



**ASX Announcement**  
13 March 2020

## Half Year Financial Report

Pantoro Limited (**ASX:PNR**) (**Pantoro**) today releases its half year financial accounts. Pantoro closed the half year with a strong balance sheet with \$31.6 million in cash and gold and no debt apart from normal trade creditors.

The half year has been an extremely busy one for Pantoro with the settlement of acquisition of 50% of the Norseman Gold Project, mining of the Wagtail South open pit expansion, and transition of the Wagtail North underground mine to production.

The capital intensive development and equipping of Wagtail North underground mine has been substantially completed with ongoing capital primarily associated with ongoing decline and support infrastructure development.

Open pit mining at Halls Creek was completed in November 2019. The orebody at Wagtail south did not meet the expectations of the Mineral Resource model which had a negative impact on the outcomes for the half year.

Pantoro is currently developing and implementing its forward plan for the coming financial year at Halls Creek which is focussed on maximising cashflow generation in the current gold price environment. As of the start of May 2020, Pantoro will be fully unhedged and exposed to the spot gold price.

Pantoro has rapidly implemented its exploration and project development plan at Norseman during the half year. After completing the transaction in July 2019, Pantoro commenced drilling in August 2019, and has drilled over 23,000 metres to date. Results have been excellent meeting expectations.

Key metrics from operations during the half year include:

### **Halls Creek Mine (PNR 100%)**

- Earnings before Interest, tax depreciation and amortisation (EBITDA) – \$7.3 million
- Capital Re-investment in exploration, mine development and plant and equipment – \$11.2 million

Pantoro has noted changes in operation conditions at the mine in ASX releases lodged both during and after the half year which resulted in planned production levels not being met, and lowering of production forecasts as the changes have become apparent. As a result, the company has recognised a one-off write down in the carrying value of the Halls Creek project to the value of \$15.2 million during the half year.

### **Norseman Gold Project (PNR: 50%)**

During the half year Pantoro's expenditure at Norseman included:

- Acquisition costs – \$7.5 million
- Exploration and project development costs – \$6.9 million.

### **Enquiries**

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# **PANTORO LIMITED**

ABN 30 003 207 467

## **HALF-YEAR FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019**

## **CORPORATE DIRECTORY**

### **Board of Directors**

Wayne Zekulich - Non-Executive Chairman  
Paul Cmrlec - Managing Director  
Scott Huffadine - Operations Director  
Kyle Edwards - Non-Executive Director  
Michael Jefferies - Non-Executive Director

### **Company Secretary**

David Okeby

### **Registered Office**

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West Perth WA 6005  
Telephone: +61 8 6263 1110

### **Postal Address**

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West Perth WA 6872

### **Email**

admin@pantoro.com.au

### **Website**

www.pantoro.com.au

### **Share Registry**

**Computershare Investor Services Pty Ltd**  
Level 11, 172 St Georges Tce  
Perth WA 6000  
GPO Box 2975 Melbourne VIC 3001  
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### **Securities Exchange**

**Australian Securities Exchange Limited**  
Level 40, Central Park  
152-158 St Georges Tce  
Perth WA 6000  
Code: **PNR**

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## DIRECTORS' REPORT

Your directors present their report together with the consolidated financial report of Pantoro Limited (Pantoro or PNR or the Company) for the half-year ended 31 December 2019.

### DIRECTORS

The directors of the Company at any time during or since the end of the half-year period are:

Wayne Zekulich – Non-Executive Chairman <sup>(1)</sup> (appointed 2 October 2019)

Paul Cmrlec – Managing Director

Scott Huffadine – Operations Director

Kyle Edwards – Non-Executive Director

Michael Jefferies – Non-Executive Director <sup>(1)</sup>

Unless otherwise indicated all directors were in office from the beginning of the financial period until the date of this report.

<sup>(1)</sup> On 6 February 2020 Mr Jefferies resigned as Chairman and Mr Zekulich was appointed as Chairman.

### REVIEW AND RESULTS OF OPERATIONS

- Consolidated loss after tax - \$26,076,113 (2018: \$169,830 profit);
- Total consolidated revenue - \$38,904,478 (2018: \$39,060,249);
- Total cost of sales - \$47,694,144 (2018: \$37,718,356);
- Cash flows from operating activities - \$4,555,091 (2018: \$5,927,201);
- Cash flows used in investing activities - \$25,635,028 (2018: \$12,010,745);
- Cash flow used in financing activities - \$3,182,138 (2018: \$12,607,515 cash inflow).

### Corporate

As at 31 December 2019, Pantoro had 1,175,943,929 ordinary shares on issue with approximately \$29.43 million in cash and cash equivalents and 63 ounces of gold at the Perth Mint. The full company structure at the end of the period is set out in the table below.

