ordinary (M)	1408.4
Market capitalisation (\$M)	331
12 month low/high (\$)	0.18/ 0.29
Average monthly turnover (\$M)	8.8
GICS Industry	Metals & Mining

#### Financial Summary (fully diluted/normalised)

Year End June	FY20A	FY21F	FY22F	FY23F	FY24F
Revenue (\$M)	82.1	86.7	82.4	166.2	129.6
Costs (\$M)	-66.7	-51.3	-55.7	-114.1	-71.5
EBITDA (\$M)	15.4	35.4	26.6	52.1	58.0
NPAT (\$M)	-29.2	15.9	6.3	30.5	48.8
EPS (¢ps)	-2.4	1.2	0.4	2.1	3.4
EPS growth (%)	na	na	-64%	387%	60%
PER (x)	na	16	45	9	6
Op. Cashflow (\$M)	38.0	35.4	22.8	48.3	53.0
OCFPS (¢ps)	3.2	2.7	1.6	3.4	3.7
POCFPS (x)	6	7	12	6	5
Enterprise Value (\$M)	252.1	206.1	244.3	238.3	225.2
EV / EBITDA (x)	16.3	5.8	9.2	4.6	3.9
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



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## Analysis

### Pantoro Limited (PNR)

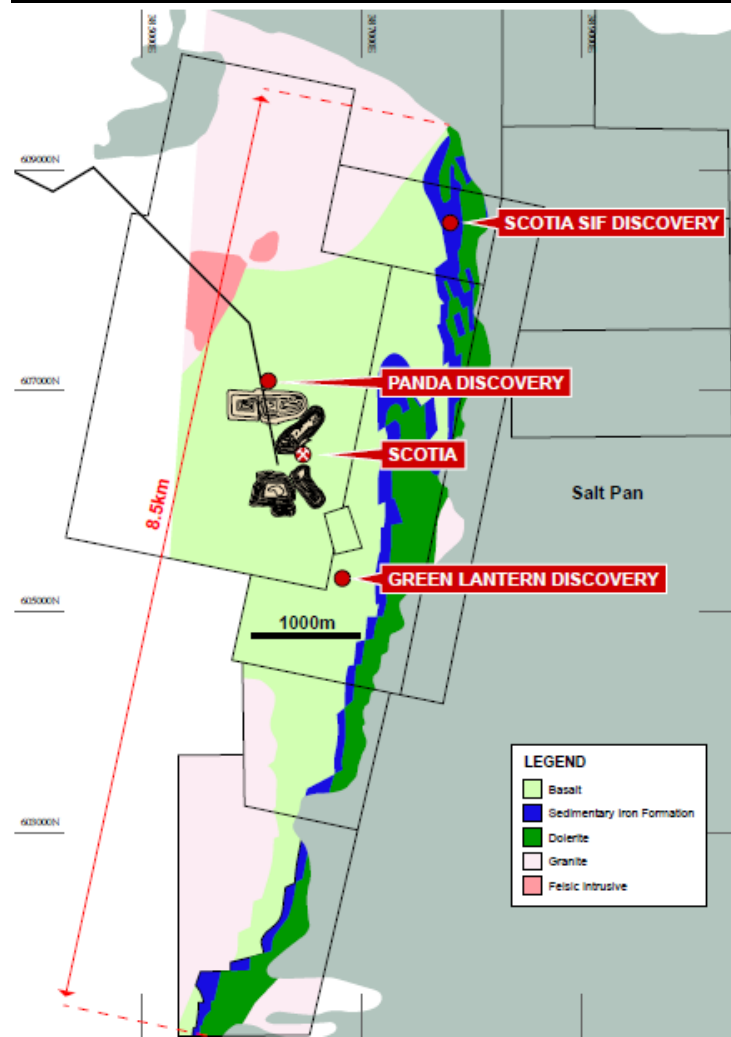
Year End June						Share price (A\$)				
						0.235				
						1,408				
						331				
						21.4				
						0				
						1,430				

