

3 May 2022

Pantoro Limited (PNR)

BUY

Share Price: A\$0.27

A strong year expected despite a slower start

Target Price:

A\$0.41

As flagged in the period, PNR had a weaker quarter at its Halls Creek gold operation due to the widespread labour shortages experienced in WA. Output of 5.4koz at A\$2,408/oz AISC was expected, after quarterly guidance was withdrawn in February. Encouragingly, manning at Halls Ck is returning to normal, with the previous c.35-36kozpa production rate expected from the Sep. Q'22. Importantly, the Norseman construction remains on-track for commissioning in Aug. '22. Following the recent large reserve upgrade, we see the initial 1Mtpa operation quickly expanding to 1.5Mtpa for minimal capex which will deliver an increasingly significant gold operation at Norseman; we see 150-180kozpa for +10yrs. This, combined with consistent news flow from Lamboo PGE's & lithium exposure at Norseman, will see PNR re-rate in coming months. **BUY, PT \$0.41/sh (previously \$0.43/sh after diluting for the recent \$45m capital raising).**

Norseman construction progressing to plan

- Norseman plant construction on track for commissioning in Aug 2022 with production ramping up to +100kozpa (100%) soon after
- Open pit & underground mining contracts awarded, fleets mobilised, mining to ramp up from May onward
- Aggressive drilling campaign (5-6 rigs) remains ongoing, with multiple further updates to resources & reserves as infill and extensional drilling progresses
- Updated life-of-mine plan July/August

News flow from gold, PGE & lithium exploration

- Norseman Au – 5-6 rigs to continuously grow reserves
- Lamboo PGEs – 20,000m RC program underway
- Norseman lithium – initial drilling by MIN completed, assay results due imminently

As flagged, Nicolson's gold output lower QoQ

- Mar. Q'22 gold output of 5.5koz at A\$2,408/oz AISC
- Labour issues being resolved post border opening, guidance likely to be reinstated from Sep. Q'22 onward
- 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
- Lamboo PGE and lithium exposure at Norseman (through JV with MIN) to add significant value in CY22

Key Dates Ahead

- May. '22 – lithium assays from Norseman
- May/June '22 – PGE drilling results
- Jul/Aug. '22 – Norseman updated mine plan, first gold

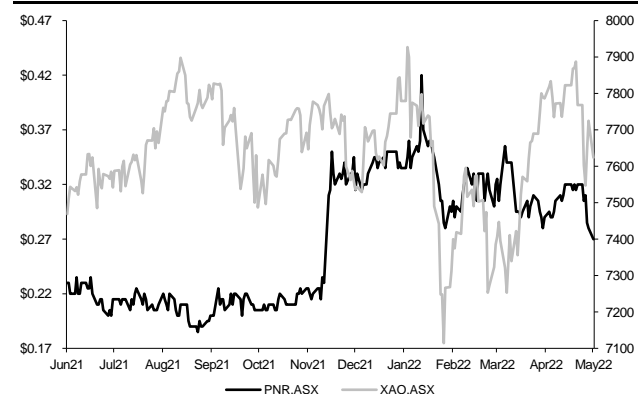
Company Data

Shares – ordinary (M)	1574.9
Market capitalisation (\$M)	425
12 month low/high (\$)	0.18/ 0.43
Average monthly turnover (\$M)	18.1
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End June	FY21A	FY22F	FY23F	FY24F	FY25F
Revenue (\$M)	87.8	71.2	171.2	174.6	181.8
Costs (\$M)	-54.6	-48.4	-114.3	-102.3	-103.7
EBITDA (\$M)	33.2	22.8	56.9	72.3	78.1
NPAT (\$M)	12.0	-0.2	34.7	62.9	70.5
EPS (¢ps)	0.9	0.0	2.2	4.0	4.4
EPS growth (%)	nm	na	>100%	81%	12%
PER (x)	31	na	12	7	6
Op. Cashflow (\$M)	26.3	22.8	61.0	63.1	72.9
OCFPS (¢ps)	1.9	1.5	3.8	4.0	4.6
POCFPS (x)	14	18	7	7	6
Enterprise Value (\$M)	377.8	381.8	348.4	323.7	280.2
EV / EBITDA (x)	11.4	16.8	6.1	4.5	3.6
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



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was co-lead manager for this company's placement to raise up to \$45m on 10 March 2022 at \$0.29/sh for which fees were received.