Ordinary Shares (PNR)	1,175,943,929
Employee Options	12,791,876 (various exercise prices and expiry dates)
Options converted during the half-year	nil

During the period, Pantoro issued 100,000,000 ordinary shares as part of the settlement consideration for the acquisition of 50% of the Norseman Gold Project. In addition, 6,431,876 unlisted employee options were granted during the period.

## Norseman Gold Project (PNR 50%)

The Norseman Gold Project is Pantoro's growth asset, with a large Mineral Resource base, numerous deposits representing near development ready opportunities and outstanding potential for the discovery of new mineral deposits.

Pantoro has undertaken approximately 23,000 metres of drilling at Norseman since settlement of the acquisition of 50% of the Project in July 2019. Pantoro has a clear advancement program for the project which includes bringing six key project areas to production ready status while exploring for new ore bodies within the tenement areas. To date, drilling has been undertaken at:

- Gladstone/Everlasting Mining Centre;
- Princess Royal Mining Centre;
- Scotia Mining Centre; and
- OK Underground.

Drilling within these mining centres, along with infill drilling at Cobbler and the Maybelle Mining Centre is expected to be completed during the second half of FY 2020, in line with the project schedule. Remodelling of Mineral Resources in these areas has commenced, and is expected to be completed along with mine planning and Ore Reserve calculations during the coming six months.

Results reported during the period have demonstrated the quality of the assets being advanced at Norseman. Key results reported to date include:

Gladstone-Everlasting	Scotia	Daisy South	Slippers
9 m @ 11.16 g/t Au	5 m @ 6.43 g/t Au	7 m @ 28.0 g/t Au	11 m @ 9.10 g/t Au
4 m @ 8.26 g/t Au	5 m @ 6.30 g/t Au	1.62 m @ 31.53 g/t Au	11 m @ 3.80 g/t Au
2 m @ 28.94 g/t Au	4 m @ 44.46 g/t Au	13 m @ 4.72 g/t Au	3 m @ 8.09 g/t Au
2 m @ 181.11 g/t Au	12 m @ 3.44 g/t Au	1.4 m @ 9.96 g/t Au	1 m @ 18.7 g/t Au

In addition to resource development and extensional drilling being undertaken, Pantoro commenced exploration of the highly prospective, and under-explored areas of Lake Cowan and surrounding areas. Drilling commenced subsequent to the end of the reporting period and is ongoing at the time of reporting.

### Gladstone-Everlasting Drilling Results

The information is extracted from the reports entitled 'Drilling Indicates Significant Extensions to High Grade Deposits at Norseman' created on 26 February 2020, 'Additional Results at Daisy South and Gladstone-Everlasting Support Near Term Development' created on 28 January 2020 and 'Drilling Confirms High Grade Mineralisation at Gladstone-Everlasting' created on 25 November 2019 and available to view on Pantoro's website ([www.pantoro.com.au](http://www.pantoro.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements.

### Scotia Drilling Results

The information is extracted from the reports entitled 'Drilling Indicates Significant Extensions to High Grade Deposits at Norseman' created on 26 February 2020 and 'Norseman Continues to Deliver with Excellent Results from Scotia' created on 21 January 2020 and available to view on Pantoro's website ([www.pantoro.com.au](http://www.pantoro.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements.

### Daisy South Drilling Results

The information is extracted from the reports entitled 'Drilling Indicates Significant Extensions to High Grade Deposits at Norseman' created on 26 February 2020, 'Additional Results at Daisy South and Gladstone-Everlasting Support Near Term Development' created on 28 January 2020 and 'Outstanding Results from Initial Drilling at Daisy South' created on 14 November 2019 and available to view on Pantoro's website ([www.pantoro.com.au](http://www.pantoro.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements.

### Slippers Drilling Results

The information is extracted from the report entitled 'Successful Start to Norseman Drilling Campaign' created on 9 September 2019 and available to view on Pantoro's website ([www.pantoro.com.au](http://www.pantoro.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement.

## Halls Creek Project (PNR 100%)

Halls Creek has entered its fifth year of operations, with over 170,000 oz of gold produced to date. Upon commencing operations in February 2015, the mine had a probable Ore Reserve of 86,362 Oz and a projected life of approximately three years.

Operations during the quarter included underground mining at Nicolsons and Wagtail North mines, as well as an open pit expansion at Wagtail South. The Wagtail South open pit expansion was particularly challenging, producing less gold than expected in the mine plan. The reduced production primarily resulted from narrower than expected ore zones, as well as lower grades in parts of the mined material. The open pit expansion commenced in February 2019 and was completed in November 2019.

