

Pantoro Limited

(PNR \$0.18) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	27 th July 2022	\$0.30/sh ▼ from \$0.36/sh

Norseman coming back to life. JunQ report

Event

Pantoro Ltd (PNR) released its June quarterly report.

- Norseman Gold project (50% PNR) construction remains on scheduled, with plant commissioning expected in August, first gold early SepQ, Norseman last produced gold back in 2014.
- Halls Creek gold mine improved in the quarter producing 6.5koz at an AISC of A\$2,311/oz (5.5koz at A\$2,408/oz MarQ), with underground development increasing post COVID disruptions.
- Grade control drilling at Green Lantern confirms Mineral Resource Model.

Impact

- PNR finished the JunQ with A\$53.6m in cash and gold (A\$70m MarQ), A\$30m debt facility fully drawn. Company spent A\$18.7m at Norseman during the quarter.
- PNR should be well-funded to ramp production up at Norseman Gold project, we forecast a remaining pre-production spend to be order of ~A\$27m attributable to PNR.
- This would leave PNR with ~A\$25m in cash as a low point the DecQ on our numbers, before becoming cashflow positive.
- PNR's share price has pulled back with TUL (Norseman JV partner), selling 50m shares at 25cps. TUL would appear to have a weaker balance sheet than PNR and we estimate TUL still hold ~44m PNR shares.

Action

We maintain our Speculative Buy recommendation. We have reduced our Price target from 36cps to 30cps (A\$490m) in light of de-rating in gold price sentiment.

Key risk remains around the smooth ramp up of operation at the Norseman Gold project.

Key Catalysts

- Norseman gold project first gold expected early SepQ.
- Construction/progress updates at Norseman.
- 20,000m drill program at Lamboo PGE project ongoing.
- Drill results from within the lithium JV with Mineral Resources Limited, (Directly along strike of LTR's Buldania deposit (15Mt at 1.0% Li₂O), program expanded from 5km to 8KM.
- Potential M&A opportunities, particularly the Norseman JV (50% TUL.asx).

Pantoro Limited	Year End 30 June	
Share Price	0.180	A\$/sh
Price Target	0.30	A\$/sh
Valuation	0.25	A\$/sh

Shares on issue	1575	m
Market Capitalisation	283	A\$m
Enterprise Value	260	A\$m
Debt	30	A\$m
Cash	54	A\$m
Largest Shareholder	Robmar Inv.	12.8%

Production F/Cast	2021A	2022F	2023F
Attrib. Prod'n (kt)	35	29	61
Cash Cost (A\$/oz)	1307	1519	1371
AISC (A\$/oz)	1558	1859	1663

Assumptions	2021A	2022F	2023F
Gold Price US\$/oz	1850	1835	1800
AUDUSD	0.75	0.73	0.73

Key Financials	2021A	2022F	2023F
Revenue (A\$m)	88	73	150
EBITDA (A\$m)	33	24	55
NPAT (A\$m)	12	-38	-18
Cashflow (A\$m)	34	-2	35

CFPS (Ac)	2	0	2
P/CFPS (x)	9	na	8

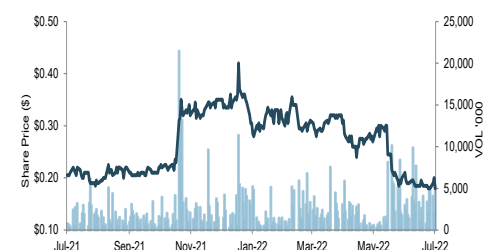
EPS (Ac)	1	-2	-1
EPS growth (%)	na	na	na
PER (x)	0	-8	-16

EV:EBITDA (x)	0.0	5.0	2.6
EV:EBIT (x)	19.9	37.0	6.4

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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Analysis

Norseman Gold Project (50% PNR)

Construction remains on schedule at Norseman, with commissioning to commence in August and first gold early in the SepQ. Mining would appear to be on track at Scotia and Green Lantern open pits. One of the keys risks with any new gold operations is grade reconciliation, easing our concerns is PNR's reported **grade control drilling over 40 vertical metres at Green Lantern, which has largely confirmed the Mineral Resource model.**

Halls Creek (100% PNR)

Halls creek production improved on recent quarters, 6.5koz were produced at an AISC of A\$2,311/oz (5.5koz at A\$2,408/oz MarQ). Underground development increasing 28% to 1,853m. This will help the Company get ahead for upcoming quarters of production. Mined tonnes and head grade both increased during quarter by 36% and 18% respectively. The Company has not provided guidance for Halls Creek, but we expect production to be ~7koz in the SepQ.

