

SepQ: Cash build continues, Scotia UG coming online

PNR.ASX | PANTORO LIMITED | MATERIALS | GOLD

PRICE
A\$0.125/sh

TARGET PRICE
A\$0.170/sh
(UNCHANGED)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)



Event

PNR released its SepQ report, showing production of 21.37koz at an AISC of A\$2,395/oz, a 3% production increase QoQ (JunQ 20.81koz at A\$2,481/oz). Our forecast for the SepQ was for +22koz. The **Company's string of positive cashflow quarters continued with ~A\$8.5m (JunQ ~A\$6.7m) in the quarter, leaving PNR with A\$112.3m in cash and gold**; and debt of A\$18.1m (US\$12.5m convertible note). Increased production during the quarter was despite both the secondary and tertiary crushers suffering "catastrophic failures" around one month apart. Resulting in 6 days lost during the quarter and ~1koz deferred (A\$3.7m revenue @ A\$3,700/oz). Encouraging comments by the Company on underground mining at Scotia, which is on time and schedule, with the first ore development completed during the quarter. With over 1,000m developed in the quarter. We continue to expect the Scotia UG to continue to ramp up to steady state production in the MarQ'25, contributing 60-70kozpa. The low capex of A\$12.5m (Max cash drawdown) as a result of cost savings from utilising existing infrastructure from the open pit operation. Scotia open pits have now been completed, with open pit mining at Princess Royal is planned to commence in MarQ'25 (~1 year mine life).

- **DecQ production was guided to be in the range of ~20koz (+/-10%)**, which will largely depend on the ramp up schedule of Scotia UG displacing low grade stockpiles. **FY25 guidance of 100koz (+/-10%) was maintained** with all-in sustaining cost of A\$1,900 per ounce (+/-10%). Stamp duty payable of ~A\$7m is expected DecQ (for Tulla transaction).

PNR has taken advantage of the recent gold price rise by entering zero cost collar on its gold production for CY25. The options it has entered into are relatively modest, covering 24% of production on the downside (below A\$3,500/oz) and 12% of production on the upside (above A\$4,200/oz, assuming a 100kozpa run rate). We are excited about PNR's re-entry into the Norseman Mainfield through the existing Bullen decline which is expected to commence in the DecQ, with drilling newsflow to commence in CY25.

Impact

The investment case for PNR continues to strengthen, with positive cashflow: ~A\$8.5m in the SepQ continuing, benefiting from being unhedged. Sizeable low grade stockpile of 466kt, giving operational flexibility for the first time, strong balance sheet of A\$112.3m in cash and US\$12.5m in debt (convertible note) to **fund its almost unrivalled organic growth pipeline**. Our medium to longer term production forecast: expanding Scotia and OK underground mines in FY26, bringing online ore sources from the Mainfield via the Bullen decline, 128koz in FY27 and 151koz in FY28 (See Figure 6). We have lowered our DecQ forecast to ~20koz at an AISC of ~A\$2,400/oz from 24koz, to be inline with guidance. Our updated FY25 forecast is now 96koz at an AISC of A\$2,198/oz (previously 101koz at an AISC of A\$2,064/oz).

Action

We maintain our PT at A\$0.17/sh and Speculative Buy recommendation, which assumes production growth to 170-200kozpa in the medium to long term (See Figure 6). Our PT continues is still discounted below our current NAV estimate at spot gold and FX (A\$2,900/oz), which is A\$0.20/sh.

Catalyst

- Growth updates at Norseman + exploration of Mainfield. Ramp up of Scotia U/G mining. Potential divestment of non-core assets (Halls Creek).

