



ARGONAUT
The Natural Choice in Resources

EQUITY RESEARCH

Financial Advisers | Stockbroking & Research | Special Situations Financing

www.argonaut.com +61 8 9224 6888

Spec buy

Current Price \$0.32
Valuation \$0.37

Code: **PNR**
Sector: **Materials**

* All figures in AUD unless stated otherwise

Shares on Issue (M):	1,575
Market Cap (\$M):	496
- fully diluted (\$M)	514
Cash + bullion (Mar 22)	A\$70m
Debt (Mar 22)	A\$30m
Net cash (\$M Mar 2022)	40
Enterprise value (\$M):	456
52 wk High/Low (ps):	\$0.42 \$0.19
12m av. daily vol. (Mshs):	1.80

Key Metrics

	FY22e	FY23e	FY24e
P/E (x)	0.0	21.5	10.0
EV/EBITDA (x)	37.0	9.8	6.0

Financials:

	FY22e	FY23e	FY24e
Revenue (\$M)	89	171	213
EBIT (\$M)	1	23	50
NPAT (A\$M)	0	23	50
Net assets (\$M)	205	223	287
Op CF (\$M)	12	46	76

Per share data:

EPS (c)	-0.0	1.5	3.2
Dividend (cps)	0.0	0.0	0.0
Yield (%)	-	-	-
CF/Share (cps)	0.8	2.9	4.8
Prod (koz Au)	36	71	88

Share Price Graph and trading volumes (msh)



Please refer to important disclosures at the end of the report (from page 5)

Friday, 22 April 2022

Pantoro Limited (PNR)

Norseman progress

John Macdonald

Quick Read

Quantitative: Argonaut valuation raised to 37cps from 30cps.

Qualitative: High risk/potential high reward play. Counting on good management.

Main points

Norseman (PNR 50%): Construction of the new 1Mtpa Norseman CIL facility (PNR is operator and 50% owner) is on track for August 2022 commissioning. Open pit and underground mining contractors are due to start mining ore at Scotia and OK in June and July respectively.

After the October 2020 feasibility study, Pantoro has added 110kozs in estimated open pit reserves at Scotia to the life of mine (LOM) plan, taking the total to 280kozs or a third of the project's estimated 900kozs total. Drilling is continuing at Scotia, and Pantoro expects to update reserves again by late 2022.

Halls Creek (PNR 100%): Gold production in the December 2021 and March 2022 quarters has been affected by restrictions on personnel and contractor movement. The Company said in early April that crews were returning to normal levels. Current development of an additional mining front at Wagtail South should support a return to the target 35kozspa production rate from the September 2022 quarter.

PGEs: In mid-April Pantoro began a 20,000m drill program testing the Lamboo ultramafic complex near Halls Creek for platinum group elements (PGEs) and nickel. The objectives are bulk tonnages of material probably grading +1g/t 3E (Pt+Pd+Au) with favourable metallurgical characteristics. Initial holes and lab studies completed in late 2021 have provided encouragement.

And lithium: Mineral Resources can earn up to 65% of the lithium rights at Norseman from Pantoro and Tulla (50/50) by funding exploration and development of a lithium project into production. The first drill program is targeting outcropping pegmatites along strike from Liontown's Buldania deposit (15Mt at 0.97% Li₂O resource estimate). First results are due back in May 2022.

Cash: Pantoro had \$70M cash and bullion at the end of March 2022. Drawn debt is \$30M.

Recommendation

Maintain speculative buy. We expect Pantoro to keep turning up new opportunities at Halls Creek and Norseman. We raise our valuation from 30cps to 37cps on mine plan changes at Norseman.