Underground development of the Wagtail North and Rowdies lodes has continued to progress with ore development on 5 levels and the decline approaching the sixth level at the time of reporting. Production activities have commenced on the levels developed to date. As was experienced in the early development of Nicolsons underground mine, additional ore zones have been encountered outside of the current Mineral Resource model resulting in positive reconciliations to the current Ore Reserve.

Characteristics of the Anderson lode at Nicolsons underground mine have been variable at depth, resulting in some recently developed levels producing less ore than expected in development. Each area of the mine is under constant review, with mining methods and development priorities focussed on maximisation of cashflow from the mine.

Issues faced within Wagtail South open pit and Nicolsons underground have resulted in lower than expected production during the quarter. The strong rise in the AUD gold price during the quarter has offset the reduced production to an extent, however hedges of 2,000 Oz per month at AUD \$1800/Oz have reduced the offset. The operation, and company will be completely unhedged as of 1 May 2020, providing full exposure to the current record high gold price environment.

The mine produced an EBITDA of \$7,271,715 during the period and also had significant capital re-investment of \$9,384,354 in exploration and mine development expenditure. A one off write down of \$15,200,000 was recognised due to the unexpected changes in the operating conditions at the mine.

Surface and exploration during the period was primarily focussed on extension to producing ore bodies, with follow-up drilling also undertaken at Mary River during the period. Mary River continues to provide encouragement for discovery of a broad low grade gold system with potential for strike lengths of up to 15km.

## PNG Operations

Pantoro has continued to focus on its Australian operations during the period, with projects in PNG now limited to the Garaina Project. Pantoro continues to consider partnering and divestment options for its PNG project given the company's focus on its Australian production assets.

## AUDITOR'S INDEPENDENCE

The auditor's independence declaration is included on page 24.

Signed in accordance with a resolution of the Board of Directors.

*P.M. Cmrlec*

Paul Cmrlec  
Managing Director

13 March 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	31 Dec 19 \$	31 Dec 18 \$
Revenue	5	38,904,478	39,060,249
Cost of sales	6	<u>(47,694,144)</u>	<u>(37,718,356)</u>
<b>Gross profit</b>		(8,789,666)	1,341,893
Other income		382,109	44,500
Administration and other expenses		(1,310,738)	(1,108,788)
Finance costs		(827,158)	(19,216)
Impairment loss on assets	17	(15,200,000)	-
Exploration and evaluation expenditure written off		<u>(330,093)</u>	<u>(87,989)</u>
<b>(Loss)/profit before income tax</b>		(26,075,546)	170,400
Income tax expense	7	-	-
<b>(Loss)/profit after income tax</b>		(26,075,546)	170,400
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(567)	(570)
<b>Other comprehensive loss for the year, net of tax</b>		(567)	(570)
<b>Total comprehensive (loss)/profit for the year, net of tax</b>		<u>(26,076,113)</u>	<u>169,830</u>
<b>Earnings per share attributable to the ordinary equity holders of the parent (cents per share)</b>			
Basic (loss)/profit per share (cents per share)		(2.23)	0.02
Diluted (loss)/profit per share (cents per share)		(2.22)	0.02

