

Corporate

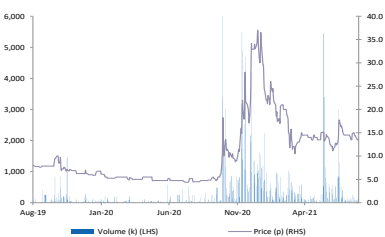
 Current price **13.25p**

 Sector **Mining**

 Code **PAT.L**

 AIM **AIM**

Share Performance



	1m	3m	12m
PAT.L	-6.9%	+12%	+200%

Source: Reuters Eikon, Allenby Capital

Share Data

 Market Cap (£m) **12.0**

 Shares in issue (m) **90.9**

52 weeks (p)	High	Low
	37	4.5

 Financial year end **31 March**

Source: Company Data, Allenby Capital

Key Shareholders

Vidacos Nominees Ltd 16.88%

Merrill Lynch Pierce Fenner 9.16%

J2 Resources Pty Ltd 8.79%

Republic Investment Mgt 6.87%

Vidacos Nominees Ltd 151004 6.52%

Pershing Nominees Ltd 5.55%

Source: Company Data, Allenby Capital

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Panthera Resources plc (PAT.L)

Restructuring of interests and Labola funding

Panthera Resources, the gold junior focused on projects Burkina Faso, Mali and India, has announced a restructuring of its interests and funding for its jointly owned Labola project in Burkina. At the core of the enterprise is the TSX-V listed Diamond Fields Resources (DFR) which will acquire the shares not owned by Panthera in Moydow Holdings Ltd, the former's JV partner in West Africa. DFR has agreed a US\$18m free-carry development farm-in into Labola, Moydow/Panthera's most advanced project. DFR is planning to advance the project to the bankable feasibility (BFS) stage. Panthera's interest in Labola will drop from c. 46% to 20% but the deal enables the pace of development to be accelerated and underwritten. Panthera retains a 'Back-in' right to acquire a 10% interest in Moydow increasing its stake to 30%. The broader rationale for the deal is that it enables Panthera to focus on its directly owned Burkina Faso and Mali projects plus its jointly owned Kalaka project in the latter. Kalaka will be spun-off into a new Panthera operated entity.

- West Africa interests:** Panthera has major interests in four gold projects in the Birimian Greenstone Belt of West Africa, one of the great gold producing provinces, accounting for about 10% of world output. Two of the projects, Bido in Burkina Faso and Bassala in Mali are directly owned. Interests in the other two, Labola in Burkina Faso and Kalaka in Mali are owned indirectly through Panthera's 45.8% stake in Moydow Holdings Ltd (39.74% fully diluted). This is a British Virgin Island based and privately owned company controlled by Brian Kiernan who previously had been a highly successful CEO of TSX-listed Moydow Mines. In addition to the Burkina Faso and Mali interests, Panthera has indirect interests of 9.2% in two exploration projects in the Kushaka Schist Belt of central Nigeria. Under the terms of the restructuring, Kalaka and the Nigerian interests will be spun-off into a new entity called Maniger owned 50:50 by Panthera and Moydow. Following the restructuring, DFR will own 80% of Moydow Holdings.
- Labola:** Geologically the Labola project lies on the most westerly of the NNE trending Birimian Greenstone zones in southern Burkina Faso. It has been extensively worked over by artisanal miners and subject to considerable RC (reverse circulation) and diamond drilling by previous operators in the form of Toronto-based High River Gold (subsequently acquired by Nord Gold) and the South African private company, Taurus Gold. Three parallel vein systems have been identified by satellite imaging and drilling over 9 km of strike. Presently, prospective resources stand at 0.6m oz Au grading 1.2 g/t but Panthera has suggested there is potential to establish a JORC or 43-101 compliant resource of over 1m oz Au with 'limited exploration work'. Based on Panthera's intimations there is scope to increase the scale of the resource by infill drilling, drilling along strike and appraisal of the deeper prospects which offer the potential for higher grades. A key feature of the Labola project is the availability of an extensive data base.
- More on the farm-in:** Panthera's 'Back-in' right to Labola which would allow it to raise its stake in the project from 20% to 30% would be exercisable after the earlier of US\$18m of expenditure by DFR or five years. The consideration would be US\$7.2m. Although there is an implied five-year development programme, we believe this is conservative. In practice, we think the lead time to the completion of a BFS might be more like two years.

Year End: 31 March

(\$'000)	2018	2019	2020	2021E	2022E
EBITDA	(2,523)	(1,571)	(1,126)	(1,157)	(1,430)
NET CASH	1,572	188	98	1,897	478

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Broker to Panthera Resources plc (PAT.L).