Brett McKay

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Analysis

Pantoro Limited (PNR)						
Year End June						
			Share price (A\$)			0.270
			Issued Shares (m)			1,575
			Market Cap (A\$m)			425
			Options/Rights/Escrowed (m)			14.9
			Dilution (m)			0
			Fully Diluted no. of Shares (m)			1,590
Profit & Loss Statement (A\$m)						
	FY21A	FY22F	FY23F	FY24F	FY25F	
Revenue	87.8	71.2	171.2	174.6	181.8	
Costs	(54.6)	(48.4)	(114.3)	(102.3)	(103.7)	
EBITDA	33.2	22.8	56.9	72.3	78.1	
Depreciation & Amortisation	(20.2)	(20.0)	(20.0)	(10.0)	(10.0)	
Operating profit	13.0	2.8	36.9	62.3	68.1	
NOI	0.0	(2.7)	0.0	0.0	0.0	
EBIT	13.0	0.1	36.9	62.3	68.1	
Interest income	0.3	0.9	1.5	2.1	2.4	
Interest expense	(1.3)	(1.2)	(1.2)	(0.8)	0.0	
Tax expense	0.0	0.0	(2.5)	(0.8)	0.0	
Minority interest	0.0	0.0	0.0	0.0	0.0	
Reported NPAT	12.0	(0.2)	34.7	62.9	70.5	
EPS Reported (A\$c)	0.9	(0.0)	2.2	4.0	4.4	
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	
Avg. no. of fully-diluted shares (m)	1,392	1,507	1,590	1,590	1,590	
YE no. of fully-diluted shares (m)	1,424	1,590	1,590	1,590	1,590	
Cash Flow Statement (A\$m)						
	FY21A	FY22F	FY23F	FY24F	FY25F	
EBITDA	33.2	22.8	56.9	72.3	78.1	
Investment in working capital	2.5	0.0	6.6	(8.5)	(5.2)	
Tax expense	(9.3)	0.0	(2.5)	(0.8)	0.0	
Operating Cash Flow	26.3	22.8	61.0	63.1	72.9	
Capex	(47.2)	(45.0)	(22.9)	(34.7)	(26.9)	
Exploration	(4.3)	(9.5)	(5.0)	(5.0)	(5.0)	
Other investments	0.0	(14.3)	0.0	0.0	0.0	
Investing Cash Flow	(51.5)	(68.8)	(27.9)	(39.7)	(31.9)	
Net interest received / (paid)	(1.0)	(0.3)	0.3	1.3	2.4	
Debt drawdown / (repayment)	0.0	30.0	0.0	(10.0)	(20.0)	
Dividends paid	0.0	0.0	0.0	0.0	0.0	
Equity raised / (repaid)	54.2	45.0	0.0	0.0	0.0	
Financing Cash Flow	53.2	74.7	0.3	(8.7)	(17.6)	
Non-operating/Other	(3.2)	(2.7)	0.0	0.0	0.0	
Inc/(Dec) in Cash	24.9	26.0	33.4	14.7	23.5	
Balance Sheet (A\$m)						
	FY21A	FY22F	FY23F	FY24F	FY25F	
Cash & Equivalents	47.4	73.4	106.8	121.5	145.0	
Receivables	1.3	1.4	3.4	3.5	3.6	
Inventories	4.7	4.3	10.3	10.5	10.9	
Other Current Assets	0.9	0.9	0.9	0.9	0.9	
PPE and Exploration & Development	167	216	224	254	275	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0	
Total Assets	221	296	345	390	436	
Payables and other current Liabilities	31.6	30.7	45.2	37.1	32.4	
Short Term Debt (excl lease liabilities)	0.0	0.0	0.0	0.0	0.0	
Long Term Debt (excl lease liabilities)	0.0	30.0	30.0	20.0	0.0	
Other Non Current Liabilities	34.1	34.1	34.1	34.1	34.1	
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	
Total Liabilities incl NCI	66	95	109	91	66	
Equity attributable to PNR	156	201	236	299	369	
Total Liabilities and Equity	221	296	345	390	436	
Ratios						
	FY21A	FY22F	FY23F	FY24F	FY25F	
P/E (x)	31	na	12	7	6	
Debt/Equity	0%	15%	13%	7%	0%	
