

## Dalton Equities Research Report

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George Kontogiorgis  
+61 418 883 299  
[george.kontogiorgis@dalton-equities.com](mailto:george.kontogiorgis@dalton-equities.com)

## Panther Metals Ltd

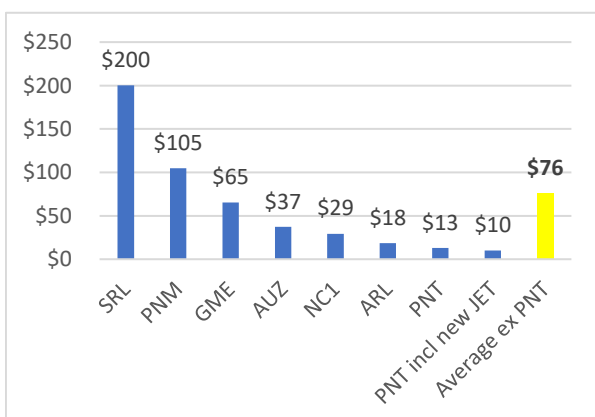
## Company Data

ASX Code	PNT.ASX
Share Price (A\$/sh)	0.18
Number of shares (m)	54.625
Market Capitalisation (A\$m)	9.83
Enterprise Value (A\$m)	6.19
12-month high / low (A\$/sh)	0.295 / 0.17
Price Target (A\$/sh)	0.54
Implied Upside	200%

## Share Price Performance (LTM)



## Nickel Laterite Explorers and Developers EV/Ni Tonnes



A transformative nickel resource with further exploration upside to come

On the back of a 7,500m drill campaign, Panther Metals (PNT.ASX, market cap A\$10M) has defined a significant nickel laterite maiden Mineral Resource Estimate (MRE) at their flagship Cogleia Project, totalling 70.6Mt at 0.7% Ni for 476Kt Nickel and 460ppm Co for 32.2Kt Cobalt. Notably, this MRE is significantly in excess of the previously defined Cogleia JORC Exploration Target (JET), exceeding the 50Mt upper limit by 20.6Mt. In addition, Panther have defined a new Southern Exploration Target, containing 34Mt-62Mt at 0.40-0.65% Ni for 36Kt-400Kt Ni and 400-600ppm Co for 14-37Kt Co. Over the next 12 months management intend to more aggressively drill the Cogleia Project, with an additional 20,000m planned, and concurrently commencing early metallurgical test work and internal mining reviews with an eye to a quick development process. In our view, this is a company-making result as the delineated MRE and the additional exploration upside stamp the Cogleia Project as a regionally significant nickel-cobalt discovery. As such, we expect Panther to re-rate in line with its nickel laterite explorer/developer peers which trade on an average EV/Ni/t multiple of \$76, compared to Panther's \$13/ton valuation. This peer group valuation underpins our buy recommendation and \$0.54 price target.

A significant nickel-cobalt asset in a world-class nickel province

Cogleia is a large, shallow, regionally significant nickel-cobalt asset located in Australia's flagship Ni-Co laterite production province and, pending further exploration and development works, potentially underpins a significant source of supply to the booming battery metals market.

Exploration upside stamps Cogleia as a potentially world-class asset

Having exceeded the initial Cogleia Exploration Target in their MRE, drilling and geophysics have also outlined a new Exploration Target and two new drill targets. Exploration success and conversion of these targets to resource may stamp Cogleia as a world-class asset, with potentially near 1Mt of nickel metal.

The role of nickel laterite in meeting historic nickel demand

While nickel laterite plants historically have faced capex and processing complexities, without laterite deposits it is unlikely that strong nickel demand will be met. As such, there have been significant improvements to processing and extraction technology, and increased government and institutional support of such projects.

Material upside in line with peer valuations

At its last traded price of \$0.18/sh (EV of \$6.2M), Panther represents material upside as it re-rates in line with its Ni-Co laterite explorer/developer peers. A peer group of six ASX-listed companies with comparable projects trade on an Enterprise Value/Nickel Ton multiple of \$76, which compares to Panther's \$13/ton valuation. We recognise the Cogleia Project is at an early stage, and we discount it accordingly. However, as the Project progresses towards development via upgrading the Resource, commences metallurgical test-work, and enjoys further exploration success we expect a gradual re-rate in line with its peers.

## A Large Laterite Nickel-Cobalt Discovery

Since listing in December 2021, Panther Metals have rapidly established a maiden Mineral Resource Estimate at their flagship 100% owned Coggia Nickel-Cobalt Project. Historic drilling at Coggia had identified high-grade nickel and cobalt mineralisation, though this drilling was only done to 40m depth, which meant it failed to uncover a strong mineralisation trend. Panther's drilling expanded on the historic work program and first intersected significant mineralisation from 49m. For the remainder of the 7,500m drill program, almost all mineralisation was intercepted beyond 40m depth, and consistently uncovered thick nickel-cobalt mineralisation, with the majority of RC holes identifying mineralised zones at grades greater than 0.5% Ni or 500ppm Co, with several intercepts greater than 20m.