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Analyst

Michael Scantlebury
mscantlebury@eurozhartleys.com

Pantoro Ltd (PNR)		
Share Price	0.125	A\$/sh
Price Target	0.17	A\$/sh
Valuation	0.11	A\$/sh
Shares on issue	6454	m
Market Capitalisation	807	A\$m
Enterprise Value	713	A\$m
Debt	18	A\$m
Cash	112	A\$m
Largest Shareholders	Tulla	13%
	Regal	11.9%
	L1 Cap	9.3%

Production F'cast	2024A	2025F	2026F
Attrib. Prod'n (kt)	71	96	108
Cash Cost (A\$/oz)	2401	1974	1740
AISC (A\$/oz)	2643	2198	1988

Assumptions	2024A	2025F	2026F
Gold Price US\$/oz	2316	2425	2310
AUDUSD	0.66	0.69	0.72

Key Financials	2024A	2025F	2026F
Revenue (A\$m)	260	335	347
EBITDA (A\$m)	51	121	129
NPAT (A\$m)	-49	34	61
Cashflow (A\$m)	-1	118	126
CFPS (Ac)	0.0	1.8	1.9
EPS (Ac)	-0.7	0.5	0.9
EV:EBITDA (x)	14.6	5.7	4.6

Performance



Source: IRESS

MARKET STATISTICS		A\$/sh	
Share Price	0.125	Directors	
Issued Capital	W Zekulich	NE Chair	
SOI	6,454 P Cmrlec	MD	
Options/Perf rights	166 F Van M...	NE Dir	
Total Dil. FPOrd	6,620 K Maloney	NE Dir	
	M Maloney	NE Dir	
Market Capitalisation	\$807 C McIntyre	NE Dir	
Enterprise Value	\$713		
Cash	\$112	Holders	
Debt	\$18 Tulla	13.1%	
	Regal	11.9%	
	L1 Cap	9.3%	

ASSET VALUATION		
	A\$m	A\$/sh
(+) Halls Creek	20	0.00
(+) Norseman	542	0.08
(-) Corporate	(46)	(0.01)
(+/-) Hedging	-	-
(+) Exploration	100	0.02
(+) Lamboo (PGE)	20	0.00
(+) Cash	112	0.02
(-) Debt	(18)	(0.00)
Total	731	0.11
Price Target	1,097	0.17
Spot A\$3,900/oz	1,292	0.20

FORECAST PRODUCTION			
Yr End 30 June (A\$m)	2024A	2025F	2026F
Norseman 100% PNR			
Throughput (Mt)	1.1	1.2	1.2
Milled grade (g/t)	2.1	2.7	3.0
Gold Production (Koz)	71	96	108
Cash Costs (C1) (A\$/oz)	2,401	1,974	1,740
AISC (A\$/oz)	2,643	2,198	1,988
Assumptions			
Spot Gold Price (US\$/oz)	2,316	2,425	2,310
FX Rate ass'd (A\$/USD\$)	0.66	0.69	0.72
-	-	-	-

RATIO ANALYSIS			
Yr End 30 June (A\$m)	2024A	2025F	2026F
Cashflow	-1	118	126
Cashflow Per Share	-0	2	2
Cashflow Ratio	na	7	7
Earnings	-49	34	61
Earnings Per Share	-1	1	1
EPS Growth	na	na	na
P/e Ratio	-17	25	14
Enterprise Value	748	686	598
EV/EBITDA	15	6	5
EV/EBIT	-24	13	7
Dividend per Share	0.0	0.0	0.0
Dividend Payout Ratio	0%	0%	0%
Dividend Yield	0.0%	0.0%	0.0%

PROFIT & LOSS			
Yr End 30 June (A\$m)	2024A	2025F	2026F
(+) Gold revenue	229	335	347
(+/-) Hedging Revenue	-	-	-
(+) Interest Income	-	-	-
(+) Other Revenue	31	-	-
Total Revenue	260	335	347
(-) Operating Costs	198	210	214
(-) Dep/Armort	82	64	34
(-) Writeoff (expl'n)	(0)	(2)	(2)
(-) O/H + News Bus Dev.	(8)	(5)	(5)
(-) Provisions	(3)	(3)	(3)
EBITDA	51	121	129
EBIT	(31)	53	92
(-) Interest Expense	(18)	(2)	(2)
NPBT	(49)	48	87
(-) Tax	0	(14)	(26)
(-) Minority Interest	-	-	-
Net Profit	(49)	34	61
(+/-) Net abnormal	-	-	-
Net profit After Abnormal	(49)	34	61