Pantoro Ltd

Equities Research

Analyst: John Macdonald

Recommendation Speculative buy
Current Price \$0.32
Valuation \$0.37

Sector Metals & Mining
Issued Capital (M) 1,575
Market Cap (M) \$496

Friday, 22 April 2022

Profit & loss (\$M) 30 June	2022E	2023E	2024E
Sales Revenue	89	171	213
+ Other income/forwards	0	0	0
- Operating costs	-64	-109	-120
- Royalties	-4	-7	-9
- Corporate & administration	-9	-9	-9
Total Costs	-76	-125	-137
EBITDA	12	46	76
- margin	14%	27%	36%
- D&A	-12	-23	-26
EBIT	1	23	50
+ Finance Income/Expense	0	0	0
PBT	0	23	50
- Tax expense	0	0	0
NPAT	0	23	50

Cash flow (\$M)	2022E	2023E	2024E
+ Revenue	89	171	213
- Cash costs	-76	-125	-137
- Forwards	0	0	0
- Tax payments	0	0	0
+ Interest & other	0	0	0
Operating activities	12	46	76
- Property, plant, mine devel.	-67	-15	-27
- Exploration	-2	-7	0
- Deferred consideration	-10		
- Investment	-4		
Investment activities	-83	-22	-27
+ Borrowings	30	-12	-18
- Dividends	0	0	0
+ Equity	47	2	1
Financing activities	77	-10	-17
Cash change	6	14	32

Balance sheet	2022E	2023E	2024E
Cash & bullion	57	70	102
Other Current Assets	5	5	5
Total current assets	62	75	107
Property, plant & equip.	204	196	197
Investments/other	0	8	21
Total non-curr. assets	204	204	217
Total assets	265	279	325
Trade payables	11	18	18
Debt	12	18	0
Total curr. liabilities	23	36	18
Provisions	20	20	20
Debt	18	0	0
Total non-curr. liabil.	38	20	20
Total liabilities	61	56	38
Net assets	205	223	287

Year to June 30	2022	2023	2024
Halls Creek			
Throughput (Mt)	0.3	0.3	0.2
Head grade (g/t)	4.5	4.5	5.4
Gold prodn (koz)	36	38	33
Cost per milled tonne (A\$/t)	244	227	300
All in sustaining costs (A\$/oz)	1680	1577	1729
Growth capital (\$M)	0	0	0
Norseman (PNR 50%)			
Ore processed (Mt)		0.8	1.2
Head grade (g/t)		2.71	3.05
Gold prodn (koz)		65	110
Cost per milled tonne (A\$/t)		126	111
All in sustaining costs (A\$/oz)		1498	1174
Growth capital (\$M)	121	20	30
Group			
Gold production	36	71	88
AISC	1680	1541	1381
Growth capital (\$M)	60	10	15
CAIC (A\$/oz)		2077	1858
Price assumptions	2022E	2023E	2024E
AUDUSD	0.73	0.73	0.73
Gold (US\$)	1779	1750	1750
Gold (A\$)	2452	2414	2414

Financial ratios		2022E	2023E	2024E
GCFPS	Ac	0.8	2.9	4.8
CFR	X	40.8	10.8	6.5
EPS	Ac	0.0	1.5	3.2
PER	X	0.0	21.5	10.0
DPS	Ac	0.0	0.0	0.0
Yield	%	0.0%	0.0%	0.0%
Interest cover	x	3.6	91.6	416.6
ROCE	%	0%	11%	23%
ROE	%	0%	10%	17%
Gearing	%	10%	9%	7%

Shares		2022E	2023E	2024E
New shs issued/exerciseable	M	167	10	2
Average issue price	\$/sh	0.28	0.20	0.25
Ordinary shares - end	M	1575	1585	1588
Diluted shares - end	M	1632	1632	1632

Hedging		2022E	2023E	2024E
Hedged sales	koz	0	0	0
Hedged price	A\$/oz	0	0	0
Hedge gain(loss)	\$M	0	0	0
Hedged %	%	0%	0%	0%
Received price	A\$/oz	2452	2414	2414

Valuation summary		A\$M	A\$/sh
50% Norseman after tax 7% DR		230	0.15
100% Halls Creek after tax 7% DR		78	0.05
Exploration, all sites		262	0.17
Maximus shares		5	0.00
Corporate overheads		-35	-0.02
Cash and bullion		70	0.04
Debt		-30	-0.02
Tax benefit		20	0.01
Hedging		0	0.00
Option/equity dilution		-11	-0.01
NAV		589	0.37