Subsequently, this drill program has allowed Panther to delineate a significant maiden MRE, totalling 70.6Mt @ 0.7% Ni for 476Kt Nickel and 460ppm Co for 32.2Kt Cobalt. A maiden resource of this size places Coggia as one of the largest nickel deposits on the ASX. The Resource is comprised of Coggia North (186Kt @ 0.7% Ni) and Coggia South (290Kt @ 0.6% Ni), which collectively cover a 5km long strike.

Notably, the maiden MRE far exceeds the pre-defined Exploration Target at Coggia by some 20Mt (40% uplift), and this was just delineated from just 7,500m of drilling, with an additional 20,000m planned for further exploration.

### Coggia Nickel-Cobalt Inferred Mineral Resource at a 0.5% Nickel Grade Cut-Off.

0.5% Ni cut-off	Tonnes	Ni %	Co ppm	Ni tonnes	Co tonnes
Domain North	25,800,000	0.7	360	186,000	9,300
Domain South	44,800,000	0.6	510	290,000	22,900
<b>TOTAL</b>	<b>70,600,000</b>	<b>0.7</b>	<b>460</b>	<b>476,000</b>	<b>32,200</b>

### Simple, Lateritic Geology

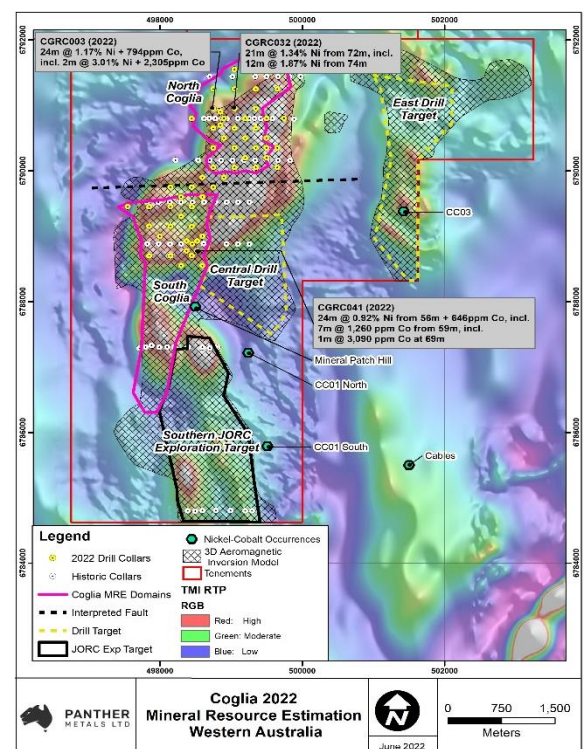
Like most other laterite ore deposits, the geology at Coggia appears to be fairly simple. The nickel-cobalt mineralisation has generally been found in flat lying zones and is at shallow depth (40m to 100m) with the mineralisation overlain by recent sediments 40m-60m thick. As such, the resource potentially is amenable to low-cost, open-pit mining with a low strip ratio, though additional work is required to confirm this.

While the MRE has been wholly classified as Inferred due to the broad drill spacing used, it is our expectation that with additional infill drilling management will successfully upgrade the Resource to the higher confidence Measured and Indicated classifications.

### Further Significant Exploration Upside

In addition to the MRE, this exploration success and subsequent re-interpretation and modelling of the Coggia Project and its mineralised zones, has enabled management to establish the new Southern JORC Exploration Target, an extension of the open Coggia South deposit. The Exploration Target contains 34-62Mt at 0.40-0.65% Ni for 136Kt-400Kt Ni and 400-600ppm Co for 14Kt-37Kt Co, and covers a 2.8km strike length. Internal geophysical modelling and interpretation has also highlighted a further two drill targets, 'East' and 'Central', covering a combined area of ~3.7km<sup>2</sup>.

With 20,000m of further drilling planned to infill the existing resource and explore additional targets, Coggia potentially is a very high-quality large Project, with potentially near 1Mt of nickel metal. Notably, a Resource of this size may be established from a single lease, unlike most other ASX-listed nickel laterite players which have established critical mass from exploration at several leases/project areas.



## Nickel Market Dynamics and the Role of Laterite Deposits

The strong nickel market demand dynamics are very well understood, with nickel critical to the world's push to electrification and decarbonisation, and with traditional industrial demand for nickel remaining buoyant. Concurrently, the nickel industry is facing supply concerns. Sulphide reserves are becoming depleted and recent sulphide discoveries have been rare and require long lead times from exploration to production, leading to an increased reliance on and importance of nickel laterite deposits.