CASHFLOW			
Yr End 30 June (A\$m)	2024A	2025F	2026F
Net Profit	(49)	34	61
(+) WC adj.	(36)	-	-
(+) Dep/Amort	82	64	34
(+) Provisions & W/O	3	5	5
(+) Tax Expense	(0)	14	26
(-) Deferred Revenue	-	-	-
(-) Tax Paid	-	-	-
Operating Cashflow	(1)	118	126
(-) Capex + Dev.	37	30	28
(-) Exploration	4	25	10
(-) Asset Purchased	-	-	-
(+) Asset Sale	29	-	-
(+/-) Other	-	-	-
Investing Cashflow	(11)	(55)	(38)
(+) Equity Issues (rts,plc,opts)	123	-	-
(+) Loan Drawdown/receivable	-	-	-
(+) Loans from(to) other entities	(1)	-	-
(-) Loan Repayment	54	-	-
(-) Dividends	-	-	-
Financing Cashflow	67	-	-
Net Cashflows	56	63	88
(+/-) FX Adj.	-	-	-
EoP Cash Balance	98	161	249
EoP Net Cash	79	142	230

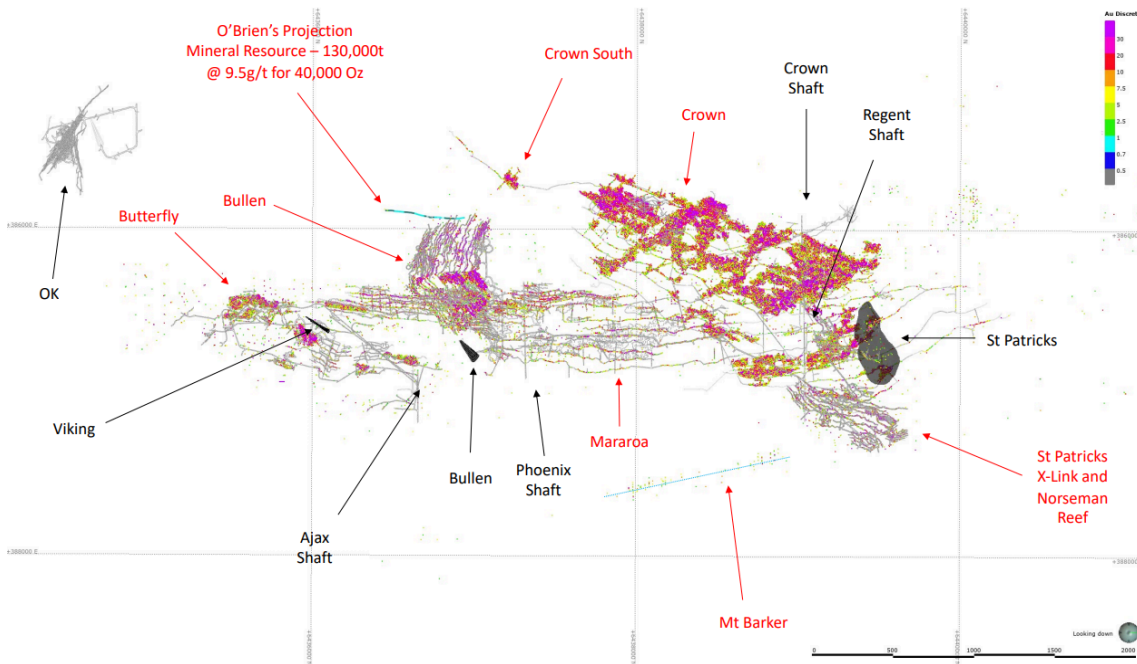
BALANCE SHEET			
Yr End 30 June (A\$m)	2024A	2025F	2026F
Assets			
Cash	98	161	249
Current Receivables	5	5	5
Other Current Assets	21	21	21
Non-Current Assets	437	403	397
Total Assets	561	589	671
Balance Sheet			
Borrowing(s)	19	19	19
Current Accounts payable	50	50	50
Other Liabilities	79	79	79
Total Liabilities	148	148	148
Net Assets	413	442	524

