For personal use only

PANTORO

2018 ANNUAL REPORT

CORPORATE DIRECTORY

For personal use only

BOARD OF DIRECTORS

Michael Jefferies (Non-Executive Chairman)
Paul Cmrlec (Managing Director)
Scott Huffadine (Operations Director)
Kyle Edwards (Non-Executive Director)

COMPANY SECRETARY

David Okeby

REGISTERED OFFICE

1187 Hay Street
West Perth WA 6005
Telephone: +61 8 6263 1110

POSTAL ADDRESS

PO Box 1353
West Perth WA 6872

E-MAIL

admin@pantoro.com.au

WEBSITE

www.pantoro.com.au

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000
Telephone: +61 8 9429 2222
Facsimile: +61 8 9429 2436

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
Telephone: (outside Australia) +61 3 9415 4000
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**

For personal use only

TABLE OF CONTENTS

001 MANAGING DIRECTOR'S LETTER

003 REVIEW OF OPERATIONS

016 MINERAL RESOURCES & ORE RESERVES

021 DIRECTORS' REPORT

024 REMUNERATION REPORT

035 AUDITOR'S INDEPENDENCE DECLARATION

036 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

037 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

038 CONSOLIDATED STATEMENT OF CASH FLOWS

039 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

040 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

082 DIRECTORS' DECLARATION

083 INDEPENDENT AUDIT REPORT

088 CORPORATE GOVERNANCE STATEMENT

099 INTERESTS IN MINING TENEMENTS

101 SECURITY HOLDER INFORMATION

For personal use only

MANAGING DIRECTOR'S LETTER

Dear Shareholders

I am pleased to provide you with a summary of the past year of operations for the Company. Operations have continued throughout the year at Nicolsons with good profitability maintained while continuing to focus on growth of the Halls Creek Project.

Importantly, the Company made the final delivery under the gold pre-payment facility with the Commonwealth Bank of Australia in April 2018. The Halls Creek Project is now debt free, with planning in place and works underway to further increase production and profitability from the operations.

The operational target to produce 50,000 to 60,000 ounces was met with a total of 52,203 ounces produced during the year. Gold was produced with average C1 costs of $941 and all in sustaining costs of $1,130. Production was primarily from Nicolsons Underground Mine, supplemented by ore from the Wagtail Open Pits during the first half of the year.

Open pit mining at Wagtail was successful with high grade ore won from both Wagtail North and Wagtail South. Open pit mining was completed in December 2017, and work pertaining to underground mining commenced soon afterwards. Final regulatory approvals to commence underground mining were received in May 2018, and surface works to commence mining began immediately.

The Nicolsons Underground Mine continues to be the production cornerstone for the operation. Development has now progressed to approximately 320 metres below surface, and a number of additional ore grade drill assays received down to approximately 400 metres below surface. Nicolsons is expected to continue to be the mainstay production source during the coming year while the first levels of Wagtail are developed and the deeper ore from that source is revealed.

Ongoing exploration at Nicolsons, Wagtail and regional targets has continued to provide encouraging results for the Company. The combined Nicolsons and Wagtail Ore Reserve grew by approximately 20% year on year after mining depletion.

Exploration tenure within the Halls Creek area was expanded during the year through acquisition of the Grants Creek and Mary River projects. The maiden drilling program at Mary River revealed a broad mineralised structure with potential to define a large lower grade gold deposit through further exploration. Approvals are now in place to commence work at Grants Creek, and drilling is underway. Grants Creek hosts known gold mineralisation that was mined on a small scale during the 1880's and more recently drilled during the 1980's, 1990's and 2000's. The project holds strong potential to deliver gold inventory growth for the Company and drilling will be focussed on bringing the known mineralisation into Mineral Resource and Ore Reserve status in the shortest possible time.