While lateritic ore traditionally is very difficult to extract, and processing plants require high rates of capital expenditure, without continued laterite development and production it will be impossible to meet ongoing demand growth. To this end, up to 85% of new nickel supply is sourced from Indonesian deposits, the strong majority of which are lateritic. Laterite ore is forecast to continue to comprise a greater proportion of global nickel output. With this increased output from Indonesia and from China, the industry has a strong reliance on unstable political jurisdictions with poor ESG credentials, which serves to outline the importance of Australian nickel laterite projects to domestic and global supply.

## Increased Government and Institutional Support for Laterite Projects

While historically the Australian nickel laterite experience has had its challenges, the sector has seen renewed government and institutional support, underpinning the importance of such projects. In Australia's 2021 Critical Minerals Prospectus, published on the back of the announcement of an Australian Government A\$2 billion finance facility for the development of critical minerals projects, three comparable nickel laterite projects have been included, being the Sunrise Energy Metals Battery Complex (SRL.ASX), Kalgoorlie Nickel Project (ARL.ASX) and the Sconi Project (AUZ.ASX). The Sunrise Project has received a A\$400M letter of support from Export Finance Australia, and the Queensland Pacific Metals' (QPM.ASX) TECH Project has received a \$250M EFA commitment letter, as well as conditional finance support from Korea Trade Insurance Corp (a Korean export finance agency). In addition, the QPM Project has generated project and equity level investment from LG Energy Solution and POSCO, two world-class institutional partners. LG Energy Solution additionally signed a 100% offtake agreement for the Australian Mines Sconi Project.

This recognition of Australian nickel laterite projects from several government bodies and top-tier institutions for financing and offtake are essential for their development, given the high capex hurdle. While it is still early days for Panther's Coglia Project, this significant financial interest in similar Projects potentially bodes well for its eventual development.

## A Strategically Valuable Location

The Coglia Project is located 60km west of Glencore's Murrin Murrin Ni-Co plant, Australia's flagship laterite processing plant. While Coglia is at a very early-stage, this proximity to Murrin Murrin potentially provides Panther with increased development optionality. As such, there may be some opportunity for Panther to utilise the Murrin Murrin plant and/or engage in some other strategic relationship with Glencore that may then streamline development and avoid the steep capital expenditure and complexity of a new laterite processing plant construction.

While this may present the potential for early cash-flows, should Panther prove up the scale of Coglia and delineate a resource in the realm of 1Mt of nickel metal, it may prove more economical to build their own processing plant to fully capture the production margin.

## Strong Management Track Record

In addition to the board and management team collectively having significant exploration, development and corporate experience, the team has a strong understanding and track record in nickel laterite projects and their development. Panther managing director, Daniel Tuffin, is also the founder and managing director of Auralia Mining Consulting, which had significant early involvement in Ardea Resources' Kalgoorlie Nickel Project (KNP), having completed the mining section of their 2018 PFS, incorporating pit optimisation, design, scheduling and costing, and defining a JORC compliant Ore Reserve. As such, we expect this to contribute significantly to Panther's ability to develop the Coglia Project.

## Further Portfolio Upside

In addition to the Coglia Project, Panther have a significant, multi-commodity land holding in the tier one mining district of Laverton. Predominantly, this includes the recently consolidated Merolia Gold Project (of which Coglia sits at the southern tip), which potentially encompasses a mineralised zone along 40km of strike. This includes 40 Mile Camp, a newly discovered 2.5km by 5km gold anomaly, Ironstone Gold, which has intersected 9m @ 46.5g/t Au, and Comet Well where multiple 40oz gold nuggets have been discovered in a single campaign. Additionally, Panther's Mikado Project is within 5km of Brightstar Resources' (BTR.ASX) gold mill and where they have defined 207Koz Au @ 1.9g/t. Rounding out the portfolio is Woodline Well, a nickel sulphide prospect, and Eight Foot Well, a gold prospect with historic intercepts of shallow, high-grade gold. Drilling has commenced at two portfolio gold prospects with results expected in the coming months.

## Valuation

With reference to the recently delineated maiden Mineral Resource Estimate at Coglia, it is most suitable to value Panther Metals on an Enterprise Value/Nickel Ton Multiple in comparison to several ASX-listed nickel laterite explorers and developers. In addition, given Panther's significant exploration success at Coglia, we add further value to the new JORC Exploration Target at South Coglia and additional exploration upside, considering that another 20,000m of drilling is planned at Coglia.

