

28 May 2018

Pantoro Limited (PNR)

HOLD

Share Price: \$0.34

Delays to Expansion

Target Price: A\$0.34

Pantoro has had an enviable operational record of accomplishment after experiencing nine consecutive quarters of production growth along with demonstrable exploration success. Consequently the share price has rallied 62% since our initiation ~12 months ago and we downgrade Pantoro to HOLD with a revised target price of A\$0.34/sh (A\$0.35/sh prior). We will continue to monitor any developments with regards to a) the commissioning of the plant expansion and b) mine life extensions via exploration success, which could have material impact to our valuation.

Resource / Reserve Upgrade

- The Rowdies/Wagtail resource increased to 126koz @ 6.8g/t (56koz @ 3.6g/t prior) and the reserve increased to 62koz @ 5.4g/t (16koz @ 5.2g/t prior). A victim of its own success, the result underwhelmed versus previous upgrades.
- We see the current Rowdies/Wagtail resource, in combination with the prior Nicolson's resource (not depleted), representing 3.75 yrs of mine life. On the same basis the reserves only represent 2.5yrs of mine life. We had hoped resources equivalent to a 5 year mine life prior to the commencement of the expansion.

Slight Delays to Expansion

- Delays to delivery of components has pushed back the commissioning of the ore sorter, which is critical to the expansion of the plant. Pantoro now expect it to be operational by the end of May (~1 month late).
- Work has not yet commenced on the two declines from Wagtail North and Wagtail South due to delays in final environmental approvals, although these are expected imminently.
- We believe these new mines are critical to achieving sufficient tonnages to support the 80-100kozpa run rate and therefore push back our forecasts.

Key Dates Ahead

- An updated resource/reserve is expected for Nicolson's in June/July which may help close the gap between our assumptions and the mining inventory.

Valuation A\$0.34/sh (1xP/NPV₁₀)

- Our valuation assumes a remaining 532koz mining inventory and a ramp up to ~94kozpa in CY'19 with a 5.5 year mine life, versus the current resource of ~440koz / reserve ~228koz.

Company Data

Shares – ordinary (M)	787.5
Market capitalisation (\$M)	267.7
12 month low/high (\$)	0.18/ 0.38
Average monthly turnover (\$M)	9.4
Index	All Ords
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End June	2017A	2018F	2019F	2020F	2021F
Revenue (\$M)	64	90	128	159	156
Costs (\$M)	41	53	63	79	78
EBITDA (\$M)	23	36	64	81	78
NPAT (\$M)	6	17	35	46	47
EPS (¢ps)	1	2	4	6	6
EPS growth (%)	-205%	198%	111%	33%	1%
PER (x)	50	17	8	6	6
Free Cashflow (\$M)	20	25	51	63	62
FCFPS (¢ps)	2	3	6	8	8
PFCFPS (x)	14	11	5	4	4
Enterprise Value (\$M)	258	254	217	169	122
EV / EBITDA (x)	11	7	3	2	2
Payout ratio (%)	0%	0%	0%	0%	0%
Dividends (¢ps)	0	0	0	0	0
Yield (%)	0%	0%	0%	0%	0%
Franking (%)	0.00	0.00	0.00	0.00	0.00

PNR – performance over one year



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This report must be read with the disclosure and disclaimer on the final page of this document.

Analysis

Pantoro Limited (PNR)

25-May-18

Share Price	(\$)	A\$0.34
SOI	(M)	787.0
Issued shares	(M)	24.9
Fully Diluted	(M)	812
Mkt Cap.	(\$M)	A\$268M

Year End June

PROFIT & LOSS	2017A	2018F	2019F	2020F	2021F
Revenue	A\$M 63.9	89.7	127.5	159.2	156.0
Operating Costs	A\$M 38.7	51.0	61.2	76.6	76.5
Exploration	A\$M 0.0	0.3	0.6	0.6	0.6
Other	A\$M 2.7	2.1	1.3	1.3	1.3
EBITDA	A\$M 22.6	36.3	64.4	80.6	77.7
Depreciation & Amort.	A\$M 17.0	16.9	15.3	16.5	14.4
EBIT	A\$M 5.6	19.4	49.1	64.2	63.3
Net Interest	A\$M 0.0	(0.2)	(0.6)	(1.9)	(3.3)
Pre-Tax Profit	A\$M 5.5	19.6	49.7	66.1	66.6
Tax	A\$M 0.0	3.1	14.9	19.8	20.0
Net Profit	A\$M 5.5	16.5	34.8	46.2	46.6
Abnormal	A\$M 21.3	0.0	0.0	0.0	0.0
Reported Profit	A\$M 26.8	16.5	34.8	46.2	46.6
Dividends Paid	A\$M 0.0	0.0	0.0	0.0	0.0
Adjustments	A\$M 0.0	0.0	0.0	0.0	0.0

CASHFLOW

Net Op Cash Flow	A\$M 19.5	27.6	65.0	81.2	78.3
Net Interest	A\$M 0.0	0.2	0.6	1.9	3.3
Tax Paid	A\$M 0.0	(3.1)	(14.9)	(19.8)	(20.0)
Operating Cash Flow	A\$M 19.5	24.8	50.7	63.3	61.6

Net Capex	A\$M (20.6)	(18.3)	(11.3)	(12.0)	(12.0)
Exploration	A\$M (1.4)	(3.6)	(3.0)	(3.0)	(3.0)
Investing Cash Flow	A\$M (21.9)	(21.9)	(14.3)	(15.0)	(15.0)
Free cash flow	A\$M (2.4)	2.9	36.4	48.3	46.6

