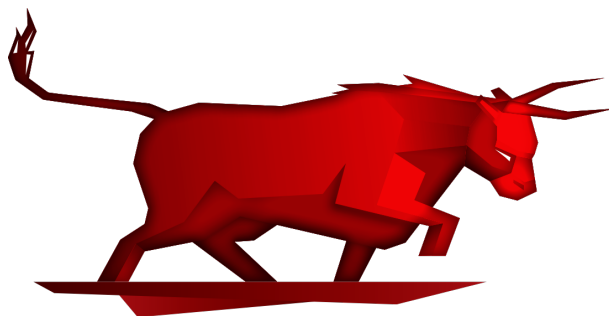


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PANTORO LIMITED

ABN 30 003 207 467

HALF-YEAR FINANCIAL REPORT

FOR THE PERIOD ENDED

31 DECEMBER 2020

CORPORATE DIRECTORY

Board of Directors

Wayne Zekulich - Non-Executive Chairman
Paul Cmrlec - Managing Director
Scott Huffadine - Operations Director
Kyle Edwards - Non-Executive Director
Fiona Van Maanen - Non-Executive Director

Company Secretary

David Okeby

Registered Office

1187 Hay Street
West Perth WA 6005
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Postal Address

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Email

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Website

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Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Tce
Perth WA 6000
GPO Box 2975 Melbourne VIC 3001
Telephone: (within Australia) 1300 850 505
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Facsimile: +61 3 9473 2500

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 2020.

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

Paul Cmrlec – Managing Director

Scott Huffadine – Operations Director

Kyle Edwards – Non-Executive Director

Michael Jefferies – Non-Executive Director (resigned 3 August 2020)

Fiona Van Maanen – Non-Executive Director (appointed 3 August 2020)

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

REVIEW AND RESULTS OF OPERATIONS

- Consolidated profit after tax - \$8,303,740 (2019: \$26,075,546 loss)
- Total consolidated revenue - \$44,660,067 (2019: \$38,904,478)
- Total cost of sales - \$34,407,784 (2019: \$47,694,144)
- Cash flows from operating activities - \$18,239,276 (2019: \$4,555,091)
- Cash flows used in investing activities - \$30,764,535 (2019: \$25,635,028)
- Cash flow from financing activities - \$50,663,629 (2019: \$3,182,138 cash used)

Corporate

As at 31 December 2020, Pantoro had 1,408,398,228 ordinary shares on issue with approximately \$60.63 million in cash and cash equivalents and 135 ounces of gold at the Perth Mint. The capital structure at the end of the period is set out in the table below:

Ordinary Shares (PNR)	1,408,398,228
Employee Options	26,651,330 (various exercise prices and expiry dates)
Options converted during the half-year	1,203,998 ZEPOs

During the period, Pantoro completed a share placement of 208,333,334 ordinary shares at \$0.24 per share raising \$50,000,000 before costs and completed a share purchase plan issuing 22,916,967 ordinary shares at \$0.24 per share raising \$5,500,000 before costs. In addition, 1,203,998 unlisted employee ZEPOs were exercised, 191,940 unlisted employee ZEPOs lapsed due to performance conditions not achieved and 5,255,392 unlisted employee ZEPOs were granted during the period.

Norseman Gold Project (PNR 50%)

The Norseman Gold Project is Pantoro's main growth asset, with a Definitive Feasibility Study (DFS) for construction of a new processing plant and recommencement of operations completed during the period. In addition, Pantoro drilled 60,207m during the period and has completed 127,868m of drilling since acquisition of the project in July 2019.

The project boasts a large Mineral Resource base, with only 28% of the resource considered for inclusion in the Phase 1 DFS. Pantoro has commenced its phase 2 drilling program and expects to complete an additional approximately 100,000 metres of drilling during the 2021 calendar year.

The DFS details an initial seven year mine plan with excellent financial outcomes including on a 100% basis:

- Average annual production of 108,000 gold and producing 610,000 ounces during the seven year initial life
- Life of mine AISC of \$1,292/oz
- Project pre-tax cashflow of \$486 million at a \$2,600/oz gold price
- Low pre-production capital of \$89 million
- Rapid pay-back, becoming cashflow positive in the first year following construction

The mine plan entails large open pits at:

- Scotia Mining Centre (active from commencement of operations)
- Cobbler (active from commencement of operations)
- Gladstone Everlasting (commencing in the third year of operations)

In addition, smaller pits at Princess Royal and Maybelle are planned to be mined during the course of the project.