Production statistics for Halls Creek

Physical Summary	FY2022			
	Q1	Q2	Q3	Q4
UG Ore Mined (t)	46,067	40,350	38,793	52,763
UG Grade Mined (g/t Au)	6.01	5.05	3.98	4.07
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)	60,646	61,026	59,243	60,926
Head Grade (g/t Au)	5.09	3.95	3.01	3.54
Recovery (%)	95.4%	95.6%	95.2%	94.3%
Gold Produced (oz)	9,473	7,412	5,452	6,544

Cost Summary (\$/oz)				
Production costs	\$1,408	\$1,230	\$2,008	\$1,962
Stockpile Adjustments	-\$79	-\$13	-\$7	-\$40
C1 Cash Cost	\$1,330	\$1,217	\$2,002	\$1,922
Royalties	\$62	\$42	\$67	\$65
Marketing/Cost of sales	\$6	\$5	\$6	\$6
Sustaining Capital	\$166	\$163	\$315	\$304
Corporate Costs	\$7	\$8	\$18	\$14
All-In Sustaining Costs	\$1,570	\$1,435	\$2,408	\$2,311
Major Project Capital	\$0.62M	\$1.60M	\$1.59M	\$2.61M
Exploration Cost (ex. PGE)	\$0.98M	\$1.32M	\$0.62M	\$0.17M
Project Capital	\$1.59M	\$2.92M	\$2.21M	\$2.77M

PGE Exploration Cost	\$0.19M	\$0.47M	\$0.19M	\$1.27M
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Source: PNR

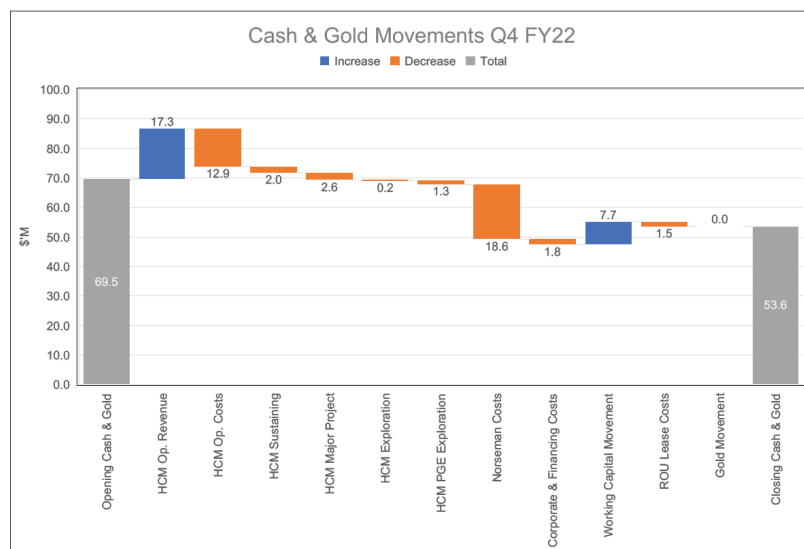
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Cashflow Waterfall



Source: PNR

Norseman Construction of the processing plant



Source: PNR

Norseman Lamboo PGE project (100% PNR)

- 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 have widths up to 100m which suggest the potential for a large scale bulk tonnage resource, although we flag that mineralisation would appear to be narrower but slightly higher grades zones in the northern areas.
- PNR recommenced exploration at its Lamboo PGE deposit in mid-April, with 12.5KM of an 20km program completed to date.
- Worth noting that recent drilling in the northern zones has identified rhodium and iridium (high value elements) correlated with PGE mineralisation, the significance of this will depend on metallurgy.
- Metallurgy will be the key to unlocking the value at this prospect in our view. The fact that nickel recoveries (100% recoveries in oxide, 64% in fresh) are similar between 2 and 4 acid digest implies that nickel is not residing as nickel silicates is encouraging for future more detailed metallurgy results.
- We assume a value of A\$60m for the Lamboo PGE prospect, based on peer valuations.