JORC			
	mt	g/t	Moz
Total Reserves	14.5	2.1	0.97
Total Resources	46.4	3.2	4.79

Analysis

A key challenge for PNR will be for the Company to prioritise areas for drilling within the Mainfield, given the number of targets. We understand that the Butterfly area will be targeted from surface drilling (as outline in the FY25) drill program. We also expect Crown Reef and Crown Reef south will be targeted through UG drilling as a priority.

Figure 1: Mainfield targets which will be targeted by UG drilling via the Bullen decline.



Source: PNR

Figure 2: Historical Bullen decline (in good condition)



Source: Euroz Hartleys

Figure 3: Scotia UG development, on schedule and budget



Source: Euroz Hartleys Research

Figure 4: Scotia UG portal



Source: Euroz Hartleys

As a reminder PNR has previously given FY25 guidance of 90-110koz at an AISC A\$1,900/oz +/-10%. Our updated forecast is now 96koz at an AISC of A\$2,198/oz (previously 101koz at an AISC of A\$2,064/oz), with an additional capex of A\$30m, to be largely spent on Scotia UG and open pit development, along with A\$25m in exploration.

- We forecast DecQ production of between 20koz at an AISC of ~A\$2,400/oz, generating ~A\$10m of FCF (assuming gold prices of A\$3,600/oz), with a stronger 2H FY25 expected as Scotia UG ramps up.
- Open pit operations are expected to recommence next at the Slipper pit in the MarQ CY25, which is within the Princess Royal Mining area. The Indicated and Inferred Mineral Resource at Princess Royal/Slippers currently stands at 548,000 tonnes @ 3.1g/t Au for 55,000 ounces
- Underground mining at the OK UG mine delivered 9.7koz up from 7.0koz in the JunQ.
- Underground development at Scotia commenced in May, with full production in MarQ CY25. Company noted that production stoping will commence this quarter.
- Maximum cash-outflow was previously forecasted by the Company at \$12.5m for the Scotia UG. Mining contractor RUC is the contractor for Scotia UG.
- PNR closed out the Nebari term loan at a cost of A\$44.5m during the June quarter saving ~\$11.4m in interest over the coming 3 years, and reduces debt servicing requirements of approximately \$18.0m (principal and interest) during FY 2025.
- There remains a US\$12.5m convertible loan facility with Nebari, with a maturity date in 2027 at a interest rate of +3% on SOFR.
- Our model out till FY30, still has production ramping production up to ~167koz at an AISC of A\$1713/oz by FY30, as Mainfield UG ore sources become available.
- PNR has also hedged 800,000 litres of diesel per month for 12 months from January to December 2025 at current prices, equating to just under half of its projected diesel consumption for the year.
- PNR has entered zero cost collar on its gold production for CY25.
- The options it has entered into are relatively modest covering 24% of production on the downside (below A\$3,500/oz) and 12% of production on the upside (above A\$4,200) (at 100kozpa).
- Pantoro maintains full exposure to gold prices up to A\$4,200/oz.