ROE (%)	8%	-0.1%	15%	21%	19%	
Production						
	FY21A	FY22F	FY23F	FY24F	FY25F	
Gold price (US\$/oz)	1,849	1,842	1,788	1,700	1,625	
AUD:USD	0.75	0.73	0.75	0.75	0.75	
Gold price (A\$/oz)	2,474	2,507	2,383	2,267	2,167	
Ore processed (Mt)	0.23	0.23	1.12	1.11	1.50	
Halls Creek	0.23	0.23	0.22	0.11	0.00	
Norseman	0.00	0.00	0.90	1.00	1.50	
Gold grade (g/t Au)	5.1	4.0	3.2	4.0	3.7	
Halls Creek	5.1	4.0	5.4	5.4	na	
Norseman	na	na	2.6	3.9	3.7	
Gold produced (koz Au)	35	28	72	77	84	
Halls Creek	35	28	36	18	0	
Norseman (PNR 50%)	0	0	36	59	84	
Mill contribution to production						
Halls Creek	100%	100%	50%	23%	0%	
Norseman (PNR 50%)	0%	0%	50%	77%	100%	
Costs (A\$/oz)						
	FY21A	FY22F	FY23F	FY24F	FY25F	
C1 cash costs	1,313	1,537	1,468	1,114	1,147	
Halls Creek	1,313	1,537	1,467	1,654	na	
Norseman	na	na	1,468	1,032	1,147	
AISC	1,558	1,864	1,582	1,214	1,260	
Halls Creek	1,558	1,864	1,525	1,710	na	
Norseman	na	na	1,610	1,138	1,260	
Resource						
	Category	Mt	g/t Au	Au (koz)		
Halls Creek	M, I, & Inf	1.6	6.6	339		
Norseman (PNR 50%)	M, I, & Inf	17.8	3.9	2,212		
Total	M, I, & Inf	19.4	4.1	2,551		
Leverage & Ratios						
	FY21A	FY22F	FY23F	FY24F	FY25F	
Debt/Equity	0.0%	14.9%	12.7%	6.7%	0.0%	
Net Debt/Equity	cash	cash	cash	cash	cash	
Interest Cover (x)	na	0	na	na	na	
P/E (x)	31	na	12.4	6.8	6.1	
EV/EBITDA (x)	11.4	16.8	6.1	4.5	3.6	
Price/Book (x)	2.7	2.1	1.8	1.4	1.2	
Book value per share (A\$c)	10.9	12.7	14.8	18.8	23.2	
ROE (%)	8%	0%	16%	24%	21%	
Valuation						
	(A\$m)				(A\$/ps)	
Halls Creek NPVs	34				0.02	
Non-mine inventory	22				0.01	
Halls Creek Project	56				0.04	
Norseman NPVs (100%)	486				0.31	
Non-mine inventory (100%)	140				0.09	
Norseman Gold Project (100%)	626				0.39	
PNR interest in Norseman	50%					
Norseman Gold Project (PNR 50%)	313				0.20	
Halls Creek & Norseman	370				0.23	
Exploration upside (nominal)	250				0.16	
Corporate costs	(18)				(0.01)	
Enterprise value	602				0.38	
FY22F net cash (debt)	43				0.03	
Equity value	645				0.41	

Source: Petra Capital

Figure 1: Construction of the processing plant at Norseman



Source: Company reports

Figure 2: Summary of Changes

		FY21F			FY22F			FY23F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	71	83	-15%	171	169	1%	175	175	0%
EBITDA	A\$m	23	31	-26%	57	55	4%	72	72	0%
EBIT	A\$m	0	11	-99%	37	35	6%	62	62	0%
NPAT	A\$m	0	11	-102%	35	32	8%	63	62	1%
EPS	A\$/sh	0.0	0.7	-102%	2.2	2.3	-3%	4.0	4.4	-9%
DPS	A\$/sh	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na
NPV/sh	A\$/sh	0.41	0.43	-6%						
Price target	A\$/sh	0.41	0.43	-6%						
Gold output (Halls Ck & Norseman)	koz	28.4	34.2	-17%	72	72	0%	77	77	0%
AISC	A\$/oz	1,864	1,671	12%	1,582	1,579	0%	1,214	1,213	0%

Source: Petra Capital

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