Subsequent to the end of the year, Pantoro announced a A$15 million capital raising comprising a A$13 million placement to professional and sophisticated investors, and a A$2 million share purchase plan available to all existing Pantoro shareholders with a registered address in Australia or New Zealand. The placement provides the Company with adequate flexibility to deliver the planned production and to maintain exploration programs both at Nicolsons, and within the recently acquired Grants Creek and Mary River project areas.

Outside of the Halls Creek Project, Pantoro continues to hold a 100% interest in the Garaina Project in PNG. The production focus at Halls Creek makes the PNG projects non-core, and the Company continues to consider its options for partnering or divestment of the asset.

We thank all of our loyal shareholders for continuing to support our efforts as we continue to focus our efforts on profitable operations with additional growth during the coming year.

In addition, I would like to thank our staff, contractors and suppliers for the dedicated approach to delivering operational outcomes at the mine.

Yours sincerely



Paul Cmrlec
Managing Director

For personal use only

For personal use only

REVIEW OF OPERATIONS

Pantoro's focus throughout the year was the sustained production and continued growth of the Halls Creek Project. Production from the project was up 33% year on year, with total production of 52,203 ounces. A major milestone was reached in April 2018 when the final instalment under the CBA gold pre-payment facility was delivered. The facility was fully repaid using operating cashflow from the project which was a pleasing achievement.

Gold production during the period was from two sources, being Nicolsons underground mine and Wagtail North and South open pits. Wagtail is now transitioning to an underground operation.

Exploration activities were also expanded during the year as the Company sets about testing exploration prospects to continue the growth of the operations production profile and life of mine. While most prospects outside of the Nicolsons and Wagtail mines are in an early stage, encouraging drilling results were returned from the Paddock Well and Western Reef Projects.

Pantoro owns the only gold processing plant in the Halls Creek area, with the closest facility approximately 300 km to the south. As part of its regional growth strategy, Pantoro acquired two new exploration projects during the year. Both the Grants Creek and Mary River projects are within trucking distance of the Nicolsons mill and will provide additional ore feed should economic mineralisation be identified.

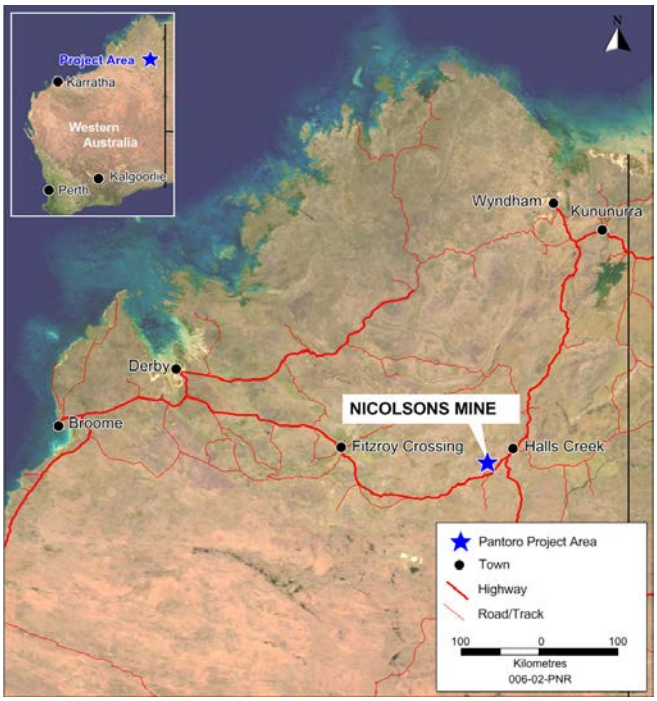
Halls Creek, Western Australia (100%)

The Halls Creek Project includes the Nicolsons Mine, (45 km south west of Halls Creek) and a pipeline of exploration and development prospects located east of Halls Creek in the Kimberley Region of Western Australia.

Pantoro acquired its initial interest in the project during April 2014, and took possession of the site in May 2014 enacting its development plan for the project. First gold was poured in September 2015.

