

EQUITIES

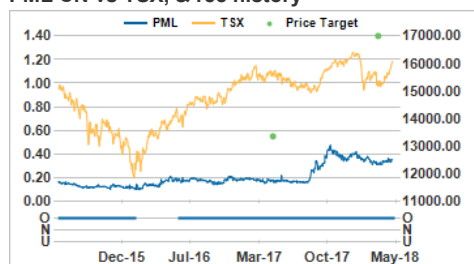
PML CN Outperform
Price (at 19:08, 15 May 2018 GMT) C\$0.35

Valuation	C\$	2.88
- DCF (WACC 8.0%)		
12-month target	C\$	1.40
12-month TSR	%	+300.0
Volatility Index		Very High
GICS sector		Materials
Market cap	C\$m	92
Market cap	US\$m	72
30-day avg turnover	C\$m	0.0
Number shares on issue	m	262.6

Investment fundamentals

Year end 31 Dec		2016A	2017E	2018E	2019E
Revenue	m	0.0	0.0	0.0	0.0
EBITDA	m	-2.8	-2.4	3.1	-1.3
Recurring profit	m	-2.8	-2.4	-12.5	26.8
Reported profit	m	-2.5	-2.4	-12.5	26.8
Gross cashflow	m	-1.9	-2.4	3.1	-1.3
CFPS	C\$	-0.01	-0.01	0.01	-0.01
CFPS growth	%	-2537.7	-14.1	nmf	nmf
PGCFPS	x	nmf	nmf	nmf	-67.3
EPS rec	C\$	-0.01	-0.01	-0.05	0.10
EPS rec growth	%	-22.3	23.4	-424.1	nmf
PER rec	x	nmf	nmf	nmf	3.4
Total DPS	C\$	0.00	0.00	0.00	0.00
Total div yield	%	0.0	0.0	0.0	0.0
EV/EBITDA	x	-31.8	-37.2	28.8	-66.7
Net debt/equity	%	-6.4	-4.8	19.6	1,058.5
P/BV	x	1.3	1.3	1.6	1.1

PML CN vs TSX, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, May 2018
(all figures in CAD unless noted)

Analysts

Macquarie Capital Markets Canada Ltd.



Matt Murphy, CFA +1 416 848 3541
matt.murphy@macquarie.com



Michael Gray +1 604 639 6372
michael.gray@macquarie.com



Peter Lam, CFA +1 416 607 5093
peter.lam@macquarie.com

Panoro Minerals (PML CN) Redesigned Antilla sees improved economics

Event

- PML released preliminary economic assessment (PEA) results for the Antilla copper project in Peru. The redesigned PEA improves on the 2016 PEA with a NPV (7.5%) of \$305m and IRR of 26% at \$3.05/lb Cu, vs. \$225m and 15% at \$3.00/lb Cu, respectively. The payback period has also been reduced to 3.0 years from 4.1 years. The study envisions a conventional open pit mine with a 20,000tpd heap leach and SX/EW processing plant with a 17 year mine life.

Impact

- The optimized PEA economics represent an improvement from the 2016 PEA as well as our assumptions. Our NAV (8%) for Antilla, using our \$2.90/lb long-term copper price, is \$122m. Our estimates were based on the 2016 PEA and envisioned a flotation processing plant with 40,000tpd throughput with a number of adjustments, including the assumption of mine closure in year 18 (of 24) and \$800m in initial capital, higher than the 2016 PEA estimate of \$603m.
- By focusing on the higher grade near-surface supergene material, the initial capital cost of the project has decreased 59% to \$250m with a comparable decrease in life of mine copper production (788mlbs). Additionally, the associated sustaining capital for a tailings facility has been removed. C1 cash costs of \$1.51/lb and C2 cash costs of \$1.82/lb have decreased 18% and 23%, respectively.
- We expect PML to remain primarily focused on Cotabambas. PML notes that it will be completing a strategic review of development and financing plans at Antilla to put the project on the road to development. We believe the project could also potentially be used as a source of funds for Cotabambas if a buyer can be found.

Action and recommendation

- Outperform, C\$1.40 target: PML remains focused on the flagship Cotabambas project where we believe there is a good likelihood that the NAV can be improved from exploration efforts. Further upside could come from additional drilling at the Chaupec skarn-hosted regional target.