Profit & Loss Statement (A\$M)						Production					
	FY20A	FY21F	FY22F	FY23F	FY24F		FY20A	FY21F	FY22F	FY23F	FY24F
Revenue	82.1	86.7	82.4	166.2	129.6	Gold price (US\$/oz)	1,563	1,821	1,750	1,750	1,650
Costs	(66.7)	(51.3)	(55.7)	(114.1)	(71.5)	AUD:USD	0.67	0.75	0.77	0.76	0.75
<b>EBITDA</b>	<b>15.4</b>	<b>35.4</b>	<b>26.6</b>	<b>52.1</b>	<b>58.0</b>	Gold price (A\$/oz)	2,328	2,436	2,288	2,310	2,193
Depreciation & Amortisation	(29.2)	(20.0)	(20.0)	(20.0)	(10.0)	<b>Ore processed (Mt)</b>	<b>0.23</b>	<b>0.23</b>	<b>0.22</b>	<b>1.12</b>	<b>1.00</b>
<b>Operating profit</b>	<b>(13.8)</b>	<b>15.4</b>	<b>6.6</b>	<b>32.1</b>	<b>48.0</b>	Halls Creek	0.23	0.23	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
<b>EBIT</b>	<b>(29.8)</b>	<b>15.4</b>	<b>6.6</b>	<b>32.1</b>	<b>48.0</b>	<b>Gold grade (g/t Au)</b>	<b>5.7</b>	<b>5.2</b>	<b>5.5</b>	<b>3.2</b>	<b>3.9</b>
Interest income	0.6	0.4	1.4	0.6	0.7	Halls Creek	5.7	5.2	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	(1.7)	(2.2)	0.0	<b>Gold produced (koz Au)</b>	<b>39</b>	<b>36</b>	<b>36</b>	<b>72</b>	<b>59</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	Halls Creek	39	36	36	36	0
<b>Reported NPAT</b>	<b>(29.2)</b>	<b>15.9</b>	<b>6.3</b>	<b>30.5</b>	<b>48.8</b>	Norseman (PNR 50%)	0	0	0	36	59
EPS Reported (A\$)	(2.4)	1.2	0.4	2.1	3.4	<b>Mill contribution to production</b>					
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						
<b>Cash Flow Statement (A\$M)</b>						<b>Costs (A\$/oz)</b>					
	FY20A	FY21F	FY22F	FY23F	FY24F		FY20A	FY21F	FY22F	FY23F	FY24F
EBITDA	15.4	35.4	26.6	52.1	58.0	<b>C1 cash costs</b>	<b>1,491</b>	<b>1,296</b>	<b>1,437</b>	<b>1,466</b>	<b>1,032</b>
Investment in working capital	13.3	0.0	(2.1)	(1.6)	(5.0)	Halls Creek	1,491	1,296	1,381	1,463	na
Tax expense	9.3	0.0	(1.7)	(2.2)	0.0	Norseman	na	na	na	1,468	1,032
<b>Operating Cash Flow</b>	<b>38.0</b>	<b>35.4</b>	<b>22.8</b>	<b>48.3</b>	<b>53.0</b>	<b>AISC</b>	<b>1,739</b>	<b>1,582</b>	<b>1,660</b>	<b>1,634</b>	<b>1,154</b>
Capex	(40.2)	(16.1)	(45.4)	(27.9)	(35.7)	Halls Creek	1,739	1,582	1,604	1,631	na
Exploration	(4.3)	(23.8)	(7.0)	(5.0)	(5.0)	Norseman	na	na	na	1,636	1,154
Other investments	0.0	(5.0)	(10.0)	(10.0)	0.0	<b>Resource</b>					
<b>Investing Cash Flow</b>	<b>(44.5)</b>	<b>(44.8)</b>	<b>(62.4)</b>	<b>(42.9)</b>	<b>(40.7)</b>	<b>Category</b>	<b>Mt</b>	<b>g/t Au</b>	<b>Au (koz)</b>		
Net interest received / (paid)	0.6	0.4	1.4	0.6	0.7	Halls Creek	M, I, & Inf	1.6	6.6	339	
Debt drawdown / (repayment)	(0.8)	0.0	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	<b>Total</b>	<b>M, I, &amp; Inf</b>	<b>19.4</b>	<b>4.1</b>	<b>2,551</b>	
Equity raised / (repaid)	18.3	55.0	0.0	0.0	0.0	<b>Leverage &amp; Ratios</b>					
<b>Financing Cash Flow</b>	<b>18.1</b>	<b>55.4</b>	<b>1.4</b>	<b>0.6</b>	<b>0.7</b>	<b>FY20A</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>	
Non-operating/Other	(42.9)	0.0	0.0	0.0	0.0	Debt/Equity	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Inc/(Dec) in Cash</b>	<b>(31.2)</b>	<b>46.1</b>	<b>(38.2)</b>	<b>6.0</b>	<b>13.1</b>	Net Debt/Equity	cash	cash	cash	cash	cash
						Interest Cover (x)	na	na	na	na	na
<b>Balance Sheet (A\$M)</b>						<b>P/E (x)</b>					
	FY20A	FY21F	FY22F	FY23F	FY24F						
Cash & Equivalents	22.5	68.6	30.3	36.4	49.5	EV/EBITDA (x)	20.0	7.4	11.3	5.7	4.9
Receivables	1.1	1.7	1.6	3.3	2.6	Price/Book (x)	3.3	1.9	1.7	1.4	1.2
Inventories	3.6	5.2	4.9	10.0	7.8	Book value per share (A\$)	8.3	12.4	13.6	16.4	19.8
Other Current Assets	0.8	0.8	0.8	0.8	0.8	ROE (%)	-30%	11%	3%	14%	19%
PPE and Exploration & Development	134	159	202	224	255	<b>Valuation</b>					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Halls Creek NPV			45		0.03
Other Non Current Assets	0.0	5.0	15.0	25.0	25.0	Non-mine inventory			20		0.01
<b>Total Assets</b>	<b>162</b>	<b>240</b>	<b>254</b>	<b>300</b>	<b>341</b>	Halls Creek Project			65		0.05
Payables and other current Liabilities	27.7	27.2	24.7	29.9	21.9	Norseman NPV (100%)			402		0.28
Short Term Debt (excl lease liabilities)	0.0	0.0	0.0	0.0	0.0	Non-mine inventory (100%)			140		0.10
Long Term Debt (excl lease liabilities)	0.0	0.0	0.0	0.0	0.0	Norseman Gold Project (100%)			542		0.38
Other Non Current Liabilities	35.8	35.8	35.8	35.8	35.8	PNR interest in Norseman			50%		
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	Norseman Gold Project (PNR 50%)			271		0.19
<b>Total Liabilities incl NCI</b>	<b>64</b>	<b>63</b>	<b>61</b>	<b>66</b>	<b>58</b>	Halls Creek & Norseman			336		0.24
<b>Equity attributable to PNR</b>	<b>99</b>	<b>177</b>	<b>194</b>	<b>234</b>	<b>283</b>	Exploration upside (nominal)			50		0.03
Total Liabilities and Equity	162	240	254	300	341	Corporate costs			(20)		(0.01)
<b>Major Shareholders - September 2020 (Source: Iress)</b>						<b>Enterprise value</b>					
Robmar Investments	14.9%		Richard Farleigh	1.6%		FY 21F net cash (debt)			69		0.05
Tulla Resources Group	7.1%		Franklin Resources	1.4%		<b>Equity value</b>			<b>435</b>		<b>0.31</b>
1832 Asset Management	3.8%		Invesco	1.2%							