The project currently has a Mineral Resource estimate of 1.5 million tonnes at 8.3 g/t Au containing approximately 393,000 ounces of gold. The Ore Reserve estimate is 0.96 million tonnes at 7.1 g/t Au containing approximately 219,000 ounces of gold.

Nicolsons Mine is well located, only 8 km from the Great Northern Highway, a fully sealed transport corridor connecting Perth and Darwin. The mine is only 45 km from the town of Halls Creek, where extensive services, including camp accommodation and a sealed airstrip are utilised by the Company.



Halls Creek Project Location

For personal use only

Operating Results

Pantoro commenced the year with a production target of 50,000 to 60,000 ounces of gold production. The target was achieved with 52,203 ounces produced during the period. Production was up from 39,149 ounces during the previous year.

The Company continued to invest in the capital growth of the operation, with a number of projects either well advanced or completed by year end. Major projects undertaken included:

- Installation of a tertiary crushing circuit, replacing a mobile tertiary crusher which had been in place since processing rates were increased from nominal rates of 20 tonnes per hour to 30 tonnes per hour.
- Installation of a multi-sensor ore sorter. The ore sorter is designed to remove waste from the ore feed enabling a higher grade feed product to the mill, and therefore increasing the overall production capacity of the plant.
- Commencement of underground works at Wagtail.

The major capital works both underway and completed are designed to secure the Company's long term operations.

Key production and cost data from the operations during the past year are set out in the table below.

	FY 2018			
Physical Summary	**Q1**	**Q2**	**Q3**	**Q4**
UG Ore Mined	43,904	41,846	54,109	58,113
UG Grade Mined	7.77	8.76	6.66	6.66
OP BCM Mined	205,862	97,671	-	-
OP Ore Mined	29,385	29,226	-	-
OP Grade Mined	5.28	5.23	-	-
Ore Processed	58,723	60,443	56,729	54,998
Head Grade	7.60	7.67	7.96	7.20
Recovery	92.5%	92.9%	92.2%	91.6%
Gold Produced	13,282	13,841	13,385	11,694
Cost Summary ($/oz)				
Production costs	$904	$886	$837	$1,031
Stockpile Adjustments	-$51	-$77	$177	$85
C1 Cash Cost	**$853**	**$809**	**$1,014**	**$1,116**
Royalties	$30	$42	$42	$45
Marketing/Cost of sales	$4	$5	$4	$5
Sustaining Capital	$123	$128	$115	$188
Corporate Costs	$9	$7	$6	$9
All-in Sustaining Costs	**$1,019**	**$990**	**$1,182**	**$1,363**
Major Project Capital	$2.96M	$2.25M	$3.74M	$6.51M
Exploration Cost	$1.66M	$2.71M	$1.90M	$2.04M
Project Capital	**$348**	**$319**	**$420**	**$731**

REVIEW OF OPERATIONS (CONTINUED)

Mineral Resource and Ore Reserve Upgrades

Pantoro completed a Mineral Resource and Ore Reserve update as at 31 May 2018. The update defined further growth in the Company's Mineral Resource and Ore Reserve position.

The Mineral Resource was replaced in line with production and stood at 1.5 million tonnes @ 8.3 g/t Au for 393,000 ounces at 31 May 2018, a 4% increase year on year after depletion.

The Ore Reserve stood at 964,000 tonnes @ 7.1 g/t Au for 219,000 ounces at 31 May 2018, presenting a 20% year on year increase after depletion. Significant growth was achieved in the Wagtail Ore Deposits, where a maiden underground Ore Reserve of 62,000 ounces was calculated.

The Mineral Resource and Ore Reserve position as at 31 May 2018 is set out in the tables on pages 16-20.

Nicolsons Underground Mine

Nicolsons underground mine is located adjacent to the Nicolsons processing plant and has continued to be the cornerstone of production at the operation. Development has progressed to approximately 320 metres below surface at the time of reporting.