Net Borrowings	A\$M 3.2	0.0	0.0	0.0	0.0
Dividends	A\$M 0.0	0.0	0.0	0.0	0.0
Equity Issues	A\$M 4.0	1.3	0.0	0.0	0.0
Other	A\$M (0.0)	0.0	0.0	0.0	0.0
Financing Cash Flow	A\$M 7.2	1.3	0.0	0.0	0.0

Net IncreaseCash	A\$M 4.7	4.2	36.4	48.3	46.6
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BALANCE SHEET

Cash	A\$M 9.7	13.8	50.2	98.5	145.1
Other Current	A\$M 6.5	8.0	8.0	8.0	8.0
Current Assets	A\$M 16.1	21.8	58.1	106.4	153.0
Fixed Assets	A\$M 32.1	33.5	29.6	25.1	22.7
Exploration	A\$M 2.3	5.6	8.0	10.4	12.8
Other	A\$M 0.0	0.0	0.0	0.0	0.0
Non Current Assets	A\$M 34.4	39.1	37.6	35.5	35.5
Total Assets	A\$M 50.5	60.9	95.7	142.0	188.6
Borrowings	A\$M 0.0	0.0	0.0	0.0	0.0
Payables	A\$M 11.2	10.4	10.4	10.4	10.4
Other	A\$M 8.1	1.4	1.4	1.4	1.4
Current Liab	A\$M 19.3	11.7	11.7	11.7	11.7
Borrowings	A\$M 0.0	0.0	0.0	0.0	0.0
Provisions	A\$M 2.0	2.1	2.1	2.1	2.1
Other	A\$M 0.0	0.0	0.0	0.0	0.0
Non Current Liab	A\$M 2.0	2.1	2.1	2.1	2.1
Total Liabilities	A\$M 21.3	13.8	13.8	13.8	13.8
Total Equity	A\$M 29.3	47.1	81.9	128.2	174.8

RATIO ANALYSIS

	A\$	A\$	A\$	A\$	A\$
EPS	¢ 0.7	2.0	4.3	5.7	5.7
PER	x 49.8	16.7	7.9	6.0	5.9
EPS Growth	% -205%	198%	111%	33%	1%
CFPS	¢ 2.4	3.1	6.2	7.8	7.6
PCFR	x 14.1	11.1	5.4	4.4	4.5
DPS	¢ 0.0	0.0	0.0	0.0	0.0
Yield	% 0%	0%	0%	0%	0%
Payout Ratio	% 0%	0%	0%	0%	0%
Gearing ND/E	% -33%	-29%	-61%	-77%	-83%
Interest Cover	x 177.8	na	na	na	na
EBITDA Margin	% 35.3	40.5	50.5	50.7	49.8
EBIT Margin	% 8.7	21.7	38.5	40.3	40.5
Return On Assets	% 11.0	31.9	51.3	45.2	33.5
Eff Tax rate	% 30	30	30	30	30

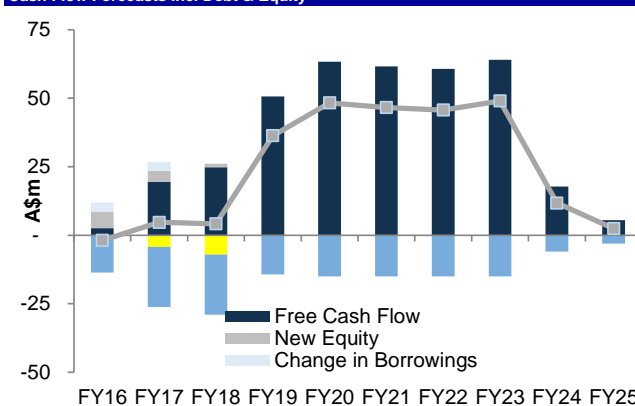
	2017A	2018F	2019F	2020F	2021F
Halls Creek Project (May-17)					
Tonnes	Kt	1,600		773	
Gold grade	g/t	7.4		7.4	
Contained gold	koz	377		182	

	2017A	2018F	2019F	2020F	2021F
Nicolsons - Underground (May-17)					
Tonnes	Kt	1053		580	
Gold grade	g/t	9.3		7.7	
Contained gold	koz	315		143	

Nicolsons

Production		2017A	2018F	2019F	2020F	2021F
Ore milled	Mt	167	231	315	400	400
Grade - gold	g/t	7.6	7.8	8.1	8.0	8.00
Recovery Gold	%	96%	92%	91%	91%	91%
Gold output	oz	39,149	53,378	73,728	93,623	93,623
C1 Costs	A\$/oz	913	890	739	728	728
AISC	A\$/oz	1,147	1,079	987	949	948

Cash Flow Forecasts Incl Debt & Equity



REVENUE		2017A	2018F	2019F	2020F	2021F
Nicolsons	A\$M	65	89	128	159	156
Total	A\$M	65	89	128	159	156

COSTS		2017A	2018F	2019F	2020F	2021F
Nicolsons	A\$M	37	52	61	77	76
Corporate	A\$M	2	1	1	1	1
Total	A\$M	39	53	62	78	78

CAPEX

SIBC	A\$M	7.2	6.9	11.3	12.0	12.0
Project	A\$M	13.3	9.6	0.0	0.0	0.0
Total	A\$M	20.5	16.5	11.3	12.0	12.0

ASSUMPTIONS

Exchange Rate	A\$/US\$	0.77	0.77	0.75	0.75	0.75
Gold price	US\$/oz	1,258	1,320	1,300	1,250	1,250
Gold price	A\$/oz	1,641	1,716	1,733	1,667	1,667

NPV (+1Yr)	A\$M	A\$/sh.
Halls Creek Project	180	\$ 0.22
Exploration	50	\$ 0.06
Corporate costs	-5	\$ (0.01)
Net Cash (Debt)	50	\$ 0.06
Total	275	\$ 0.34

Source: Petra Capital

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