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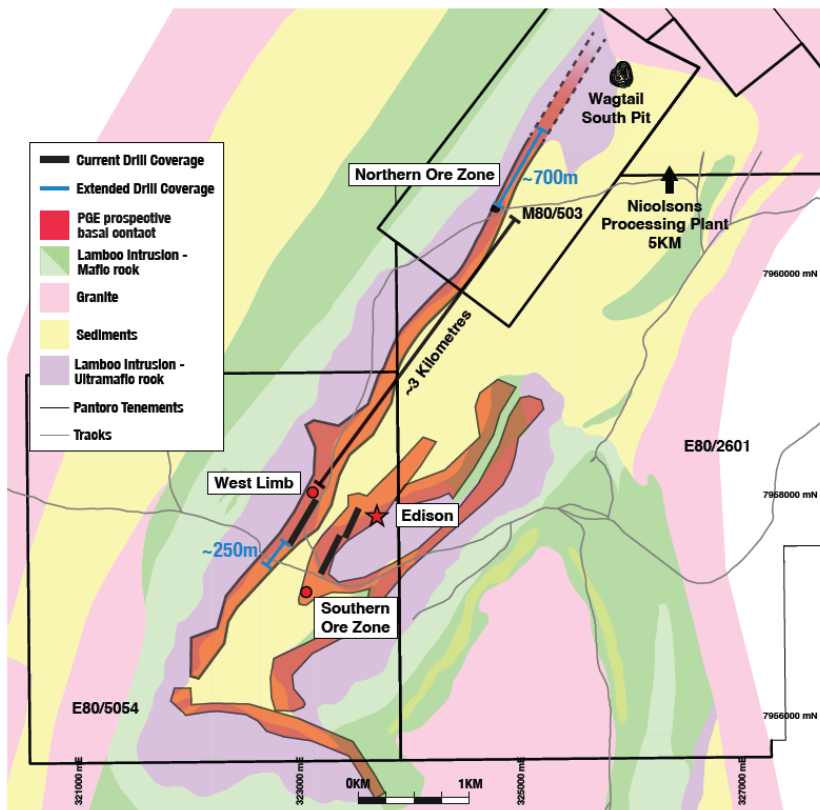
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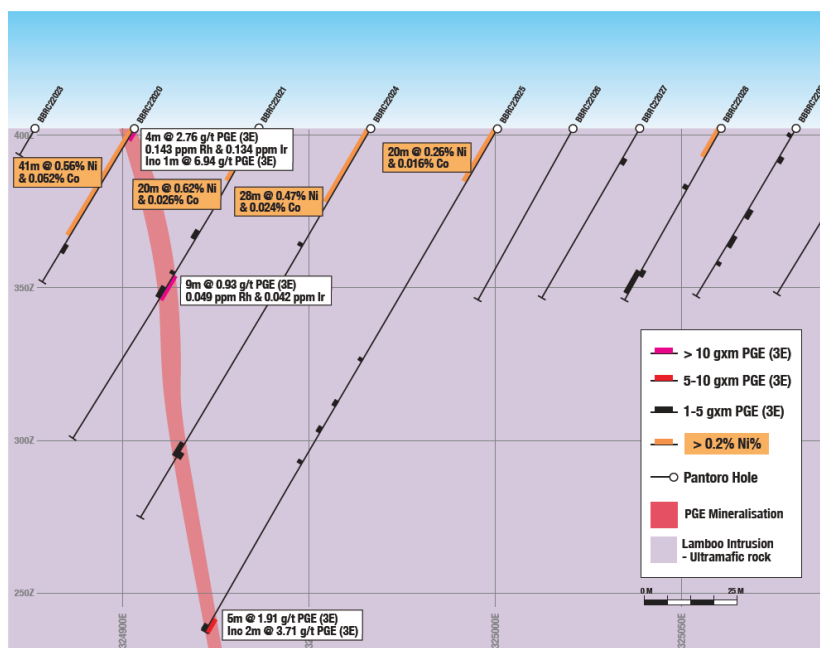
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Lamboo PGE Prospect