The period saw ore produced from three main ore lodes being the Hall, Anderson, and Johnston Lodes. The Hall and Anderson Lodes have been developed to the 2005 level, with active production fronts from the 2105 mRL to the 2045 mRL. The majority of the ore, apart from remnant areas has been mined above the 2105 level.

Development on the Johnson Lode in the south of the mine continued to be advanced during the year, with ore development in place on 2215, 2200, 2180, and 2160 mRL, with a fifth level advancing on the 2140 mRL. Stoping of the upper levels of the Johnston Lode will be a focus during the coming year. Deeper in the mine, the 2045 Level on the Johnston Lode has also been developed, with access from the Northern decline. Issues associated with ore dilution impacted the mine during the April and May 2018 period, and Pantoro made immediate moves to modify the mining methods. The Company is continuing to manage dilutionary effects within the mine, but was again impacted during July and August 2018 as set out in an announcement on 28 August 2018 titled "Halls Creek Operations Update" and 19 June 2018 titled "High grade drilling at Wagtail and Operations Update".

Development within the ore-body has revealed continuing mineralisation at depth, and has often out-performed drilling indications. This has been a common outcome within the mine since commencement of operations. Drilling has confirmed to presence of high grade mineralisation down to 410 metres below surface, as set out in an announcement to the ASX on 26 March 2018 titled "Drilling Reveals High Grade Depth Extension at Nicolsons". Pantoro noted that development on the 2005 Level had not met expectations.

Pantoro continues to apply significant in-mine exploration expenditure at Nicolsons with a view to replacing mine depletion and continuing to grow Ore Reserves at the mine. Exploration programs during the coming year are expected to focus on the planned near term mining areas at the mine, however some deeper drilling, and testing for additional off-set ore lodes will continue during the period.

For personal use only





For personal use only

REVIEW OF OPERATIONS (CONTINUED)

Wagtail

Open pit mining commenced in October 2016 at Rowdies and Wagtail, approximately 1.5 km south of the Nicolsons processing plant. Open pit mining was completed on schedule in December 2017, with a successful outcome to the open pit campaign. Open pits contributed 49,714 tonnes @ 6.01 g/t Au for 9,605 ounces. High grade ore was utilised in the mill feed blend at the time of mining, while medium and low grade ore was stockpiled for blending during 2018.

The Wagtail Open pits performed well compared with the Mineral Resource and Ore Reserve, and a number of high grade intersections continued to be realised from ongoing drilling campaigns. During the year some of the best drilling results from beneath Wagtail and Rowdies included:

- 5.34 m @ 10.62 g/t Au inc. 0.2 m @ 27.9 g/t Au and 1.65 m @ 31.7 g/t Au
- 4.75 m @ 15.79 g/t Au inc 3.7 m @ 18.76 g/t Au
- 1.85 m @ 19.07 g/t Au
- 3.8 m @ 12.21 g/t Au
- 1.95 m @ 23.61 g/t Au
- 4 m @ 10.53 g/t Au inc. 2 m @ 18.35 g/t Au
- 3 m @ 11.17g/t Au inc. 1 m @ 29.4 g/t Au
- 2 m @ 23.77/t Au inc. 1 m @ 14.7 g/t Au
- 1.6 m @ 10.64 g/t Au
- 2.2 m @ 10.14 g/t Au
- 0.8 m @ 25.40 g/t Au
- 2.2 m @ 10.14 g/t Au
- 1.3 m @ 7.93 g/t Au inc. 0.7 m @ 13.90 g/t Au

For full details refer to announcements on 5 April 2018 titled "High grade drilling results at Wagtail", on 19 June 2018 titled "High grade drilling at Wagtail and Operations update" and on 8 November 2017 titled "High grade Results Underwrite Wagtail Underground"

A maiden underground Mineral Resource and Ore Reserve was calculated as at 30 April 2018. The maiden Ore Reserve of 62,000 ounces provides the basis for the commencement of underground mining at Wagtail. Decline development from the Wagtail North open pit commenced at the end of the period, with first ore expected to be accessed during the December 2018 quarter.