Underground mines are planned at:

- OK (active from commencement of operations)
- Scotia (commencing following open pit mining)
- St Patrick's (commencing in the fourth year of operation)

The production sources are to be transported to a central processing plant at the existing mill site.

Construction planning is highly advanced with a final investment decision made by the Pantoro board and site works imminent.

In conjunction with project development activities, Pantoro has actively explored for new discoveries throughout the period. A new discovery at Green Lantern, immediately south of the planned Scotia open pit has continued to return wide zones of mineralisation. Pantoro intends to continue drilling the deposit to resource definition status for the remainder of the financial year.

The Sailfish discovery at Lake Cowan also continues to return positive high grade results and drilling is continuing.

Halls Creek Project (PNR 100%)

Halls Creek has entered its sixth year of operations, following commencement of mine development and surface construction activities in February 2015. The mine has exceeded expectations with the production milestone of 200,000 ounces realised in November 2020.

Significant restructuring and management changes late in 2019 realised the planned benefits during the period with gross profit of \$10.3 million (6 months to December 2019 gross loss of \$8.8 million). All production was from underground mine sources with processing of some low grade stocks to supplement mill feed when required.

The majority of the mining effort is currently focussed on the Wagtail underground mine, with primarily production activities mining pre-developed areas at Nicolsons.

As was the case at Nicolsons mine in the early production years, Wagtail has continued to outperform resource models through extension of known lodes and discovery of additional high

grade mineralisation. A decision has been made to expand the Wagtail underground mine further by developing an internal decline to the Wagtail South lodes during the coming periods.

Production during the period was 18,155 ounces at an AISC of \$1,513/oz, meeting company guidance. The company remains unhedged and as a result Halls Creek production has been fully leveraged to the current high gold price environment, realising free cashflow (inclusive of increases in GIC and finished goods on hand) of \$10.9 million during the period.

Surface and exploration drilling was an area affected by the COVID-19 pandemic with exploration activities delayed during the Federal Government Bio-Security lockdown of the Kimberley region, and was further impacted by subsequent state border closures. A short program was completed towards the end of the period with strong results in new prospects at both Nicolsons and Grants creek, and ongoing extension of the known mineralisation at Mary River.

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AUDITOR'S INDEPENDENCE

The auditor's independence declaration is included on page 21.

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

P.M. Cmrlec

Paul Cmrlec
Managing Director

10 March 2021

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 20 \$	31 Dec 19 \$
Revenue	5	44,660,067	38,904,478
Cost of sales	6	<u>(34,407,784)</u>	<u>(47,694,144)</u>
Gross profit/(loss)		10,252,283	(8,789,666)
Other income		215,173	382,109
Administration and other expenses		(1,102,628)	(1,310,738)
Finance costs		(554,679)	(827,158)
Care and maintenance costs		(411,741)	-
Impairment loss on non-financial assets	17	-	(15,200,000)
Exploration and evaluation expenditure written off		<u>(94,668)</u>	<u>(330,093)</u>
Profit/(loss) before income tax		8,303,740	(26,075,546)
Income tax expense	7	<u>-</u>	<u>-</u>
Profit/(loss) after income tax		8,303,740	(26,075,546)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(551)</u>	<u>(567)</u>
Other comprehensive loss for the period, net of tax		<u>(551)</u>	<u>(567)</u>
Total comprehensive profit/(loss) for the period, net of tax		<u><u>8,303,189</u></u>	<u><u>(26,076,113)</u></u>
Earnings per share attributable to the ordinary equity holders of the parent (cents per share)			
Basic profit/(loss) per share (cents per share)		0.62	(2.23)
Diluted profit/(loss) per share (cents per share)		0.61	(2.23)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	31 Dec 20 \$	30 Jun 20 \$
CURRENT ASSETS			
Cash and cash equivalents		60,631,072	22,492,639
Trade and other receivables		1,347,836	1,121,539
Inventories	8	5,460,614	3,595,954
Prepayments		444,249	768,983
Total current assets		<u>67,883,771</u>	<u>27,979,115</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	30,145,642	31,585,859
Exploration and evaluation expenditure	10	97,868,086	83,927,367
Mine properties and development costs	11	21,175,919	18,903,789
Total non-current assets		<u>149,189,647</u>	<u>134,417,015</u>
TOTAL ASSETS		<u>217,073,418</u>	<u>162,396,130</u>
CURRENT LIABILITIES			
Trade and other payables		12,514,628	16,149,961
Provisions		1,576,370	1,525,866
Interest-bearing loans and borrowings	12	5,189,082	5,049,666
Deferred consideration	13	9,797,907	4,995,761
Total current liabilities		<u>29,077,987</u>	<u>27,721,254</u>
NON-CURRENT LIABILITIES			
Provisions		28,637,417	26,218,078
Interest-bearing loans and borrowings	12	7,966,042	9,334,980
Deferred consideration	13	-	9,606,090
Total non-current liabilities		<u>36,603,459</u>	<u>45,159,148</u>
TOTAL LIABILITIES		<u>65,681,446</u>	<u>72,880,402</u>
NET ASSETS		<u>151,391,972</u>	<u>89,515,728</u>
EQUITY			
Issued capital	14	299,808,987	246,503,884
Reserves		8,294,114	8,026,713
Accumulated losses		(156,711,129)	(165,014,869)
TOTAL EQUITY		<u>151,391,972</u>	<u>89,515,728</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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