Source: PNR

Northern area of the West Limb cross section



Source: PNR

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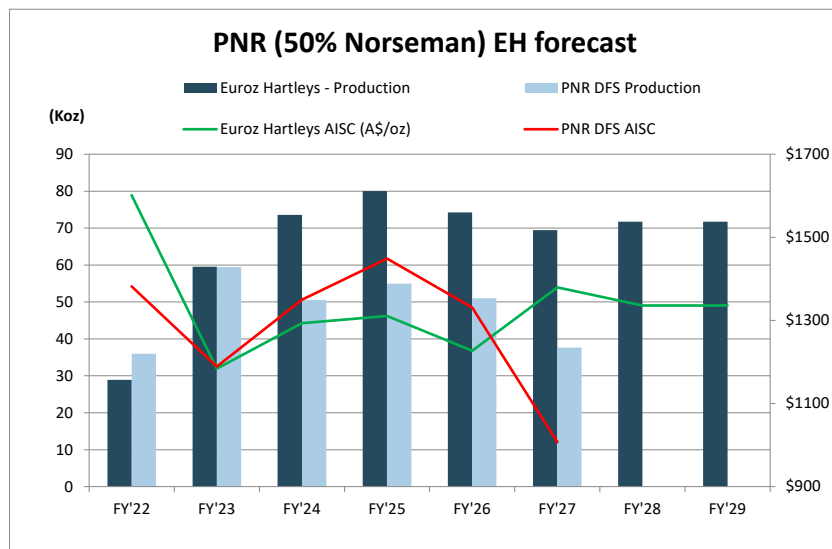
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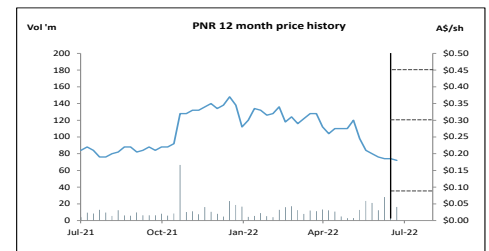
Key Variables

Val/ Sh		Gold \$								
		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.111	\$0.131	\$0.151	\$0.171	\$0.191	\$0.211	\$0.231	\$0.251	\$0.271
	10%	\$0.126	\$0.147	\$0.167	\$0.188	\$0.209	\$0.230	\$0.251	\$0.272	\$0.293
	5%	\$0.142	\$0.163	\$0.185	\$0.207	\$0.229	\$0.251	\$0.273	\$0.295	\$0.317
	0%	\$0.159	\$0.182	\$0.205	\$0.228	\$0.251	\$0.274	\$0.297	\$0.320	\$0.343
	-5%	\$0.178	\$0.203	\$0.227	\$0.251	\$0.275	\$0.299	\$0.323	\$0.348	\$0.372
	-10%	\$0.200	\$0.225	\$0.251	\$0.276	\$0.302	\$0.327	\$0.353	\$0.378	\$0.404
	-15%	\$0.224	\$0.251	\$0.278	\$0.305	\$0.332	\$0.359	\$0.386	\$0.413	\$0.440

Euroz Forecast	FY'2021	FY'2022	FY'2023	FY'2024
Gold (US\$/lb)	\$1,850	\$1,835	\$1,800	\$1,750
AUDUSD	\$0.75	\$0.73	\$0.73	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.25/sh

Target Price - \$0.30/sh

Bull Scenario - \$0.45/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. PNR consolidates the ownership of the Norseman asset to own 100%

Base Scenario - \$0.30/sh

The Company is able to smoothly ramp up its Norseman gold operation with throughput increased to 1.5mtpa in FY24 for capex of ~A\$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 an additional 2 years to the mine life. Company is able to monetise its Lamboo PGE project for ~A\$60m.

