

Pantoro Limited

(PNR \$0.34) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	21 st January 2022	\$0.37/sh ▲ from \$0.34/sh

DecQ: Norseman gearing up

Event

Pantoro Limited (PNR) has released its December Quarterly report, highlighting production at Halls Creek of 7.4koz (9.5koz SepQ) an AISC of A\$1,906/oz.

Construction at its 50% owned Norseman gold project appears to be on budget and schedule with first gold due in August.

Impact

Halls Creek production was slightly weaker than we expected, due to staffing issues related to COVID restrictions. Guidance of +/-10% 8.3koz at A\$1,550-1,850/oz was set for the MarQ.

PNR finished the quarter with a cash position of A\$44m, this was after drawing down A\$30m from the GCI Loan facility and spending A\$14.5m in capex at the Norseman gold project. (SepQ company finished with A\$34.6m cash and no debt). We estimate that PNR still has ~A\$20m (PNR's share) of capex remaining at Norseman, leaving them funded to first production.

Action

We have increased our Valuation and Price Target, which now assume throughput is increased to 1.5Mtpa in FY24 for capex of ~A\$15m, lifting production to ~160kozpa in FY26, well above the DFS production profile. We also now assume a value of A\$100m for the Lamboo PGE prospect, based on peer valuations.

We maintain our Speculative Buy Recommendation increasing our Valuation and Price Target to: 27cps or A\$400m (24cps previously) and 37cps or A\$540m (34cps previously) respectively.

Our Price Target is assumes a ~1.35 X NAV premium and aims to take into account exploration upside at Lamboo and the valuation upside from a potential consolidation of the Norseman Gold project.

Key Catalysts

- Plant construction is progressing in line with schedule and on budget, first gold expected in August CY22.
- Construction/progress updates at Norseman and mining contract awards.
- Drill results from Lamboo PGE prospect and Norseman.
- Mineral Resource and Ore Reserve update is planned for MarQ at Norseman.

Pantoro Limited	Year End 30 June	
Share Price	0.34	A\$/sh
Price Target	0.37	A\$/sh
Valuation	0.27	A\$/sh

Shares on issue	1409	m
Market Capitalisation	479	A\$m
Enterprise Value	465	A\$m
Debt	30	A\$m
Cash	44	A\$m
Largest Shareholder	Robmar Inv.	15.3%

Production F/Cast	2021A	2022F	2023F
Attrib. Prod'n (kt)	35	33	61
Cash Cost (A\$/oz)	1307	1373	1371
AISC (A\$/oz)	1558	1679	1663

Assumptions	2021A	2022F	2023F
Gold Price US\$/oz	1850	1797	1800
AUDUSD	0.75	0.73	0.73

Key Financials	2021A	2022F	2023F
Revenue (A\$m)	88	81	150
EBITDA (A\$m)	33	31	55
NPAT (A\$m)	12	-30	-17
Cashflow (A\$m)	34	11	35

CFPS (Ac)	2	1	2
P/CFPS (x)	15	46	14

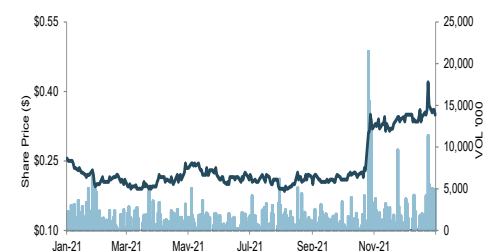
EPS (Ac)	1	-2	-1
EPS growth (%)	na	na	na
PER (x)	0	-17	-30

