

3 February 2022

Pantoro Limited (PNR)

BUY

Share Price: A\$0.31

An exciting and transformative year ahead

Target Price: A\$0.43

PNR is set for a transformative year in 2022, with significant production growth and exciting exploration expected to drive a share price re-rating. Gold output will double once the Norseman operation comes online mid-year, with ongoing aggressive exploration to increase the Norseman gold resource, reserve and mine life within the coming 3-6 months. Further, Mineral Resources (MIN) will shortly start drilling outcropping lithium targets at Norseman, with potential for significant investor interest as MIN push ahead with an aggressive exploration & development timetable. At Halls Creek, focus remains on the Lamboo PGE project, which can rapidly grow as more assays are released (this month) and 20,000m of drilling starts once the wet season subsides; we note ASX-listed PGE peers continue to receive significant valuations. With multiple catalysts and valuation upside, maintain BUY, PT of A\$0.43/sh (prev. \$0.44/sh) after updating for DecQ result & gold forecasts.

A big year ahead at Norseman

- Plant construction on track for first gold in Aug 2022 and full production of +100kozpa soon after (Figure 1)
- Aggressive drilling campaign (5-6 rigs) remains ongoing, with an updated resource & reserve by end Mar. Q'22 and an updated life-of-mine plan by mid-year
- Reserve growth should be significant, underpinning an improved mine plan prior to further upgrades as drilling progresses over coming years

Also a big year for exploration on gold, PGE, lithium

- Norseman Au – 5-6 rigs to continuously grow reserve
- Lamboo PGEs – 20,000m RC program from Mar/Apr
- Norseman lithium – MIN starts drilling within weeks

Slight near-term dip in Nicolson's gold output

- Dec. Q'22 gold output from Nicolson's of 7.4koz at A\$1,906/oz AISC (Petra 9koz at A\$1,650/oz)
- Mar. Q'22 guidance 8.3koz at A\$1,550-1,850/oz AISC
- Slight dip below the steady state rate of 9koz/qtr due to minor manning shortages primarily due to the WA hard border preventing workers entering from NT
- Whilst Nicolson's remains an important asset for PNR, Norseman is fast becoming the dominant production asset, with exploration success to also drive a re-rating

Key Dates Ahead

- Feb. '22 – Lamboo assays & start of lithium drilling
- End Mar. Q'22 – Norseman R&R update
- Jul/Aug. '22 – Norseman: updated mine plan, first gold