	Issued capital	Options reserve	Share-based payments reserve	Accumulated losses	Foreign currency translation reserve	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2020	246,503,884	4,513,958	3,954,966	(165,014,869)	(442,211)	89,515,728
Profit for the period	-	-	-	8,303,740	-	8,303,740
Other comprehensive loss, net of tax	-	-	-	-	(551)	(551)
Total comprehensive profit for the period	-	-	-	8,303,740	(551)	8,303,189
Shares issued during the period	55,500,000	-	-	-	-	55,500,000
Option subscription	-	100,000	-	-	-	100,000
Share issue costs	(2,194,897)	-	-	-	-	(2,194,897)
Share-based payments	-	-	167,952	-	-	167,952
At 31 December 2020	299,808,987	4,613,958	4,122,918	(156,711,129)	(442,762)	151,391,972

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 Dec 20	31 Dec 19
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	44,660,067	38,904,478
Payments to suppliers and employees	(26,291,647)	(34,182,648)
Interest paid	(350,817)	(548,848)
Interest received	94,624	377,282
Other income	120,549	4,827
Proceeds from security deposits	6,500	-
Net cash flows from operating activities	<u>18,239,276</u>	<u>4,555,091</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,726,248)	(2,033,378)
Payments for exploration and evaluation	(11,860,643)	(7,742,701)
Payments for mine properties and development	(9,895,829)	(8,371,449)
Proceeds from sale of property, plant and equipment	524,000	12,500
Payments for acquisition of Interest in Norseman	(7,805,815)	(7,500,000)
Net cash flows used in investing activities	<u>(30,764,535)</u>	<u>(25,635,028)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal portion of insurance premium funding	(419,254)	-
Payment of principal portion of lease liabilities	(2,322,220)	(3,156,836)
Proceeds from share issues	55,500,000	-
Proceeds from exercise of options	100,000	-
Transaction costs on issue of shares	(2,194,897)	(25,302)
Net cash flows from/(used in) financing activities	<u>50,663,629</u>	<u>(3,182,138)</u>
Net increase/(decrease) in cash and cash equivalents held	38,138,370	(24,262,075)
Net foreign exchange differences	63	(505)
Cash and cash equivalents at the beginning of the financial period	<u>22,492,639</u>	<u>53,696,188</u>
Cash and cash equivalents at the end of the financial period	<u><u>60,631,072</u></u>	<u><u>29,433,608</u></u>

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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 10 March 2021.

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 2020 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 2020 annual financial statements except for the impact of new or amended standards and interpretations effective 1 July 2020. The adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies.

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

The Group has not adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective. There is no material impact of any new and amended accounting standards issued but not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue

	2020	2019
	\$	\$
Revenue from contracts with customers		
Sale of gold under forward contracts	-	21,052,000
Sale of gold at spot	44,442,970	17,658,980
Sale of silver	217,097	193,498
Total revenue from contracts with customers	<u>44,660,067</u>	<u>38,904,478</u>

The transaction price allocated to remaining performance obligations unsatisfied under forward contracts is:

Gold forward contracts

Within 1 year	-	14,400,000
	<u>-</u>	<u>14,400,000</u>

Other income

Interest revenue calculated using the effective interest rate method	94,624	377,282
Other income	120,549	4,827
Total other income	<u>215,173</u>	<u>382,109</u>

6. Cost of sales

Salaries, wages expense and other employee benefits	(7,582,892)	(9,283,941)
Superannuation	(619,100)	(757,982)
Lease rentals	(114,000)	(76,250)
Other production costs net of inventory movements	(13,317,644)	(20,152,968)
Royalties	(958,682)	(968,780)
Write down in value of inventories to estimated net realisable value	(124,256)	(265,735)
Depreciation and amortisation expense		
Plant and equipment	(1,573,260)	(1,342,043)
Buildings	(60,749)	(52,509)
Mine properties and development costs	(7,676,792)	(11,957,838)
Right of use assets	(2,380,409)	(2,836,098)
Total cost of sales	<u>(34,407,784)</u>	<u>(47,694,144)</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