Directors, management		
Wayne Zekulich		Non-Executive Chairman
Paul Cmrlc		Managing Director
Scott Huffadine		Operations Director
Kyle Edwards		Non-Executive Director
Fiona Van Maanen		Non-Executive Director

Top shareholders		M shs	%
Robmar Investments Pty Ltd		201	12.8
Tulla Resources Group Pty Ltd		94	6.0

Reserves & resources June '21	Mt	g/t Au	Koz
HALLS CREEK RESOURCE	1.6	6.6	342
Measured	0.4	8.4	108
Indicated	0.8	6.4	163
Inferred	0.4	5.3	72
INCLUDES TOTAL RESERVE	0.9	4.8	135
Halls Creek	0.9	4.8	135
NORSEMAN RESOURCE (100%)	43.4	3.3	4,665
Measured	4.6	1.6	237
Indicated	19.2	3.4	2,097
Inferred	19.6	3.7	2,332
INCLUDES TOTAL RESERVE	12.9	2.2	898
Underground	2.1	4.9	323
Open pit	6.6	2.2	467
Stockpiles	4.2	0.8	108

Argonaut model June '21	Mt	g/t Au	Koz
TOTAL INVENTORY			
Norseman underground (100%)	2.5	4.9	394
Norseman pit (100%)	6.7	2.2	474
Halls Creek underground	1.2	5.4	205

Production and cost forecasts

Table 1. Argonaut production and cost forecasts.

Year to June 30	2022	2023	2024
Halls Creek			
Throughput (Mt)	0.3	0.3	0.2
Head grade (g/t)	4.5	4.5	5.4
Gold prodn (koz)	36	38	33
Cost per milled tonne (A\$/t)	244	227	300
All in sustaining costs (A\$/oz)	1680	1577	1729
Growth capital (\$M)	0	0	0
Norseman (PNR 50%)			
Ore processed (Mt)		0.8	1.2
Head grade (g/t)		2.71	3.05
Gold prodn (koz)		65	110
Cost per milled tonne (A\$/t)		126	111
All in sustaining costs (A\$/oz)		1498	1174
Growth capital (\$M)	121	20	30
Group			
Gold production	36	71	88
AISC	1680	1541	1381
Growth capital (\$M)	60	10	15
CAIC (A\$/oz)		2077	1858

Source: Argonaut Research

Valuation

Argonaut's valuation is based on discounted cash flow valuations of the Halls Creek and Norseman projects, informal estimates of exploration assets value and nominal assessment of Pantoro's other assets and liabilities, as at June 2022.

An estimate of the NPV of future corporate overheads is included in the valuation.

Argonaut values the Norseman gold project using the inventory and cost inputs based on the October 2020 feasibility study to generate an NPV, with adjustments for subsequent changes in reserve estimates and mine plan. The schedules in our model differ from Pantoro's. The project valuation is based on the after tax NPV of modelled cash flows at a 7% real, after tax discount rate, plus a nominal estimate of the value of exploration prospects outside of the restart plan.

For Halls Creek, we model an underground inventory of 205koz as at June 2021, which is 130koz higher than the 110koz estimated in reserve by Pantoro at the same date. Subsequent drilling success and mine progress has discovered new lodes and extended reserve positions. Progressive underground advance will further enable access for extension drilling.

Table 2. Argonaut valuation of Pantoro Limited.

Valuation summary	A\$M	A\$/sh
50% Norseman after tax 7% DR	230	0.15
100% Halls Creek after tax 7% DR	78	0.05
Exploration, all sites	262	0.17
Maximus shares	5	0.00
Corporate overheads	-35	-0.02
Cash and bullion	70	0.04
Debt	-30	-0.02
Tax benefit	20	0.01
Hedging	0	0.00
Option/equity dilution	-11	-0.01
NAV	589	0.37

Source: Argonaut Research

Risks to valuation

Exploration and development success

A large proportion of our valuation belongs to prospects that are not subject to any development studies. Costs of exploration and development may be high for extended periods. The valuation assumes that future exploration and investments achieve acceptable returns. Subjective value is attributed to exploration assets.