What is the significance of Diamond Fields Resources

Diamond Fields Resources (DFR) is a Vancouver-based and TSX-V listed mining junior with a market capitalisation of a mere C\$12.8m. It has two small projects one of which is the Beravina zircon project in Madagascar and the other diamond exploration offshore Namibia. The company's small scale belies its illustrious past. DFR is best known as the vehicle of Robert Friedland and Jean-Raymond Boulle that presided over the discovery in 1994 of the world class Voisey's Bay nickel deposit on the Labrador coast. The deposit was subsequently sold to Inco (now a unit of the Brazilian mining major Vale SA) for C\$4.3bn in 1996. The founder and original Chairman and CEO of DFR was Jean-Raymond Boulle. According to Refinitiv data, he owns 77.8% of DFR's stock.

Jean-Raymond Boulle (a British and Mauritian citizen, according to the Wikipedia entry) spent his early career with De Beers Diamond Trading Co in Antwerp, Sierra Leone and Zaire. He later became a serial natural resources entrepreneur and investor. The precise motivation for Jean-Raymond Boulle's interest in the Labola project is unknown to us but he clearly sees value. Just possibly he intends using DFR as a new gold development vehicle in the Birimian Greenstone Belt or indeed more widely. Panthera might even figure in his ambitions in due course.

On completion of the Labola farm-in transaction, Jean-Raymond Boulle and the Moydow Holdings founder, Brian Kiernan, will invest US\$2.75m in DFR. The latter will also be appointed Chairman.

Financials

Panthera has yet to report its financial statements for the year to March 2021. We estimate that there was a comfortable cash position at year end of about US\$1.9m. Cash flow was buoyed in the second half stemming from the exercise of warrants and options, the Moydow joint-venture and the disposal of the legacy holding in Anglo Saxon Mining Ltd.

We believe cash demands will probably have increased significantly in the year-to-date March 2022 reflecting a higher rate of project related spending. As of end August 2021, we estimate a cash balance of around US\$1.3m. A decline to US\$0.48m is forecast by end March 2022 predicated on outlays for the full year of US\$0.71m for exploration and purchases of fixed assets and a similar amount for G&A.

Valuation

Previously, we have valued Panthera on a risked sum of the parts basis and we continue to do so. The key metric for this task is enterprise value per ounce of gold benchmarked against comparable junior stocks operating in West Africa. In the light of the farm-in agreement with DFR for Labola, we have upgraded both the valuation quotient and the risking factor or probability of success. The former rises from \$34/oz to \$60/oz while the latter increases from 75% to 85%. The attributable ounces of gold however drops sharply from 0.416m to 0.18m reflecting the terms of the farm-in agreement. Note, for this purpose we have assumed a resource for Labola of 1m oz Au, a 20% interest in the prospective joint-venture with DFR/Moydow and a 10% implied Burkina Faso government stake.

In the case of Kalaka, arguably Panthera's second most advanced project we have raised both the valuation quotient and the probability of success to reflect recent encouraging geo-physical work and the prospect of near-term drilling. The former rises from \$34/oz to \$45/oz while the latter goes up from 35% to 40%. For the moment we are retaining nominal valuations of US\$2m for the Bido and Bassala projects in Burkina Faso and Mali respectively and US\$1m each for the Nigerian projects. This purely allows for work undertaken. Reflecting the previous section, we have reduced the cash position from our

estimate of US\$1.9m at end March 2021 to US\$1.3. The valuation for the Indian projects is unchanged from our March 2021 initiation report.

The upshot of the above is a corporate valuation of US\$36.2m or £25.8m based on an exchange rate of £1=US\$1.40. This translates into 28.4p/share using the current ordinary shares outstanding of 90.88m. The valuation is in line with that given in our initiation report (available [here](#)).

Exhibit 1: Panthera Resources valuation								
Country/project	Gross resources Au oz m	Panthera interest %	Attributable resources Au oz m	Valuation quotient \$/oz	Risk factor %	Absolute valuation		Valuation per share
						US\$ m	£ m	£
Burkina Faso								
Labola	1.00	18.0	0.18	60	85	9.18	6.56	0.072
Bido		90.0				2.00	1.43	0.016
Total						11.18	7.99	0.088
Mali								
Kalaka	0.50	45.0	0.225	45	40	4.05	2.89	0.032
Bassala		90.0				2.00	1.43	0.016
Total						6.05	4.32	0.048
Nigeria								
Paimasa		32.5				1.00	0.71	0.008
Dagma		32.5				1.00	0.71	0.008
Total						2.00	1.43	0.016
Total West Africa						19.23	13.74	0.151
India								
Bhukia	6.70	66.5	4.46	34	10	15.15	10.82	0.119
Taregaon		66.5				0.50	0.36	0.004
Total India						15.65	11.18	0.123
Cash						1.30	0.93	0.010
All projects & assets						36.18	25.84	0.284

Source: Allenby Capital

Note: Panthera interest and attributable resources in Burkina Faso and Mali include a 10% government stake.

Risk factor is the subjective probability of the projects successfully completing a pre-feasibility study.

Valuations for projects without a resource base have been subjectively assigned.

The 32.5% interest in the Nigerian projects assumes that the new entity Maniger will elect to spend \$2m by 2023 for a 65% stake in the Gaura JV.

Cash position is estimated late August 2021. Undiluted shares in issue 90.88m. Exchange rate £1=\$1.40.

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