	Dec 20	Jun 20
	\$	\$
Ore stocks at net realisable value	662,066	535,223
Gold in circuit at cost	2,676,615	1,151,504
Gold in transit at cost	224,207	87,827
Stores and spares at cost	1,921,431	1,835,135
Provision for obsolete stores and spares	(23,705)	(13,735)
	<u>5,460,614</u>	<u>3,595,954</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Property, plant and equipment

During the half-year ended 31 December 2020, the Group paid \$1,726,248 (2019: \$2,033,378) in relation to property, plant and equipment acquisitions.

10. Exploration and evaluation expenditure

During the half-year ended 31 December 2020, the Group paid \$11,860,643 (2019: \$7,742,701) in relation to exploration and evaluation expenditure. Of this, \$10,939,272 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 \$94,668 (2019: \$330,093) was written off to the profit and loss. These areas primarily related to the Halls Creek project.

11. Mine properties and development

During the half-year ended 31 December 2020, the Group paid \$9,895,829 (2019: \$8,371,449) in relation to mine properties and developments costs. As at 31 December 2020 there were no indicators of impairment or impairment reversal.

12. Interest bearing loans and liabilities

	Dec 20	Jun 20
	\$	\$
Current		
Insurance premium funding	69,876	489,130
Lease liabilities*	5,119,206	4,560,536
	5,189,082	5,049,666
Non-current		
Lease liabilities*	7,966,042	9,334,980
	7,966,042	9,334,980

* Lease liability amounts relate solely to right-of-use leases. If contracts giving rise to these leases were ceased the terminations payments due would be significantly less than the balance.

13. Deferred consideration

	Dec 20	Jun 20
	\$	\$
Current		
Acquisition of Norseman Gold Project (50%)	9,797,907	4,995,761
	9,797,907	4,995,761
Non-current		
Acquisition of Norseman Gold Project (50%)	-	9,606,090
	-	9,606,090

The deferred cash payment of \$10,000,000 is payable 9 July 2021 and is adjusted for the impact of discounting.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Contributed equity

	Dec 20	Jun 20
	\$	\$
Ordinary shares		
Issued and fully paid	<u>299,808,987</u>	<u>246,503,884</u>
Movements in ordinary shares on issue		
	Number	\$
At 1 July 2019	1,075,943,929	229,029,186
Acquisition of Norseman Gold Project (50%)	100,000,000	17,500,000
Share issue costs	-	<u>(25,302)</u>
At 31 December 2019	1,175,943,929	246,503,884
At 1 July 2020	1,175,943,929	246,503,884
Share placement ⁽¹⁾	208,333,334	50,000,000
Share purchase plan ⁽²⁾	22,916,967	5,500,000
Exercise of ZEPOs ⁽³⁾	1,203,998	-
Share issue costs	-	<u>(2,194,897)</u>
At 31 December 2020	1,408,398,228	299,808,987

⁽¹⁾ On 17 August 2020, the Company completed a share placement of 208,333,334 shares at an issue price of \$0.24 per share. Costs of the issue amounted to \$2,114,751.

⁽²⁾ On 2 September 2020, the Company issued 22,916,967 shares under a share purchase plan at an issue price of \$0.24 per share. Costs of the issue amounted to \$78,032.

⁽³⁾ On 6 July 2020, the Company issued 1,035,810 shares and on 16 September 2020, the Company issued 168,188 shares, both upon the exercise of unlisted employee ZEPOs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Segment information

The following table presents revenue and profit information regarding the Group's operating segments for the half-years ended 31 December 2020 and 31 December 2019.

	Halls Creek Project	Norseman Gold Project	Total
Half-year ended 31 December 2020			
Revenue			
External Customers	44,660,067	-	44,660,067
Total revenue	44,660,067	-	44,660,067
Results			
Depreciation and amortisation	(11,691,210)	(411,741)	(12,102,951)
Interest expense	(336,474)	(196,056)	(532,530)
Exploration and evaluation expenditure written off	(92,625)	(2,043)	(94,668)
Segment profit/(loss)	9,665,470	(494,081)	9,171,389
Half-year ended 31 December 2019			
Revenue			
External Customers	38,904,478	-	38,904,478
Total revenue	38,904,478	-	38,904,478
Results			
Depreciation and amortisation	(16,188,489)	-	(16,188,489)
Interest expense	(526,264)	-	(526,264)
Exploration and evaluation expenditure written off	(285,693)	(44,400)	(330,093)
Impairment	(15,200,000)	(254,369)	(15,454,369)
Segment loss	(24,933,585)	(286,194)	(25,219,779)

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2020 and 30 June 2020.