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	31 Dec 19 \$	30 Jun 19 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		29,433,608	53,696,188
Trade and other receivables		1,336,231	1,294,206
Inventories	8	4,920,897	4,246,615
Prepayments		400,955	824,565
<b>Total current assets</b>		<u>36,091,691</u>	<u>60,061,574</u>
<b>NON-CURRENT ASSETS</b>			
Prepayments		-	4,142,417
Property, plant and equipment	9, 16	38,580,913	16,321,437
Exploration and evaluation expenditure	10, 16	73,552,583	4,149,862
Mine properties and development costs	11	19,724,299	36,997,155
<b>Total non-current assets</b>		<u>131,857,795</u>	<u>61,610,871</u>
<b>TOTAL ASSETS</b>		<u>167,949,486</u>	<u>121,672,445</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		14,832,544	13,748,311
Provisions		1,771,198	1,573,268
Interest-bearing loans and borrowings	4, 12	5,381,613	779,613
Deferred Consideration	16	4,910,796	-
<b>Total current liabilities</b>		<u>26,896,151</u>	<u>16,101,192</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	16	26,142,438	5,200,312
Interest-bearing loans and borrowings	4, 12	13,480,336	8,000
Deferred Consideration	16	9,420,053	-
<b>Total non-current liabilities</b>		<u>49,042,827</u>	<u>5,208,312</u>
<b>TOTAL LIABILITIES</b>		<u>75,938,978</u>	<u>21,309,504</u>
<b>NET ASSETS</b>		<u>92,010,508</u>	<u>100,362,941</u>
<b>EQUITY</b>			
Issued capital	13	246,503,884	229,029,186
Reserves		7,422,209	7,173,794
Accumulated losses		(161,915,585)	(135,840,039)
<b>TOTAL EQUITY</b>		<u>92,010,508</u>	<u>100,362,941</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Issued capital \$	Options reserve \$	Share- based payments reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	Total equity \$
<b>At 1 July 2018</b>	174,992,952	4,513,958	3,001,650	(136,672,717)	(440,716)	45,395,127
Loss for the year	-	-	-	170,400	-	170,400
Other comprehensive income, net of tax	-	-	-	-	(570)	(570)
<b>Total comprehensive (loss)/profit for the year</b>	-	-	-	<b>170,400</b>	<b>(570)</b>	<b>169,830</b>
Shares issued during the year	13,705,000	-	-	-	-	13,705,000
Share issue costs	(712,853)	-	-	-	-	(712,853)
Exercise of options	30,700	-	-	-	-	30,700
Share-based payments	-	-	76,488	-	-	76,488
<b>At 31 December 2018</b>	<b>188,015,799</b>	<b>4,513,958</b>	<b>3,078,138</b>	<b>(136,502,317)</b>	<b>(441,286)</b>	<b>58,664,292</b>

	Issued capital \$	Options reserve \$	Share- based payments reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	Total equity \$
<b>At 1 July 2019</b>	229,029,186	4,513,958	3,100,739	(135,840,039)	(440,903)	100,362,941
Profit for the year	-	-	-	(26,075,546)	-	(26,075,546)
Other comprehensive income/(loss), net of tax	-	-	-	-	(567)	(567)
<b>Total comprehensive profit/(loss) for the year</b>	-	-	-	<b>(26,075,546)</b>	<b>(567)</b>	<b>(26,076,113)</b>
Shares issued during the year	17,500,000	-	-	-	-	17,500,000
Share issue costs	(25,302)	-	-	-	-	(25,302)
Share-based payments	-	-	248,982	-	-	248,982
<b>At 31 December 2019</b>	<b>246,503,884</b>	<b>4,513,958</b>	<b>3,349,721</b>	<b>(161,915,585)</b>	<b>(441,470)</b>	<b>92,010,508</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	31 Dec 19 \$	31 Dec 18 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	38,904,478	39,060,249
Payments to suppliers and employees	(34,182,648)	(33,158,332)
Interest paid <sup>(1)</sup>	(548,848)	(19,216)
Interest received	377,282	42,000
Other income	4,827	2,500
Net cash flows from operating activities	<u>4,555,091</u>	<u>5,927,201</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(2,033,378)	(1,586,777)
Payments for exploration and evaluation	(7,742,701)	(1,424,567)
Payments for mine properties and development	(8,371,449)	(8,999,401)
Proceeds from sale of property, plant and equipment	12,500	-
Payments for acquisition of Interest in Norseman	(7,500,000)	-
Net cash flows used in investing activities	<u>(25,635,028)</u>	<u>(12,010,745)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of principal portion of lease liabilities <sup>(1)</sup>	(3,156,836)	-
Payment of principal portion of finance lease liabilities	-	(415,332)
Proceeds from share issues	-	13,705,000
Proceeds from exercise of options	-	30,700
Transaction costs on issue of shares	(25,302)	(712,853)
Net cash flows from financing activities	<u>(3,182,138)</u>	<u>12,607,515</u>
Net increase in cash and cash equivalents held	(24,262,075)	6,523,971
Net foreign exchange differences	(505)	(458)
Cash and cash equivalents at the beginning of the financial year	<u>53,696,188</u>	<u>11,758,532</u>
Cash and cash equivalents at the end of the financial year	<u>29,433,608</u>	<u>18,282,045</u>

<sup>(1)</sup> Includes right-of-use lease interest and liability payments. (Refer to note 4)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Corporate Information**

Pantoro Limited ("Pantoro" or "the Company") is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of Pantoro and its controlled entities (the "Group") are described in the Directors' Report.

The address of the registered office is 1187 Hay Street, West Perth WA 6005.

The consolidated half-year financial statements were authorised for issue in accordance with a resolution of the directors on 11 March 2020.

### **2. Basis of preparation**

The half-year report is comprised of the financial statements of Pantoro (the "parent company") and its controlled entities. Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### **3. Statement of compliance**

This general purpose condensed consolidated financial statements has been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the information required for full annual financial statements, and should be read in conjunction with the annual report of Pantoro for the year ended 30 June 2019 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *ASX Listing Rules*.