EV:EBITDA (x)	0.0	9.2	5.3
EV:EBIT (x)	35.5	56.5	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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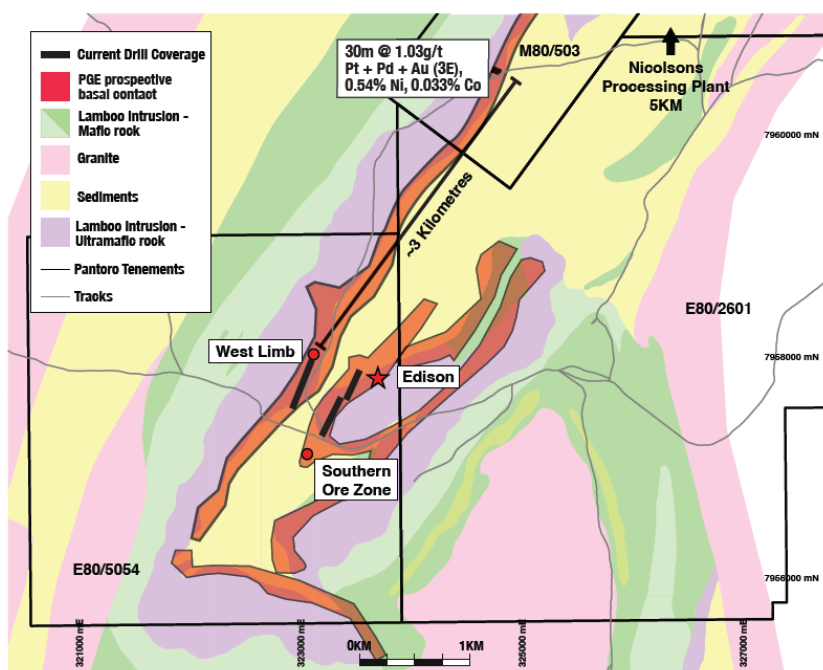
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Analysis

Lamboo PGE project

- Lamboo PGE project is located 5KM south of PNR's Halls Creek gold mine and consists of a large scale PGE/nickel bearing ultramafic.
- Mineralisation would appear to be up to widths of 100m which suggest the potential for a large scale bulk tonnage resource if found to be consistent along strike.
- PNR has also plans to recommence exploration at its Lamoo PGE deposit post the end of the wet season. With the market playing close attention to the results reported to date.
- Metallurgy will be the key to unlocking the value at this prospect in our view.
- The Company has drilled 1.5Km of strike to date and plans to test the 20KM basal contact system with a 20,000m drill program.
- Worth noting that recent drill results show that PGE mineralisation is correlated with Ni+ Co, with many of the recently reported holes still having Ni + Co assays pending.
- We assume a value of A\$100m for the Lamboo PGE prospect, based on peer valuations

Lamboo PGE Prospect



Source: PNR

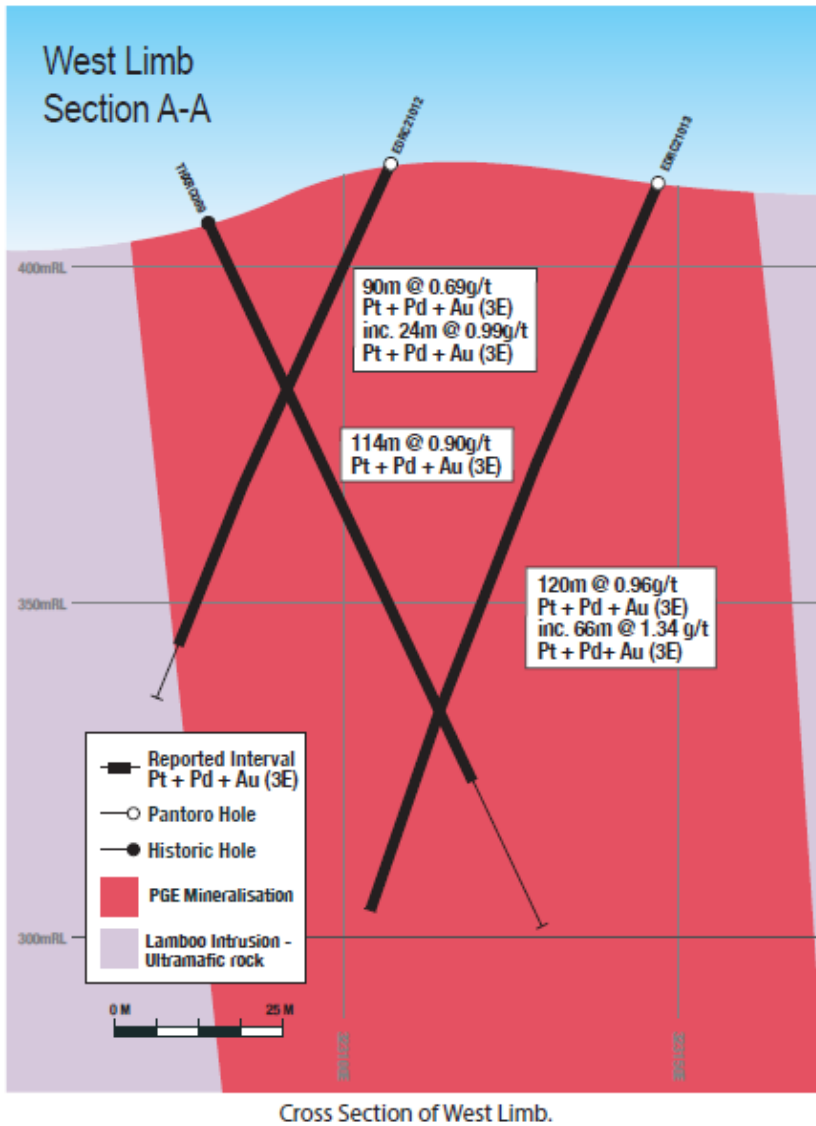
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Lamboo PGE Prospect - Cross section of the West Limb