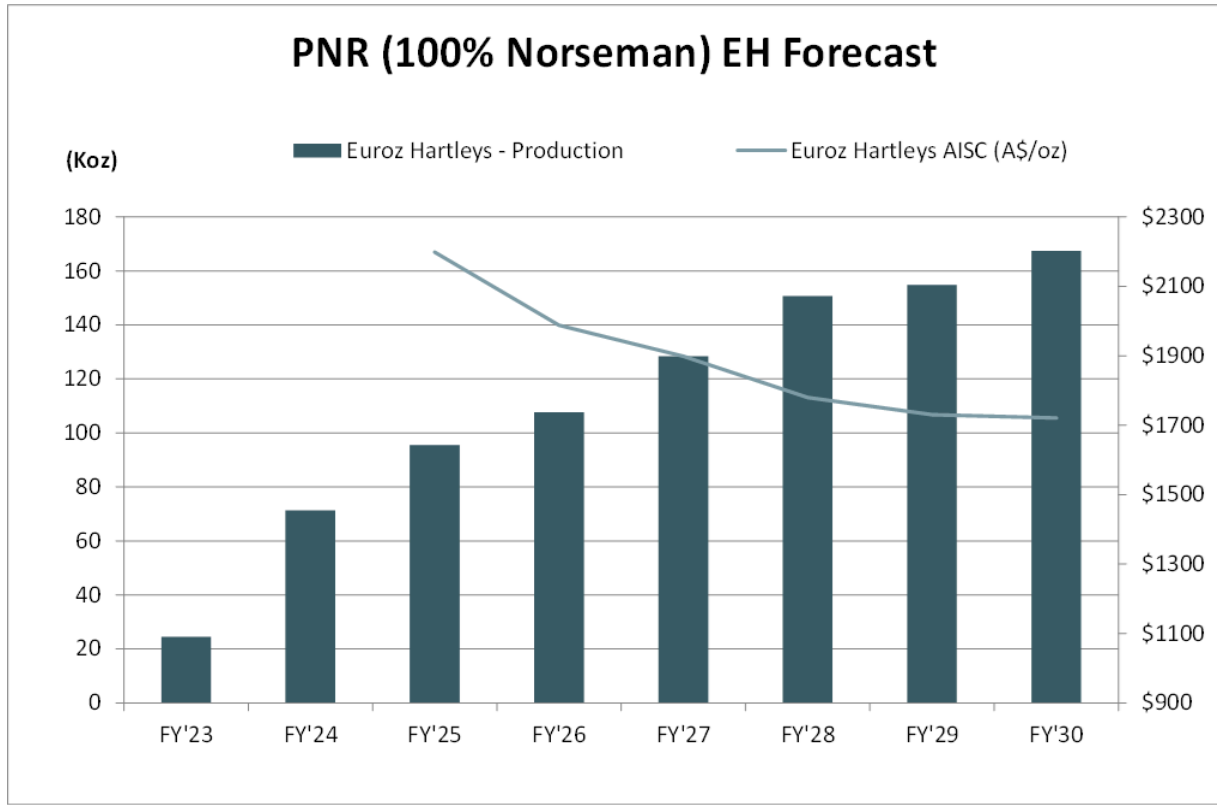
Figure 5: Realised gold prices at 100kozpa with collar facility

Spot Gold Price	Put Price	Call Price	Monthly Production	Realised Gold Price
3,500	3,500	4,200	8,333	3,500
3,600	3,500	4,200	8,333	3,600
3,700	3,500	4,200	8,333	3,700
3,800	3,500	4,200	8,333	3,800
3,900	3,500	4,200	8,333	3,900
4,000	3,500	4,200	8,333	4,000
4,100	3,500	4,200	8,333	4,100
4,200	3,500	4,200	8,333	4,200
4,400	3,500	4,200	8,333	4,376
4,600	3,500	4,200	8,333	4,552
4,800	3,500	4,200	8,333	4,728
5,000	3,500	4,200	8,333	4,904

Table 1: Realised gold prices at 100,000 ounces production with the collar facility in place.