The accounting policies are consistent with those disclosed in the 2019 annual financial statements except for the impact of new or amended standards and interpretations effective 1 July 2019. The adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies, with the exception of the adoption of AASB 16 Leases (AASB 16) (refer to Note 4).

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

### **4. New and amended accounting standards and interpretations adopted**

#### **AASB 16 Leases**

The Group adopted AASB 16 as of 1 July 2019.

The leases recognised by the Group under AASB 16 predominantly relate to mobile mining equipment and a power station.

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The depreciation of the lease assets and interest on the lease liabilities are recognised in the consolidated statement of profit and loss and other comprehensive income.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the profit and loss on a straight-line basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. New and amended accounting standards and interpretations adopted (continued)

#### Transition to AASB 16

The Group adopted the new standard using the modified retrospective approach and applied the practical expedient allowing the application of a single discount rate to a portfolio of leases with similar characteristics. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value. Lease liabilities are measured at the present value of future payments on the initial date of application, being 1 July 2019 using a weighted average incremental borrowing rate of 5%. On transition, the Group has opted for the right-of-use asset to equal the lease liability for all leases. The effective increase on the adoption of AASB 16 includes the recognition of right-of-use assets (included under property, plant and equipment) of \$22,169,083 and current and non-current lease liabilities (included under interest-bearing loans and borrowings) of \$5,256,371 and \$16,912,712 respectively within the Statement of Financial Position.

<b>Lease liabilities reconciliation on transition</b>	<b>\$</b>
Operating lease commitments disclosed at 30 June 2019	24,578,928
Less:	
Present value of discounting of lease liabilities <sup>(1)</sup>	(2,321,845)
Other adjustments	<u>(88,000)</u>
<b>Lease liabilities recognised on transition at 1 July 2019</b>	<b><u>22,169,083</u></b>

<sup>(1)</sup> Lease liabilities were discounted using a weighted average discount rate of 5.0% at 1 July 2019.

#### New accounting policies (applied from 1 July 2019)

Set out below are the new accounting policies of the Group upon adoption of AASB 16.

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment and assessed in accordance with the Group's impairment policies.

##### *Lease liabilities*

Lease liabilities are initially measured at the present value of the future minimum lease payments, discounted using the Group's incremental borrowing rate, and are subsequently measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Group's expectation of extension options and do not include non-lease components of a contract.

The lease liability is remeasured when there are changes in the future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets with any excess recognised in the statement of profit and loss and other comprehensive income.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **4. New and amended accounting standards and interpretations adopted (continued)**

#### **New accounting policies (applied from 1 July 2019) (continued)**

##### *Short-term leases and lease of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

##### *Estimating the incremental borrowing rate*

Where the Group cannot readily determine the interest rate implicit in its leases, it uses the relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to two years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., two to three years) and there will be a significant negative effect on production if a replacement is not readily available.

#### **Amounts recognised in the statements of financial position and profit and loss or other comprehensive income**

Set out below are the carrying amounts of right-of-use assets (included under property, plant and equipment) recognised and the movements during the period:

	<b>Plant and machinery</b>	<b>Property</b>	<b>Total \$</b>
<b>As at 1 July 2019</b>	22,095,686	73,397	22,169,083
Additions	252,363	-	252,363
Amortisation expense	(2,853,432)	(31,456)	(2,884,888)
Adjustment to lease terms	(1,158,850)	-	(1,158,850)
<b>As at 31 December 2019</b>	<b>18,335,767</b>	<b>41,941</b>	<b>18,377,708</b>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	<b>\$</b>
<b>As at 1 July 2019</b>	22,169,083
Additions	252,363
Payments	(3,159,785)
Interest expense	526,677
Adjustment to lease terms	(1,190,274)
<b>As at 31 December 2019</b>	<b>18,598,064</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **4. New and amended accounting standards and interpretations adopted (continued)**

#### **New accounting policies (applied from 1 July 2019) (continued)**

The impact on cash flows on the adoption of AASB 16 is the payment of principal for operating leases, previously classified as operating activities, is now classified as financing activities in the statement of cash flow.