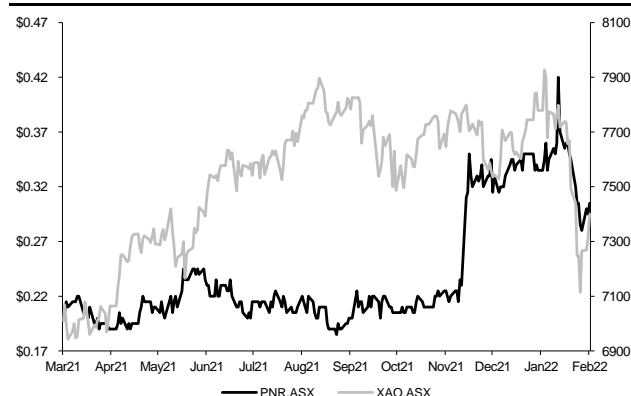
Company Data

Shares – ordinary (M)	1409.5
Market capitalisation (\$M)	430
12 month low/high (\$)	0.18/ 0.43
Average monthly turnover (\$M)	26.8
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End June	FY21A	FY22F	FY23F	FY24F	FY25F
Revenue (\$M)	87.8	83.4	169.0	174.8	181.8
Costs (\$M)	-54.6	-52.6	-114.2	-102.3	-103.7
EBITDA (\$M)	33.2	30.8	54.8	72.4	78.1
NPAT (\$M)	12.0	10.6	32.0	62.2	69.8
EPS (¢ps)	0.9	0.7	2.3	4.4	4.9
EPS growth (%)	nm	-14%	203%	94%	12%
PER (x)	35	41	14	7	6
Op. Cashflow (\$M)	26.3	30.8	57.6	63.3	72.9
OCFPS (¢ps)	1.9	2.2	4.0	4.4	5.1
POCFPS (x)	16	14	8	7	6
Enterprise Value (\$M)	382.4	420.6	391.2	367.0	324.4
EV / EBITDA (x)	11.5	13.6	7.1	5.1	4.2
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\$)					
						0.305					
						1,409					
						430					
						14.9					
						0					
						1,424					
Profit & Loss Statement (A\$M)						Production					
FY21A	FY22F	FY23F	FY24F	FY25F		FY21A	FY22F	FY23F	FY24F	FY25F	
Revenue	87.8	83.4	169.0	174.8	181.8	Gold price (US\$/oz)	1,849	1,778	1,750	1,700	1,625
Costs	(54.6)	(52.6)	(114.2)	(102.3)	(103.7)	AUD:USD	0.75	0.73	0.75	0.75	0.75
EBITDA	33.2	30.8	54.8	72.4	78.1	Gold price (A\$/oz)	2,474	2,441	2,349	2,267	2,167
Depreciation & Amortisation	(20.2)	(20.0)	(20.0)	(10.0)	(10.0)	Ore processed (Mt)	0.23	0.23	1.12	1.11	1.50
Operating profit	13.0	10.8	34.8	62.4	68.1	Halls Creek	0.23	0.23	0.22	0.11	0.00
NOI	0.0	0.0	0.0	0.0	0.0	Norseman	0.00	0.00	0.90	1.00	1.50
EBIT	13.0	10.8	34.8	62.4	68.1	Gold grade (g/t Au)	5.1	5.0	3.2	4.0	3.7
Interest income	0.3	0.9	0.8	1.4	1.7	Halls Creek	5.1	5.0	5.5	5.5	na
Interest expense	(1.3)	(1.2)	(1.2)	(0.8)	0.0	Norseman	na	na	2.6	3.9	3.7
Tax expense	0.0	0.0	(2.3)	(0.8)	0.0	Gold produced (koz Au)	35	34	72	77	84
Minority interest	0.0	0.0	0.0	0.0	0.0	Halls Creek	35	34	36	18	0
Reported NPAT	12.0	10.6	32.0	62.2	69.8	Norseman (PNR 50%)	0	0	36	59	84
EPS Reported (A\$)	0.9	0.7	2.3	4.4	4.9	Mill contribution to production					
DPS - Declared (A\$)	0.0	0.0	0.0	0.0	0.0	Halls Creek	100%	100%	50%	23%	0%
Avg. no. of fully-diluted shares (m)	1,392	1,424	1,424	1,424	1,424	Norseman (PNR 50%)	0%	0%	50%	77%	100%
YE no. of fully-diluted shares (m)	1,424	1,424	1,424	1,424	1,424						
Cash Flow Statement (A\$M)						Costs (A\$/oz)					
FY21A	FY22F	FY23F	FY24F	FY25F		FY21A	FY22F	FY23F	FY24F	FY25F	
EBITDA	33.2	30.8	54.8	72.4	78.1	C1 cash costs	1,313	1,391	1,466	1,114	1,147
Investment in working capital	2.5	0.0	5.2	(8.3)	(5.2)	Halls Creek	1,313	1,391	1,463	1,650	na
Tax expense	(9.3)	0.0	(2.3)	(0.8)	0.0	Norseman	na	na	1,468	1,032	1,147
Operating Cash Flow	26.3	30.8	57.6	63.3	72.9	AISC	1,558	1,671	1,579	1,213	1,260
Capex	(47.2)	(45.0)	(22.9)	(34.7)	(26.9)	Halls Creek	1,558	1,671	1,521	1,706	na
Exploration	(4.3)	(9.5)	(5.0)	(5.0)	(5.0)	Norseman	na	na	1,609	1,138	1,260
Other investments	0.0	(14.3)	0.0	0.0	0.0	Resource	Category	Mt	g/t Au	Au (koz)	
Investing Cash Flow	(51.5)	(68.8)	(27.9)	(39.7)	(31.9)	Halls Creek	M, I, & Inf	1.6	6.6	339	