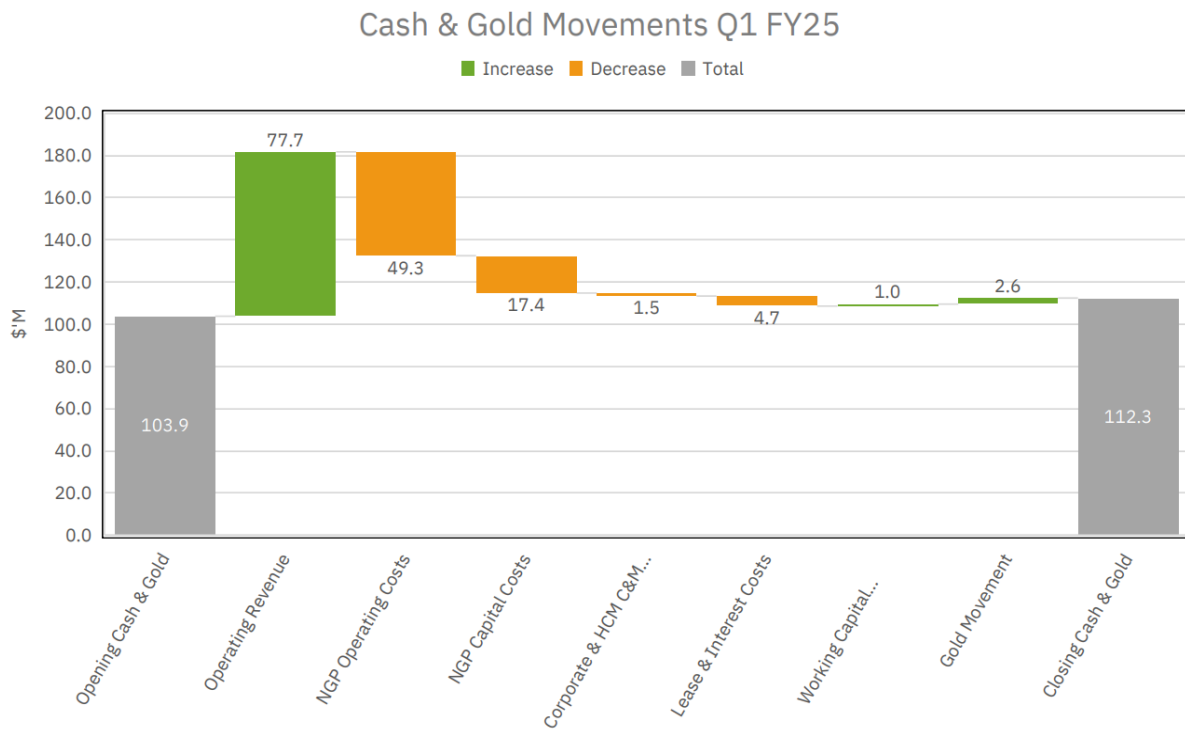
Source: PNR

Figure 6: Euroz Hartleys PNR updated production forecast



Source: Euroz Hartleys Research

Figure 7: Cashflow waterfall for the SepQ



Source: PNR

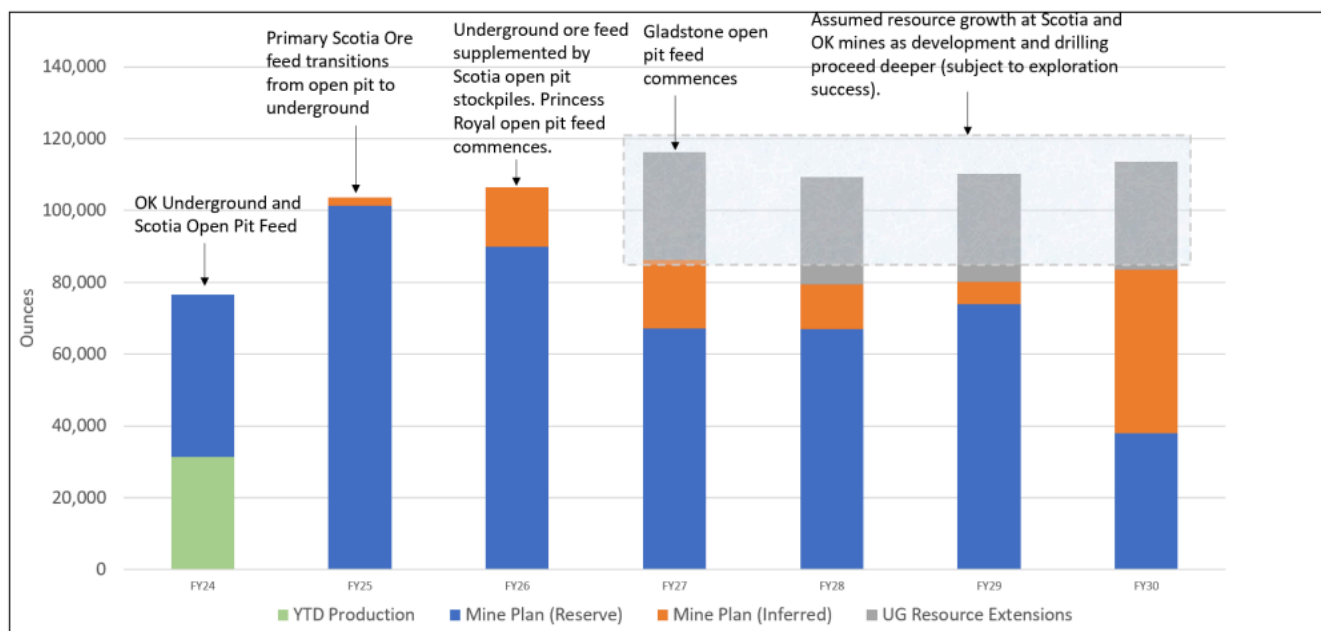
It is worth noting that Figure 8 and Figure 9 was PNR's mine plan out to 2030, which **does not include ore** from the Mainfield, which is where the next stage of growth will come from. Our forecast in Figure 6 includes expanded Scotia and OK underground operations along with additional feed from Mainfield UG targets which PNR is targeting with FY25 85,000m exploration program.

Figure 8: PNR mine plan to 2030

Financial Year	2024	2025	2026	2027	2028	2029	2030
Production to Date (kOz)	31.3	-	-	-	-	-	-
Mine Plan (Reserves) (kOz)	45.3	101.4	90.0	67.2	74.0	38.0	27.4
Mine Plan (Inferred Mineral Resource) (kOz)	-	0.2	16.5	12.3	6.2	45.5	53.7
Underground extensional target * (kOz)	-	-	-	30.0	30.0	30.0	30.0
Total (kOz)	77	102	107	110	110	114	111

Source: PNR

Figure 9: PNR mine plan to 2030 - Ore sources



Source: PNR

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Pantoro Limited (PNR.ASX) | Price A\$0.125 | Target price A\$0.170 | Recommendation Speculative Buy;

Price, target price and rating as at 14 October 2024 (not covered)*

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Research Analysts

Gavin Allen, Executive Director & Head of Research | +618 9488 1413 | gallen@eurozhartleys.com

Trent Barnett, Senior Analyst | +618 9268 3052 | tbarnett@eurozhartleys.com

Mike Millikan, Senior Analyst | +618 9268 2805 | mmillikan@eurozhartleys.com

Michael Scantlebury, Resources Analyst | +618 9268 2837 | m scantlebury@eurozhartleys.com

Steven Clark, Resources Analyst | +618 9488 1430 | sclark@eurozhartleys.com

Kyle De Souza, Resources Analyst | +618 9488 1427 | kdesouza@eurozhartleys.com

Declan Bonnick, Research Analyst | +618 9488 1481 | dbonnick@eurozhartleys.com

Seth Lizee, Research Analyst | +618 9488 1414 | slizee@eurozhartleys.com

Oliver Porter, Research Analyst | +618 9488 1429 | oport@eurozhartleys.com