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand

Outperform – return >3% in excess of benchmark return
Neutral – return within 3% of benchmark return
Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie – South Africa

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
Neutral (Hold) – return within 5% of Russell 3000 index return
Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:
Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 March 2018

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	54.38%	58.90%	48.35%	43.91%	69.03%	45.26%	(for global coverage by Macquarie, 3.69% of stocks followed are investment banking clients)
Neutral	32.48%	27.88%	34.07%	48.73%	21.29%	38.95%	(for global coverage by Macquarie, 3.07% of stocks followed are investment banking clients)
Underperform	13.14%	13.21%	17.58%	7.37%	9.68%	15.79%	(for global coverage by Macquarie, 0.39% of stocks followed are investment banking clients)

PML CN vs TSX, & rec history



(all figures in CAD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, May 2018

12-month target price methodology

PML CN: C\$1.40 based on a in-situ copper-equivalent resource methodology

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Date	Stock Code (BBG code)	Recommendation	Target Price
28-Mar-2018	PML CN	Outperform	C\$1.40
18-Apr-2017	PML CN	Outperform	C\$.55

Target price risk disclosures:

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Equities

Research

Heads of Equity Research

Christine Farkas (US)	(1 212) 231 6668
Greg MacDonald (Canada)	(1 416) 628 3934

Consumer

Gaming & Leisure

Chad Beynon (Head of US Consumer)	(1 212) 231 2634
-----------------------------------	------------------

Beverages & HPC

Caroline Levy (New York)	(1 212) 231 1818
--------------------------	------------------

Consumer Discretionary

Laurent Vasilescu (New York)	(1 212) 231 8046
Chris Li (Toronto)	(1 416) 848 3553

Leisure & Online Travel

Matthew Brooks (New York)	(1 212) 231 1585
---------------------------	------------------

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Oil & Gas

Vikas Dwivedi (Head of Oil & Gas, Global Energy Strategist)	(1 713) 275 6352
Iain Reid (London)	(44 20) 3037 2119

US Exploration & Production

Paul Grigel (Denver)	(1 303) 952 2754
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US Refining

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Oilfield Services

Walt Chancellor (Houston)	(1 713) 275 6230
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Brian Kristjansen (Calgary)	(1 403) 539 8508
Tom Hems (Calgary)	(1 403) 218 6666

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David Konrad (New York)	(1 212) 231 0525
Mike Rizvanovic (Toronto)	(1 416) 848 3687

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Chemicals

Cooley May (Head of US Basics & Industrials)	(1 212) 231 2586
----------------------------------------------	------------------

Airlines

Susan Donofrio (New York)	(1 212) 231 6535
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Building Products

Adam Baumgarten (New York)	(1 212) 231 0633
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Business Services

Hamzah Mazarri (New York)	(1 212) 231 2442
---------------------------	------------------

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Sameer Rathod (San Francisco)	(1 415) 762 5034
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Diversified Industrials

Michael Glen (Montreal)	(1 514) 905 3636
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Transports

Konark Gupta (Toronto)	(1 416) 848 3539
------------------------	------------------

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Global Metals & Mining

David Lipschitz (New York)	(1 212) 231 1232
Michael Siperco (Toronto)	(1 416) 848 3520
Matt Murphy (Toronto)	(1 416) 848 3541
Michael Gray (Vancouver)	(1 604) 639 6372

TMET

Media & Entertainment

Tim Nollen (Head of TMET)	(1 212) 231 0635
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Cable, Satellite & Entertainment

Amy Yong (New York)	(1 212) 231 2624
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Hardware & Equipment

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Internet

Ben Schachter (New York)	(1 212) 231 0644
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Semiconductors

Srini Pajjuri (San Francisco)	(1 415) 762 5018
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Software

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Gus Papageorgiou (Toronto)	(1 416) 848 3512

Telecommunications

Amy Yong (New York)	(1 212) 231 2624
Greg MacDonald (Toronto)	(1 416) 628 3934

Utilities & Alternative Energy

Angie Storozynski (Head of US Utilities & Alternative Energy)	(1 212) 231 2569
---------------------------------------------------------------	------------------

Quantitative Analysis

Gurvinder Brar (Mumbai)	(9197) 8055 5902
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Email addresses

FirstName.Surname@macquarie.com

Equities

Head of Canadian Equities

David Washburn (Toronto)	(1 416) 848 3631
--------------------------	------------------

Sales

Head of US Sales

Khristina McLaughlin (New York)	(1 212) 231 8012
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US Sales Trading

J.T. Cacciabauda (New York)	(1 212) 231 6381
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