#### **AASB Interpretation 23 Uncertainty Over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group determined, based on a review of its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities. The Group assessed that the interpretation will not have an impact on the consolidated financial statements of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. Revenue

	2019	2018
	\$	\$
<b>Revenue from contracts with customers</b>		
Sale of gold under forward contracts	21,052,000	25,117,375
Sale of gold at spot	17,658,980	13,765,982
Sale of silver	193,498	176,892
<b>Total revenue from contracts with customers</b>	<u>38,904,478</u>	<u>39,060,249</u>

The transaction price allocated to remaining performance obligations unsatisfied under forward contracts at 31 December 2019 is as follows:

#### Gold forward contracts

Within 1 year	14,400,000	41,830,000
1 to 2 years	-	14,400,000
	<u>14,400,000</u>	<u>56,230,000</u>

### 6. Cost of sales

Salaries, wages expense and other employee benefits	(9,283,941)	(8,303,443)
Superannuation	(757,982)	(677,929)
Lease rentals	(76,250)	(2,742,559)
Other production costs net of inventory movements	(20,152,968)	(16,896,918)
Royalties	(968,780)	(827,514)
Reversal of write down/(write-down) in value of inventories to estimated net realisable value	(265,735)	59,739
<b>Depreciation and amortisation expense</b>		
Plant and equipment	(1,342,043)	(1,075,132)
Buildings	(52,509)	(37,852)
Mine properties and development costs	(11,957,838)	(7,216,748)
Right of use assets	(2,836,098)	-
<b>Total cost of sales</b>	<u>(47,694,144)</u>	<u>(37,718,356)</u>

### 7. Income tax

No income tax expense was recognised during the period as the Company has sufficient unrecognised tax losses to offset the taxable income for the period.

### 8. Inventories

	31 Dec 19	30 Jun 19
	\$	\$
Ore stocks at net realisable value	1,095,082	720,159
Gold in circuit at cost	2,070,755	2,144,169
Bars in transit at cost	134,212	-
Stores and spares at cost	1,636,405	1,390,497
Provision for obsolete stores and spares	(15,557)	(8,210)
	<u>4,920,897</u>	<u>4,246,615</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **9. Property, plant and equipment**

During the half-year ended 31 December 2019, the Group paid \$2,033,378 (2018: 1,586,777) in relation to property, plant and equipment acquisitions. As a result of the adoption of AASB 16, the Group has right-of-use assets of \$18,377,708 included within property, plant and equipment for the half-year ended 31 December 2019.

### **10. Exploration and evaluation expenditure**

On 9 July 2019 the Group acquired a 50% interest in the Norseman Gold Project with acquisition costs of \$60,097,548 allocated to the Norseman exploration assets (refer to note 16).

During the half-year ended 31 December 2019, the Group paid \$7,742,701 (2018: \$1,424,567) in relation to exploration and evaluation expenditure. Of this \$6,729,796 related to the Norseman Gold Project with the balance at the Nicolson's Gold Project.

During the current period, a review was undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. As a result, exploration and evaluation expenditure of \$330,093 (2018: \$87,989) was written off to the profit and loss. These areas primarily related to our Halls Creek project.

### **11. Mine properties and development**

During the half-year ended 31 December 2019, the Group paid \$8,371,449 (2018: \$8,999,401) in relation to mine properties and developments costs. During the period, a recoverable amounts assessment of the Halls Creek Project mine, properties and development was conducted which resulted in an impairment loss of \$15,200,000 (2018: nil) (refer to note 17).

### **12. Interest bearing loans and liabilities**

	<b>Dec 19</b>	<b>Jun 19</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Insurance premium funding	247,885	743,655
Finance lease liabilities and hire purchase arrangements	-	35,958
Lease liabilities	5,133,728	-
	<u>5,381,613</u>	<u>779,613</u>
<b>Non-current</b>		
Finance lease liabilities and hire purchase arrangements	-	8,000
Lease liabilities	13,480,336	-
	<u>13,480,336</u>	<u>8,000</u>

As a result of the adoption of AASB 16 (refer to note 4), the Group has lease liabilities of \$18,598,064 included within interest-bearing loans and borrowings for the half-year ended 31 December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Contributed equity

	31 Dec 19 \$	30 Jun 19 \$
<b>Ordinary shares</b>		
Issued and fully paid	246,503,884	229,029,186
<b>Movements in ordinary shares on issue</b>		
	Number	\$
<b>At 1 July 2018</b>	<b>789,375,144</b>	<b>174,992,952</b>
Placement <sup>(1)</sup>	65,000,000	13,000,000
Share Purchase Plan <sup>(2)</sup>	3,525,000	705,000
Exercise of options	280,000	30,700
Performance rights vested	500,000	-
Share issue costs	-	(712,853)
<b>At 31 December 2018</b>	<b>858,680,144</b>	<b>188,015,799</b>
<b>At 1 July 2019</b>	1,075,943,929	229,029,186
Acquisition of Norseman Gold Project (50%) <sup>(3)</sup>	100,000,000	17,500,000
Share issue costs	-	(25,302)
<b>At 31 December 2019</b>	<b>1,175,943,929</b>	<b>246,503,884</b>

<sup>(1)</sup> On 12 September 2018, the Company completed a share placement of 65,000,000 shares at an issue price of \$0.20 per share. Costs of the issue amounted to \$674,593.