	Halls Creek Project	Norseman Gold Project	Total
Segment Assets			
As at 31 December 2020	56,354,933	100,094,908	156,449,841
As at 30 June 2020	59,812,596	84,292,779	144,105,375
Segment Liabilities			
As at 31 December 2020	(28,391,063)	(36,464,267)	(64,855,330)
As at 30 June 2020	(29,461,926)	(38,865,179)	(68,327,105)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. 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	Dec 20	Dec 19
	\$	\$
Segment profit	9,171,389	(25,219,779)
Corporate administration expenses	(1,115,602)	(1,073,559)
Share based payments	(167,952)	-
Corporate interest income	94,624	372,211
Gain on disposal of property, plant and equipment	335,624	-
Corporate interest expense	(14,343)	(22,584)
Exchange differences on translation of foreign operations	-	(131,835)
Total consolidated profit/(loss) before tax	<u>8,303,740</u>	<u>(26,075,546)</u>

Reconciliation of assets	Dec 20	Jun 20
	\$	\$
Segment operating assets	156,449,841	144,105,375
Unallocated cash and receivables	60,226,478	17,860,047
Unallocated plant and equipment	397,099	430,708
Group operating assets	<u>217,073,418</u>	<u>162,396,130</u>

Reconciliation of liabilities	Dec 20	Jun 20
	\$	\$
Segment operating liabilities	(64,855,330)	(68,327,105)
Trade and other payables	(390,879)	(3,728,988)
Interest-bearing loans and borrowings	(112,340)	(562,527)
Provision for employee benefits	(322,897)	(261,782)
Group operating liabilities	<u>(65,681,446)</u>	<u>(72,880,402)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Commitments and contingencies

Commitments

At 31 December 2020, the Group had the following commitments:

- tenement lease expenditure commitments of \$28,623,145 on which mining and exploration operations are located (30 June 2020: \$31,008,300);
- future lease commitments of \$825,000 relating to right-of-use leases on underground mobile equipment (30 June 2020: \$168,000); and
- capital expenditure commitments of \$34,231 principally relating to plant and equipment upgrades and replacements at the Halls Creek Project (30 June 2020: \$64,515).

Contingencies

Since the last annual reporting date, there has been no material change in any other commitments or contingencies of the Group.

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 at 31 December 2019 impairment indicators and the impairment expense recognised are discussed below. As at 31 December 2020 there were no indicators of impairment or impairment reversal.

As a result of the Group's impairment review at 31 December 2019 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;
- Discount rate applied to post tax cashflow projections of 6.75%; and
- Average mill recovery rate of 94.7%.

The carrying value of the Halls Creek Project CGU before impairment charges was \$45,671,703. Pantoro determined that the recoverable amount of the CGU of \$30,471,703 was less than its carrying value and therefore an impairment of \$15,200,000 was recognised at 31 December 2019. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy.

The Group considered a number of sensitivities in assessing the recoverable amount as at 31 December 2019. It was estimated that changes in key assumptions, in isolation, would increase or (decrease) the recoverable amount of the Halls Creek Project CGU as at 31 December 2019 as follows:

Key Assumption	Change	Increase (\$'m)	Decrease (\$'m)
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)
Discount Rate	1%	(0.44)	0.45

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Subsequent events

On 10 February 2021, the Company announced it had provided a Letter of Intent for award of engineering, procurement and construction works for the processing facility at the Norseman Gold Project to GR Engineering Services. Contract documentation is expected to be finalized in the near term. The contract value is approximately \$57 million and will be awarded as a guaranteed maximum price contract. Also included in the same announcement was the awarding of a contract for the demolition of existing processing plant.

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

On 6 July 2020, 440,684 ordinary shares were issued to key management personnel (KMP) on the exercising of unlisted employee ZEPOs and 70,254 unlisted employee ZEPOs lapsed due to performance conditions not achieved.

On 19 November 2020, 2,062,864 unlisted employee ZEPOs were issued to directors and 1,041,256 unlisted employee ZEPOs were issued to KMP.

No additional related party transactions have taken place during the financial period.

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 2020 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 Cmrlac
Managing Director

10 March 2021

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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 2020, 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.

Ernst & Young

Philip Teale
Partner
10 March 2021

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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 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of 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 2020 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 2020 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.



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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*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Philip Teale'.

Philip Teale
Partner
Perth
10 March 2021

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