Net interest received / (paid)	(1.0)	(0.3)	(0.4)	0.6	1.7	Norseman (PNR 50%)	M, I, & Inf	17.8	3.9	2,212	
Debt drawdown / (repayment)	0.0	30.0	0.0	(10.0)	(20.0)	Total	M, I, & Inf	19.4	4.1	2,551	
Dividends paid	0.0	0.0	0.0	0.0	0.0						
Equity raised / (repaid)	54.2	0.0	0.0	0.0	0.0	Leverage & Ratios	FY21A	FY22F	FY23F	FY24F	FY25F
Financing Cash Flow	53.2	29.7	(0.4)	(9.4)	(18.3)	Debt/Equity	0.0%	18.1%	15.2%	7.7%	0.0%
Non-operating/Other	(3.2)	0.0	0.0	0.0	0.0	Net Debt/Equity	cash	cash	cash	cash	cash
Inc/(Dec) in Cash	24.9	(8.2)	29.4	14.2	22.7	Interest Cover (x)	na	43	83.3	na	na
Balance Sheet (A\$M)						P/E (x)					
FY21A	FY22F	FY23F	FY24F	FY25F		FY21A	FY22F	FY23F	FY24F	FY25F	
Cash & Equivalents	47.4	39.1	68.5	82.7	105.4	EV/EBITDA (x)	11.5	13.6	7.1	5.1	4.2
Receivables	1.3	1.7	3.4	3.5	3.6	Price/Book (x)	2.8	2.6	2.2	1.7	1.3
Inventories	4.7	5.0	10.1	10.5	10.9	Book value per share (A\$)	10.9	11.6	13.9	18.3	23.2
Other Current Assets	0.9	0.9	0.9	0.9	0.9	ROE (%)	8%	7%	18%	27%	24%
PPE and Exploration & Development	167	216	224	254	275	Valuation	(A\$M)	(A\$/ps)			
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Halls Creek NPV	41	0.03			
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0	Non-mine inventory	22	0.02			
Total Assets	221	263	307	351	396	Halls Creek Project	63	0.04			
Payables and other current Liabilities	31.6	32.9	44.9	37.1	32.4	Norseman NPV (100%)	484	0.34			
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	30.0	30.0	20.0	0.0	Norseman Gold Project (100%)	624	0.44			
Other Non Current Liabilities	34.1	34.1	34.1	34.1	34.1	PNR interest in Norseman	50%				
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	Norseman Gold Project (PNR 50%)	312	0.22			
Total Liabilities incl NCI	66	97	109	91	66	Halls Creek & Norseman	375	0.26			
Equity attributable to PNR	156	166	198	260	330	Exploration upside (nominal)	250	0.18			
Total Liabilities and Equity	221	263	307	351	396	Corporate costs	(18)	(0.01)			
Major Shareholders - Sept. 2021 (Source: Iress)						Enterprise value					
Robmar Investments	14.9%		Franklin Resources	3.7%		FY22F net cash (debt)	9	0.01			
Tulla Resources Group	7.1%		1832 Asset Management	3.4%		Equity value	617	0.43			
AgaNola AG	3.7%		Invesco	1.8%							

Source: Petra Capital

Figure 1: Construction of the processing plant at Norseman



Source: Company reports

Figure 2: Summary of Changes

		FY22F			FY23F			FY24F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	83	87	-4%	169	169	0%	175	175	0%
EBITDA	A\$m	31	33	-7%	55	55	0%	72	72	0%
EBIT	A\$m	11	13	-17%	35	35	0%	62	62	0%
NPAT	A\$m	11	13	-18%	32	32	0%	62	62	0%
EPS	A\$/sh	0.7	0.9	-18%	2.3	2.3	0%	4.4	4.4	0%
DPS	A\$/sh	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na
NPV/sh	A\$/sh	0.43	0.44	-1%						
Price target	A\$/sh	0.43	0.44	-1%						
Gold output (Halls Ck & Norseman)	koz	34.2	36.5	-6%	72	72	0%	77	77	0%
AISC	A\$/oz	1,671	1,550	8%	1,579	1,607	-2%	1,213	1,213	0%

Source: Petra Capital



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