Bear Scenario - \$0.08/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 ~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 and construction updates from Norseman, we forecast first gold early 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	0.18	A\$/sh		Directors			
Issued Capital				W Zekulich	NE Chair		
Fully Paid Ord	1,575	m		P Cmrlec	MD		
Options/Perf rights	47	m		K Edwards	NE Dir		
Total Dil. FPOrd	1,622	m		F Van Maanen	NE Dir		
				S Haffadine	Ops Dir		
Market Capitalisation	\$283	m		Shareholders			
Enterprise Value	\$260	m		Robmar Inv.	12.8%		
Cash & Bullion	\$54	m		Franklin Res.	6.2%		
Debt	\$30	m					
Asset Valuation				A\$m	A\$/sh		
(+) Halls Creek				36	0.02		
(+) Norseman				223	0.14		
(-) Corporate				(21)	(0.01)		
(+/-) Hedging				-	-		
(+) Exploration				50	0.03		
(+) Lamboo (PGE)				60	0.04		
(+) Lithium JV with MIN				30	0.02		
(+) Unpaid Capital				-	-		
(+) Investments (MXR)				5	0.00		
(+) Cash				54	0.03		
(-) Debt				(30)	(0.02)		
Total				407	0.25		
Price Target (1.25X NAV)				488	0.30		
F/Cast Production (A\$m)				2021A	2022F	2023F	2024F
Halls Creek 100%							
Throughput	Kt	229	242	230	230		
Milled grade	g/t	5.1	3.9	4.5	4.5		
Gold Production	Koz	35	29	32	32		
Cash Costs (C1)	A\$/oz	1,307	1,519	1,407	1,407		
AISC	A\$/oz	1,558	1,859	1,719	1,717		
Norseman 50% PNR							
Throughput	Mt			0.8	1.0		
Milled grade	g/t			2.6	3.9		
Gold Production (PNR)	Koz			29	60		
Cash Costs (C1)	A\$/oz			1,332	1,003		
AISC	A\$/oz			1,601	1,184		
Group Production	Koz	35	29	61	91		
Group Cash Cost	A\$/oz	1,307	1,519	1,371	1,144		
Group AISC	A\$/oz	1,558	1,859	1,663	1,370		
Assumptions							
Spot Gold Price	US\$/oz	1,850	1,835	1,800	1,750		
FX Rate ass'd	A\$/US\$	0.75	0.73	0.73	0.74		
Ratio Analysis (A\$m)				2021A	2022F	2023F	2024F
Cashflow		34	-2	35	73		
Cashflow Per Share		2	-0	2	5		
Cashflow Ratio		9	na	8	4		
Earnings		12	-38	-18	10		
Earnings Per Share		1	-2	-1	1		
EPS Growth		na	na	na	na		
P/e Ratio		0	-8	-16	29		
Enterprise Value		264	288	277	250		
EV/EBITDA		0	12	5	3		
EV/EBIT		20	-24	37	6		
Net Debt/(Net Debt + Equity)		na	na	na	na		
Interest Cover		na	na	na	na		
EBIT Margin		15%	-17%	5%	18%		
Return on Equity		8%	-11%	-6%	4%		
Return on Assets		5%	-8%	-4%	3%		
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	73	150	216		
(+/-) Hedging Revenue		-	-	-	-		
(+) Interest Income		-	-	-	-		
(+) Other Revenue		0	-	-	-		
Total Revenue		88	73	150	216		
(-) Operating Costs		(50)	55	101	125		
(-) Dep/Armort		(20)	13	24	35		
(-) Writeoff (expl'n)		(0)	(5)	(5)	(5)		
(-) O/H + News Bus Dev.		(5)	(12)	(12)	(12)		
(-) Provisions		-	(23)	(23)	(23)		
EBITDA		33	24	55	97		
EBIT		13	(12)	8	39		
(-) Interest Expense		(1)	(2)	(2)	(1)		
NPBT		12	(38)	(18)	14		
(-) Tax		-	-	-	(4)		
(-) Minority Interest		-	-	-	-		
Net Profit		12	(38)	(18)	10		
(+/-) Net abnormal		-	-	-	-		
Net profit After Abnormal		12	(38)	(18)	10		
Cash Flow (A\$m)				2021A	2022F	2023F	2024F
Net Profit		12	(38)	(18)	10		
(+) WC adj.		1	(5)	-	-		
(+) Dep/Amort		20	13	24	35		
(+) Provisions & W/O		0	29	29	29		
(+) Tax Expense		-	-	-	4		
(-) Deferred Revenue		-	-	-	-		
(-) Tax Paid		-	-	-	4		
Operating Cashflow		34	(2)	35	73		
(-) Capex + Dev.		27	67	17	38		
(-) Exploration		22	10	6	8		
(-) Asset Purchased		3	(10)	-	-		
(+) Asset Sale		1	-	-	-		
(+/-) Other		-	-	-	-		
Investing Cashflow		(51)	(67)	(24)	(46)		
(+) Equity Issues (rts,plc,opts)		53	45	-	-		
(+) Loan Drawdown/receivable		-	30	-	-		
(+) Loans from(to) other entities		-	-	-	-		
(-) Loan Repayment		10	-	5	20		
(-) Dividends		-	-	-	-		
Financing Cashflow		43	75	(5)	(20)		
Net Cashflows		25	6	6	7		
(+/-) FX Adj.		(0)	-	-	-		
EoP Cash Balance		47	54	59	66		
Balance Sheet (A\$m)				2021A	2022F	2023F	2024F
Assets							
Cash		47	54	59	66		
Current Receivables		1	1	1	1		
Other Current Assets		6	6	6	6		
Non-Current Assets		167	387	346	273		
Total Assets		221	448	412	347		
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	352	322	276		
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				537			102

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