<sup>(2)</sup> On 5 October 2018, the Company issued 3,525,000 shares under a share purchase plan at an issue price of \$0.20 per share. Costs of the issue amounted to \$38,262.

<sup>(3)</sup> On 9 July 2019, the Company issued 100,000,000 shares as part consideration for the 50% acquisition of the Norseman Gold Project.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. Segment information

The following table presents revenue and profit information regarding the Group's operating segments for the half-years ended 31 December 2019 and 31 December 2018. As a result of the 50% acquisition of the Norseman Gold Project during the half-year ended 31 December 2019, the Group has reviewed the basis of segmentation and identified two separate segments.

	<b>Nicolsons Gold Project</b>	<b>Norseman Gold Project</b>	<b>Total</b>
<b>Half-year ended 31 December 2019</b>			
<b>Revenue</b>			
External Customers	38,904,478	-	38,904,478
<b>Total revenue</b>	<u>38,904,478</u>	<u>-</u>	<u>38,904,478</u>

#### Results

Segment profit/(loss)	(24,933,585)	(286,194)	(25,219,779)
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	<b>Nicolsons Gold Project</b>	<b>Norseman Gold Project</b>	<b>Total</b>
<b>Half-year ended 31 December 2018</b>			
<b>Revenue</b>			
External Customers	39,060,249	-	39,060,249
<b>Total revenue</b>	<u>39,060,249</u>	<u>-</u>	<u>39,060,249</u>

#### Results

Segment profit/(loss)	<u>170,400</u>	<u>-</u>	<u>170,400</u>
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The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2019 and 30 June 2019.

	<b>Nicolsons Gold Project</b>	<b>Norseman Gold Project</b>	<b>Total</b>
<b>Segment Assets</b>			
As at 31 December 2019	<u>67,996,076</u>	<u>73,993,756</u>	<u>141,989,832</u>

As at 30 June 2019	<u>121,672,445</u>	<u>-</u>	<u>121,672,445</u>
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	<b>Nicolsons Gold Project</b>	<b>Norseman Gold Project</b>	<b>Total</b>
<b>Segment Liabilities</b>			
As at 31 December 2019	<u>(35,645,003)</u>	<u>(36,774,831)</u>	<u>(72,419,834)</u>

As at 30 June 2019	<u>(21,309,504)</u>	<u>-</u>	<u>(21,309,504)</u>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. Segment information (continued)

#### Reconciliation of segment results to consolidated results

Finance income and costs are not allocated to individual segments as they are managed on a Group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a Group basis.

Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are not allocated to operating segments.

Reconciliation of profit	31 Dec 19	31 Dec 18
	\$	\$
<b>Segment profit</b>	(25,219,779)	170,400
Corporate administration expenses	(1,073,559)	-
Corporate interest income	372,211	-
Finance costs	(22,584)	-
Exchange differences on translation of foreign operations	(131,835)	-
<b>Total consolidated profit/(loss) before tax</b>	<u>(26,075,546)</u>	<u>170,400</u>

Reconciliation of assets	31 Dec 19	30 Jun 19
	\$	\$
<b>Segment operating assets</b>	141,989,832	121,672,445
Unallocated cash and receivables	25,556,803	-
Unallocated plant and equipment	402,851	-
<b>Group operating assets</b>	<u>167,949,486</u>	<u>121,672,445</u>

Reconciliation of liabilities	31 Dec 19	30 Jun 19
	\$	\$
<b>Segment operating liabilities</b>	(72,419,834)	(21,309,504)
Trade and other payables	(3,341,397)	-
Provision for employee benefits	(177,747)	-
<b>Group operating liabilities</b>	<u>(75,938,978)</u>	<u>(21,309,504)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. Commitments and contingencies

#### Commitments

At 31 December 2019, the Group had the following commitments:

- tenement lease expenditure commitments of \$34,702,470 on which mining and exploration operations are located (30 June 2019: \$2,034,720). The significant increase is a result of the acquisition of the Norseman Gold Project;
- other lease commitments of \$99,000 relating to short-term underground mobile equipment (30 June 2019 operating lease commitments: \$24,578,928). The reduction is due to the adoption of AASB 16 – Leases (Refer to note 4); and
- capital expenditure commitments of \$248,915 principally relating to plant and equipment upgrades and replacements at the Halls Creek Project (30 June 2019: \$418,230).