Source: PNR

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Lithium deal signed with MIN

PNR along with its 50% Norseman Gold Project JV partner Tulla Resources (TUL) have signed a development partnership with Mineral Resources (MIN), for the Norseman Gold project tenements.

- The Key terms of the bidding term sheet include:
 - MIN to spend A\$3m within 24 months (A\$0.5m in first 6 months).
 - MIN to complete a feasibility study including definition of a JORC compliant resource within 24 months to earn 25% of the lithium rights (Initial Farm In interest)
 - **MIN to earn a further 40% of the lithium rights (for a total 65% ownership) by funding the project until first production.**
 - PNR and TUL (jointly or independently) have the right to buy back in to increase their ownership in the joint venture to a combined 49.9%.
- Worth noting the tenements include a prospect along strike from LTR's Anna Lithium deposit (14.9Mt at 0.97 Li₂O) with rock chips showing outcropping spodumene bearing pegmatites with grades up to:
 - 3.96 % Li₂O
 - 2.52 % Li₂O
- Rock chips along with the nearby mineralisation is a strong indication for the existence of lithium mineralisation within the Norseman Gold project tenements.
- We are encouraged by today's binding agreement, as it gives PNR shareholders exposure to the lithium without consuming any near term funding or distracting PNR from its gold development plans.
- We have attributed A\$30m net to PNR in our Valuation for the lithium partnership.

ASSET VALUATION	A\$m	A\$/sh
(+) Halls Creek (NPV8 After tax)	41	0.03
(+) Norseman (NPV8 After tax)	176	0.12
(-) Corporate	(21)	(0.01)
(+/-) Hedging	-	-
(+) Exploration	50	0.03
(+) Lamboo (PGE)	100	0.07
(+) Lithium JV with MIN	30	0.02
(+) Unpaid Capital	-	-
(+) Investments (MXR)	5	0.00
(+) Cash	44	0.03
(-) Debt	(30)	(0.02)
Total	396	0.27
Price Target (1.35X NAV)	538	0.37

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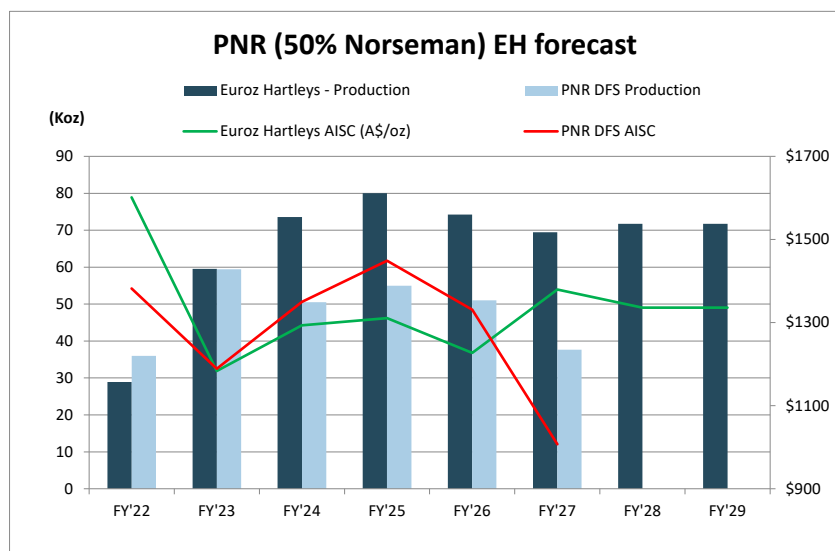
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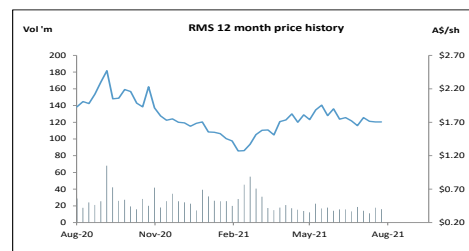
Key Variables