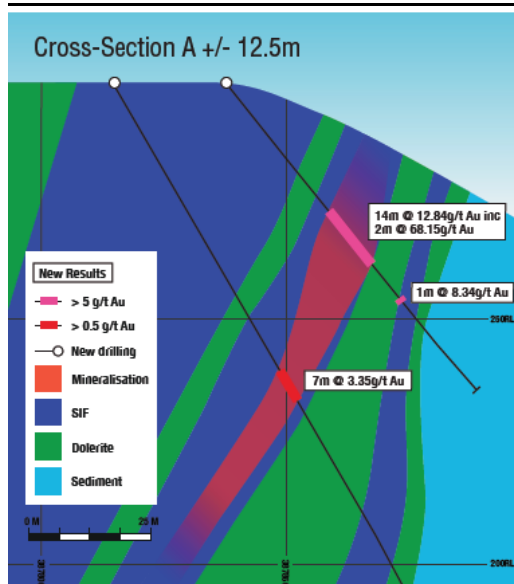
Source: Petra Capital

**Figure 1: SIF discovery at the north end of the Scotia project area, with 8km of SIF to south**



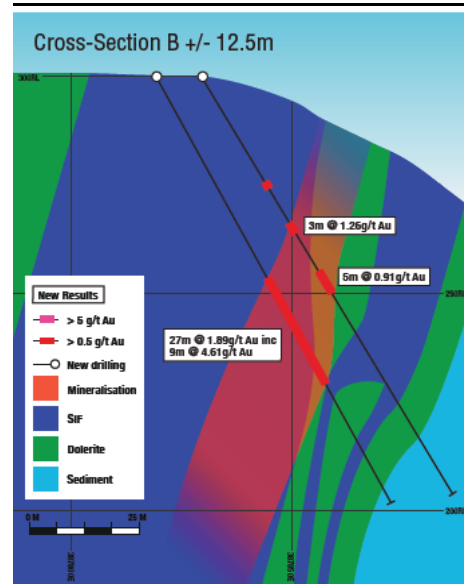
Source: Company reports

**Figure 2: SIF cross section with 14m at 12.8g/t**



Source: Company reports

**Figure 3: SIF cross section with 27m at 1.9g/t**



Source: Company reports

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