Company	Enterprise Value	Nickel Metal	EV/Nickel Ton
<b>Sunrise Energy Metals</b>	\$184,388,016	921,000	\$200
<b>Pacific Nickel Mines</b>	\$17,346,862	165,600 <sup>1</sup>	\$105
<b>GME Resources</b>	\$57,218,095	878,000	\$65
<b>Australian Mines</b>	\$29,326,213	788,000	\$37
<b>Nico Resources</b>	\$57,316,002	1,954,000	\$29
<b>Ardea Resources</b>	\$108,284,462	5,879,000	\$18
<b>Average</b>			<b>\$76</b>

Using a peer group comprising six explorers and developers with a flagship nickel laterite project, the average EV/Nickel Ton multiple is \$76/t. This is far in excess of the \$13/ton multiple Panther trades on. However, given that the Coglia Project is at an earlier stage than these peer projects with the Resource entirely in the inferred category and with the Project some time from a PFS, it is necessary to apply a discount to represent a higher level of risk. As such, a \$45/t multiple is appropriate for the early-stage Coglia Project, which applies a 40% risk discount.

We apply a steeper discount to the new Southern JET. We use the midpoint of the Exploration Target (268Kt Ni) and apply a 50% discount for conversion of this from Target to Resource, effectively pricing this 268Kt Ni at a \$22.5/t multiple. We expect that this estimate may prove conservative when considering Panther's exploration success in converting a JET to MRE, where the tonnage of Coglia's maiden MRE exceeded the Target by 40%.

<b>Panther Metals Sum-Of-The-Parts Valuation<sup>23</sup></b>		
Projects	A\$m	A\$ps
Coglia MRE	\$21.42	\$0.39
Coglia Southern JET	\$6.03	\$0.11
Cash	\$3.65	\$0.07
Corporate Costs	(\$1.64)	(\$0.03)
<b>Total</b>	<b>\$29.46</b>	<b>\$0.54</b>

Our risked sum-of-the-parts valuation provides \$0.54/share for Panther Metals, which suggests material upside to its last traded price of \$0.18. This indicates potential for a significant re-rate, and also allows for further upside as Panther continue to progress the Coglia Project, both in terms of continued exploration and development work.

As the peer group companies have seen material multiple contraction over the last three months as a result of the recent market selloff, there may be further share price upside as market conditions improve.

<sup>1</sup> 80% ownership of project.

<sup>2</sup> As Panther have not published metallurgical works that imply a level of cobalt recoveries, our valuation only accounts for its nickel value in comparison to its peer projects.

<sup>3</sup> Reflecting the early stage-nature of other Panther exploration assets, these are not included in our valuation.

## A Potential Development Scenario and a Strategic, Long-Term Price Target

Given the early stage of the Coglia Project, it is difficult to model a development scenario, however considering potential exploration upside at Coglia, and the potential similarities between the Coglia orebody and the ore of other aforementioned nickel laterite deposits, a PFS may look relatively similar to these other projects, both economically and in terms of extraction and processing.

Should Panther convert the top end of the new Southern JET (400Kt Ni @ 0.65%) to Resource, the Coglia MRE would total 876Kt Ni @ 0.67%. Immediately this places Coglia on a similar scale to the projects of SRL, GME and AUZ (approx. 800Kt-1Mt Ni range). Additionally, the grades at Coglia are on par with these projects, as they average 0.71% Ni (though SRL and AUZ grade below the Coglia Resource). Assuming the Resource can then be upgraded to measured and indicated status, and then to a maiden Ore Reserve, this may then underpin a production profile similar to the development plans of these competitors.

These Projects each have published an advanced development study, typically targeting annual nickel production of approximately 20Ktpa, with varying amounts of cobalt depending on the respective grades. The post-tax NPV published from these studies range from approx. A\$700M to A\$1,700M with annual EBITDA ranging A\$235M to A\$450M (heavily driven by different pricing assumptions used based on timing of study publication). While it is too early to suggest with a level of certainty that this will be the project economics that Panther are able to generate at Coglia, this does provide a strong indication of where projects with similar geology and resource can be valued in a development scenario.

As such, in determining a longer-term, strategic price target it is useful to look at where these comparisons are trading in terms of their EV as a percentage of project NPV, which on average is 7.1%. Should Panther successfully increase the Resource to lie within this 800Kt to 1Mt nickel range, establish an ore reserve, and publish a development study, Panther theoretically should trade on a similar % of NPV after a study is complete. Considering the NPV's returned from the aforementioned studies and continued increases in nickel and cobalt prices (currently >US\$10/lb Ni and >US\$30/lb Co), it is possible that a Coglia PFS returns an NPV of approximately A\$1,000M. Applying the average 7.1% multiple then values the Coglia Project at A\$71M. This suggests significant long-term upside for Panther through their Coglia Project, though noting that this estimate is a very long-term forecast and strongly relies on several assumptions that are currently unproven.

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Contact with Panther Metals Ltd. has been made during the preparation of this report for assistance with verification of facts.

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