Val/ Sh		Gold \$								
\$0.27		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.117	\$0.138	\$0.160	\$0.182	\$0.204	\$0.226	\$0.248	\$0.270	\$0.291
	10%	\$0.132	\$0.155	\$0.178	\$0.201	\$0.224	\$0.247	\$0.270	\$0.292	\$0.315
	5%	\$0.150	\$0.174	\$0.198	\$0.222	\$0.246	\$0.270	\$0.294	\$0.317	\$0.341
	0%	\$0.169	\$0.194	\$0.219	\$0.244	\$0.270	\$0.295	\$0.320	\$0.345	\$0.370
	-5%	\$0.190	\$0.217	\$0.243	\$0.270	\$0.296	\$0.323	\$0.349	\$0.375	\$0.402
	-10%	\$0.214	\$0.242	\$0.270	\$0.298	\$0.325	\$0.353	\$0.381	\$0.409	\$0.437
-15%	\$0.240	\$0.270	\$0.299	\$0.329	\$0.358	\$0.388	\$0.417	\$0.447	\$0.477	

EH Forecast	FY'2021	FY'2022	FY'2023	FY'2024
Gold (US\$/lb)	\$1,850	\$1,797	\$1,800	\$1,700
AUDUSD	\$0.75	\$0.73	\$0.73	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.27/sh

Target Price - \$0.37/sh

Bull Scenario - \$0.50/sh

A\$ gold price rises a further 20% on our assumptions. The Company is able to expand the Norseman mill to 1.5mtpa on mainly underground ore feed from Mainfield, allowing production of +200kozpa. Consolidate the ownership of the Norseman asset to own 100%

Base Scenario - \$0.37/sh

The Company is able to smoothly ramp up its Norseman gold operation with throughput increased to 1.5mtpa in FY24 for capex of ~\$15m, lifting production to ~160kozpa in FY26, well above the DFS profile, 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 - \$0.10/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 ~36kozpa, 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 and construction updates from Norseman, we estimate first gold in the SepQ 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	0.34	A\$/sh	Directors	
Issued Capital			W Zekulich	NE Chair
Fully Paid Ord	1,409.0	m	P Cmrlec	MD
Options/Perf rights	58.3	m	S Haffadine	NE Dir
Total Dil. FPOrd	1,467.3	m	K Edwards	NE Dir
			F Van Maanen	NE Dir
Market Capitalisation	\$472	m	Shareholders	
Enterprise Value	\$458	m	Robmar Inv.	15.3%
Cash & Bullion	\$44	m	Tulla Res.	7.1%
Debt	\$30	m		

Asset Valuation A\$m A\$/sh

(+) Halls Creek (NPV8 After tax)	41	0.03
(+) Norseman (NPV8 After tax)	176	0.12
(-) Corporate	(21)	(0.01)
(+/-) Hedging	-	-
(+) Exploration	50	0.03
(+) Lamboo (PGE)	100	0.07
(+) Lithium JV with MIN	30	0.02
(+) Unpaid Capital	-	-
(+) Investments (MXR)	5	0.00
(+) Cash	44	0.03
(-) Debt	(30)	(0.02)

Total 396 0.27**Price Target (1.35X NAV) 538 0.37**F/Cast Production (A\$m) 2021A 2022F 2023F 2024F

Halls Creek 100%					
Throughput	Kt	229	237	230	230
Milled grade	g/t	5.1	4.5	4.5	4.5
Gold Production	Koz	35	33	32	32
Cash Costs (C1)	A\$/oz	1,307	1,373	1,407	1,407
AISC	A\$/oz	1,558	1,679	1,719	1,715

Norseman 50%					
Throughput	Mt			0.8	1.0
Milled grade	g/t			2.6	3.9
Gold Production	Koz			29	60
Cash Costs (C1)	A\$/oz			1,332	1,003
AISC	A\$/oz			1,601	1,183

Group Production	Koz	35	33	61	91
Group Cash Cost	A\$/oz	1,307	1,373	1,371	1,144
Group AISC	A\$/oz	1,558	1,679	1,663	1,369