Development and operating costs.

Cost forecasts are based on feasibility estimates at Norseman and demonstrated costs at Halls Creek.

Mineable inventory

Argonaut's estimates of mineable inventories at Halls Creek are based on incomplete information, and subjective calls on future exploration findings.

Gold price

Our estimates of Pantoro cash flows and exploration values are sensitive to the gold price. Each 10% change in the Australian dollar gold price changes our valuation by 35%.

Joint venture

The Norseman JV is half owned by Tulla Resources (TUL:asx). Tulla is independently funded which may affect forward plans.

RESEARCH:

Ian Christie | Head of Research
+61 8 9224 6872 ichristie@argonaut.com

John Macdonald | Director, Metals & Mining Research
+61 8 9224 6835 jmacdonald@argonaut.com

George Ross | Analyst, Metals & Mining Research
+61 8 9224 6840 georger@argonaut.com

Royce Haese | Analyst, Metals & Mining Research
+61 8 9224 6869 rhaese@argonaut.com

INSTITUTIONAL SALES:

Chris Wippl | Executive Director, Head of Institutional Sales
+61 8 9224 6875 cwippl@argonaut.com

Damian Rooney | Director Institutional Research Sales
+61 8 9224 6862 drooney@argonaut.com

Josh Welch | Institutional Research Sales
+61 8 9224 6868 jwelch@argonaut.com

George Ogilvie | Institutional Research Sales
+61 8 9224 6871 gogilvie@argonaut.com

John Santul | Consultant, Sales & Research
+61 8 9224 6859 jsantul@argonaut.com

CORPORATE AND PRIVATE CLIENT SALES:

Glen Colgan | Managing Director, Desk Manager
+61 8 9224 6874 gcolgan@argonaut.com

Kevin Johnson | Executive Director, Corporate Stockbroking
+61 8 9224 6880 kjohnson@argonaut.com

James McGlew | Executive Director, Corporate Stockbroking
+61 8 9224 6866 jmcglew@argonaut.com

Ben Willoughby | Senior Dealer, Corporate Stockbroking
+61 8 9224 6876 bwiloughby@argonaut.com

David Keogh | Senior Dealer, Corporate Stockbroking
+61 8 9224 6852, dkeogh@argonaut.com

Geoff Barnesby-Johnson | Senior Dealer, Corporate Stockbroking
+61 8 9224 6854 bj@argonaut.com

Philip Grant | Senior Dealer, Corporate Stockbroking
+61 8 9224 6834, pgrant@argonaut.com

Rob Healy | Dealer, Private Clients
+61 8 9224 6873, rhealy@argonaut.com

James Massey | Dealer, Private Clients
+61 8 9224 6849 jmassey@argonaut.com

Cameron Prunster | Dealer, Private Clients
+61 8 9224 6853 cprunster@argonaut.com

Harry Massey | Dealer, Private Clients
+61 8 9224 6829, hmassey@argonaut.com

Jake Solomon | Dealer, Private Clients
+61 8 9224 6855, jsolomon@argonaut.com

Matej Mandic | Dealer, Private Clients
+61 8 9224 6887, mmandic@argonaut.com

Important disclosure

Argonaut acted as Joint Lead Manager to the Placement to raise \$45M in March 2022 and received fees commensurate with this service. Argonaut holds or controls 5M PNR Shares.

Information Disclosure

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

For U.S. persons only

This research report is a product of Argonaut Securities Pty Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by Argonaut Securities Pty Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Argonaut Securities Pty Limited has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

General Disclosure and Disclaimer

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") for the use of the clients of ASPL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL has made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's overall revenues.

Copyright

© 2022. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited. Argonaut Securities Pty Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.