#### Contingencies

Since the last annual reporting date, there has been no material change in any other commitments or contingencies of the Group, other than the contingent consideration for royalties and reserve definition in relation to the Norseman acquisition described in Note 16.

### 16. Asset acquisition

On 9 July 2019, Pantoro completed the acquisition of a 50% interest in the Norseman Gold Project through its wholly owned subsidiary Pantoro South Pty Ltd.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisition are:

<b>Assets</b>	<b>\$</b>
Property, plant and equipment	4,817,565
Exploration and evaluation expenditure	60,097,548
	<u>64,915,113</u>
<b>Liabilities</b>	
Provisions	20,512,218
	<u>20,512,218</u>
<b>Net assets acquired</b>	<u><b>44,402,895</b></u>
<b>Costs of the Acquisition</b>	
Shares issued at fair value	17,500,000
Cash	10,000,000
Deferred Cash Payments <sup>(1)</sup>	14,076,480
Stamp Duty	2,826,415
	<u><b>44,402,895</b></u>

<sup>(1)</sup> The deferred cash payments include a \$5,000,000 and \$10,000,000 payable 12 and 24 months respectively after the date of acquisition adjusted for the impacts of discounting.

In addition to the costs of acquisition above, the following contingent consideration is payable by way of:

- Royalties payable upon sale of gold and silver produced from the Norseman tenements;
- Contingent \$10,000,000 in cash payable upon definition of 1.8 million ounce reserve base.

The Group has elected to recognise these payments as and when the hurdles are met.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **17. Impairment of assets**

The Group conducts an internal review of asset values at each reporting date, which is used as a source of information to assess for any indicators of impairment. Factors, such as changes in gold price, production performance and costs are monitored to assess for indicators of performance. If any indication of impairment exists, an estimate of the assets recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating unit "CGU").

As a result of the Group's impairment review it was determined that changes to the Andersons lode at the Nicolson's underground mine and underperformance of the Wagtail South open pit mine causing uncertainty to scale of future underground operations at Wagtail South represented indicators of potential impairment of the Halls Creek Project CGU. The Group used a discounted cash flow ("DCF") analysis under the fair value less cost to dispose approach to assess the recoverable value of the Halls Creek Project CGU.

The following key assumptions were used in the DCF valuation of the Halls Creek Project CGU:

- Future production based on the life of mine ("LOM") plan;
- External gold price forecast per year ranging from \$2,312/oz to \$2,131/oz; and
- Discount rate applied to post tax cashflow projections of 6.75%.

The carrying value of the Halls Creek Project CGU before impairment charges was \$45,671,703. After determining the fair value of the Halls Creek Project using the DCF analysis, Pantoro has determined that the recoverable amount of the CGU was less than its carrying value and therefore an impairment of \$15,200,000 has been recognised at 31 December 2019 (2018: nil).

The Group considered a number of sensitivities in assessing the recoverable amount as at 31 December. It was estimated that changes in key assumptions, in isolation, would have the following approximate impact (increase or decrease) on the recoverable amount of the Halls Creek Project CGU as at 31 December 2020:

<b>Key Assumption</b>	<b>Change</b>	<b>Increase (\$'m)</b>	<b>Decrease (\$'m)</b>
Gold Price (AUD/oz)	10%	14.72	(14.72)
Gold Production (oz)	10%	15.84	(15.85)
Cost of Production	10%	(9.01)	9.00
Mill Recovery	1%	1.40	(1.40)

### **18. Subsequent events**

There are no matters or circumstances which have arisen since the end of the financial period to the date of this report, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### **19. Dividends**

No dividends were provided for or paid during the half-year or up to the date of this report.

### **20. Related party transactions**

No additional significant related party transactions have taken place during the financial period other than those disclosed within the financial statements ended 30 June 2019.

## **DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Pantoro Limited (the Company), I state that:

In the opinion of the directors:

- a) the financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Paul Cmrlec  
Managing Director

12 March 2020

## AUDITOR'S INDEPENDENCE DECLARATION



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### Auditor's independence declaration to the directors of Pantoro Limited

As lead auditor for the review of the half-year financial report of Pantoro Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pantoro Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'Philip Teale'.

Philip Teale  
Partner  
13 March 2020

## INDEPENDENT REVIEW REPORT



**Building a better  
working world**

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### Independent auditor's review report to the members of Pantoro Limited

#### Report on the half-year financial report

##### Conclusion

We have reviewed the accompanying half-year financial report of Pantoro Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

##### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

## INDEPENDENT REVIEW REPORT



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

The Ernst &amp; Young logo is written in a cursive, handwritten style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Teale'.

Philip Teale  
Partner  
Perth  
13 March 2020