Assumptions					
Spot Gold Price	US\$/oz	1,850	1,797	1,800	1,700
FX Rate ass'd	A\$/US\$	0.75	0.73	0.73	0.74

Ratio Analysis (A\$m) 2021A 2022F 2023F 2024F

Cashflow	34	11	35	68
Cashflow Per Share	2	1	2	5
Cashflow Ratio	15	46	14	7
Earnings	12	-30	-17	7
Earnings Per Share	1	-2	-1	0
EPS Growth	na	na	na	na
P/e Ratio	0	-17	-30	73
Enterprise Value	479	512	514	492
EV/EBITDA	0	16	9	5
EV/EBIT	36	-121	57	14
Net Debt/(Net Debt + Equity)	na	na	na	na
Interest Cover	na	na	na	na
EBIT Margin	15%	-5%	6%	17%
Return on Equity	8%	-50%	-5%	3%
Return on Assets	5%	-19%	-4%	2%
Dividend per Share	0.0	0.0	0.0	0.0
Dividend Payout Ratio	0%	0%	0%	0%
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Dividend Franking	100%	100%	100%	100%

Profit and Loss (A\$m) 2021A 2022F 2023F 2024F

(+) Gold revenue	88	81	150	210
(+/-) Hedging Revenue	-	-	-	-
(+) Interest Income	-	-	-	-
(+) Other Revenue	0	-	-	-
Total Revenue	88	81	150	210
(-) Operating Costs	(50)	56	101	125
(-) Dep/Amort	(20)	12	23	33
(-) Writeoff (expl'n)	(0)	(5)	(5)	(5)
(-) O/H + News Bus Dev.	(5)	(12)	(12)	(12)
(-) Provisions	-	(23)	(23)	(23)
EBITDA	33	31	55	91
EBIT	13	(4)	9	35
(-) Interest Expense	(1)	(2)	(2)	(1)
NPBT	12	(30)	(17)	10
(-) Tax	-	-	-	(3)
(-) Minority Interest	-	-	-	-
Net Profit	12	(30)	(17)	7
(+/-) Net abnormal	-	-	-	-
Net profit After Abnormal	12	(30)	(17)	7

Cash Flow (A\$m) 2021A 2022F 2023F 2024F

Net Profit	12	(30)	(17)	7
(+) WC adj.	1	-	-	-
(+) Dep/Amort	20	12	23	33
(+) Provisions & W/O	0	29	29	29
(+) Tax Expense	-	-	-	3
(-) Deferred Revenue	-	-	-	-
(-) Tax Paid	-	-	-	3
Operating Cashflow	34	11	35	68
(-) Capex + Dev.	27	51	23	38
(-) Exploration	22	10	6	8
(-) Asset Purchased	3	(10)	-	-
(+) Asset Sale	1	-	-	-
(+/-) Other	-	-	-	-
Investing Cashflow	(51)	(52)	(29)	(46)
(+) Equity Issues (rts,plc,opts)	53	-	-	-
(+) Loan Drawdown/receivable	-	30	-	-
(+) Loans from(to) other entities	-	-	-	-
(-) Loan Repayment	10	-	5	20
(-) Dividends	-	-	-	-
Financing Cashflow	43	30	(5)	(20)
Net Cashflows	25	(11)	0	2
(+/-) FX Adj.	(0)	-	-	-
EoP Cash Balance	47	37	37	39
EoP Net Cash	28	(13)	(8)	14

Balance Sheet (A\$m) 2021A 2022F 2023F 2024F

Assets				
Cash	47	44	37	39
Current Receivables	1	1	1	1
Other Current Assets	6	6	6	6
Non-Current Assets	167	104	358	287
Total Assets	221	155	402	334
Balance Sheet				
Borrowing(s)	20	50	45	25
Current Accounts payable	14	14	14	14
Other Liabilities	32	32	32	32
Total Liabilities	66	96	91	71
Net Assets	156	59	312	263

Reserves and Resources

	Reserves		Resources			
	mt	g/t	koz	mt	g/t	koz
Norseman Gold (100%)	11.6	1.9	713	41.5	3.4	4,534
Norseman Gold (PNR 50%)	5.8	1.9	357	20.7	3.4	2,267
Halls Creek	0.9	4.8	136	1.6	6.5	330
Total (koz)			493			2,597
EV per oz			972			184

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Contact Details

Euroz Hartleys Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Research Analyst	+61 8 9488 1414

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