For personal use only





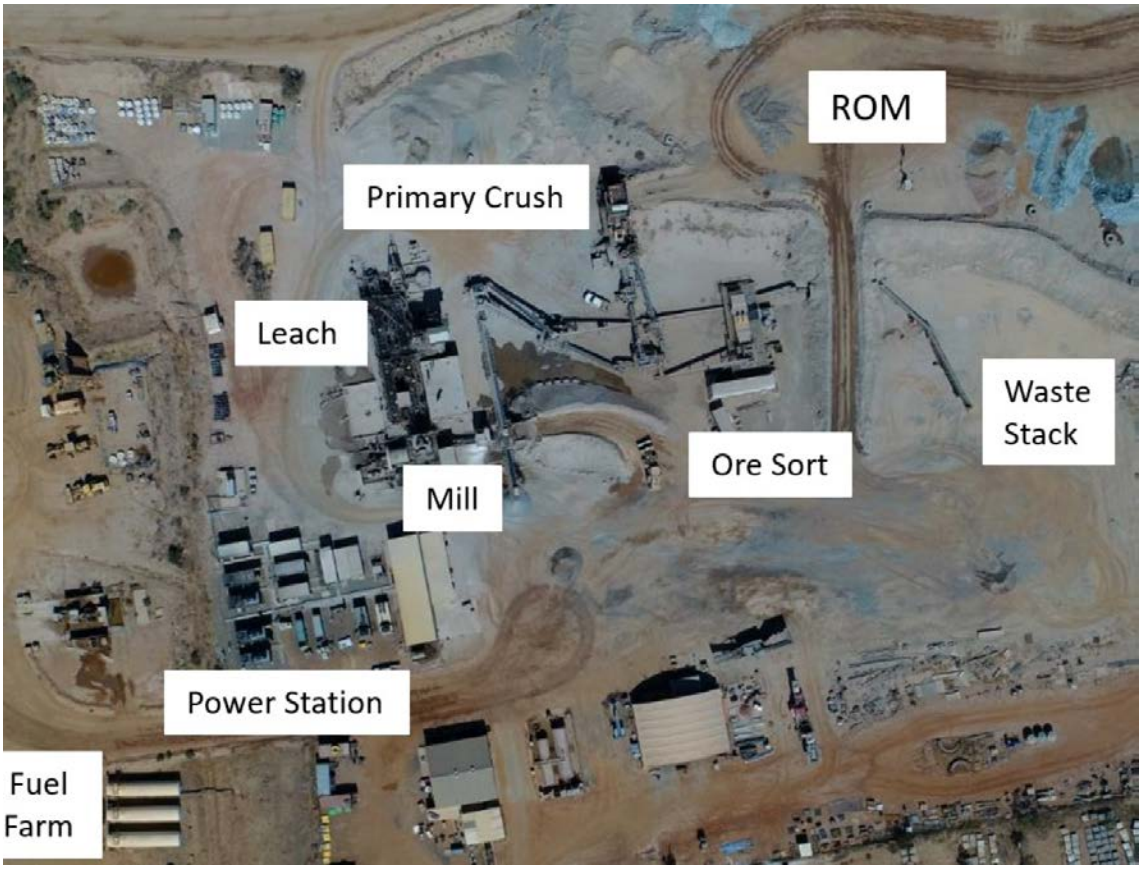
For personal use only

REVIEW OF OPERATIONS (CONTINUED)

Processing Plant

The processing plant continued to operate reliably with a nominal run rate of 240,000 tonnes per annum. The processing plant capacity has been expanded through the addition of ore sorting technology.

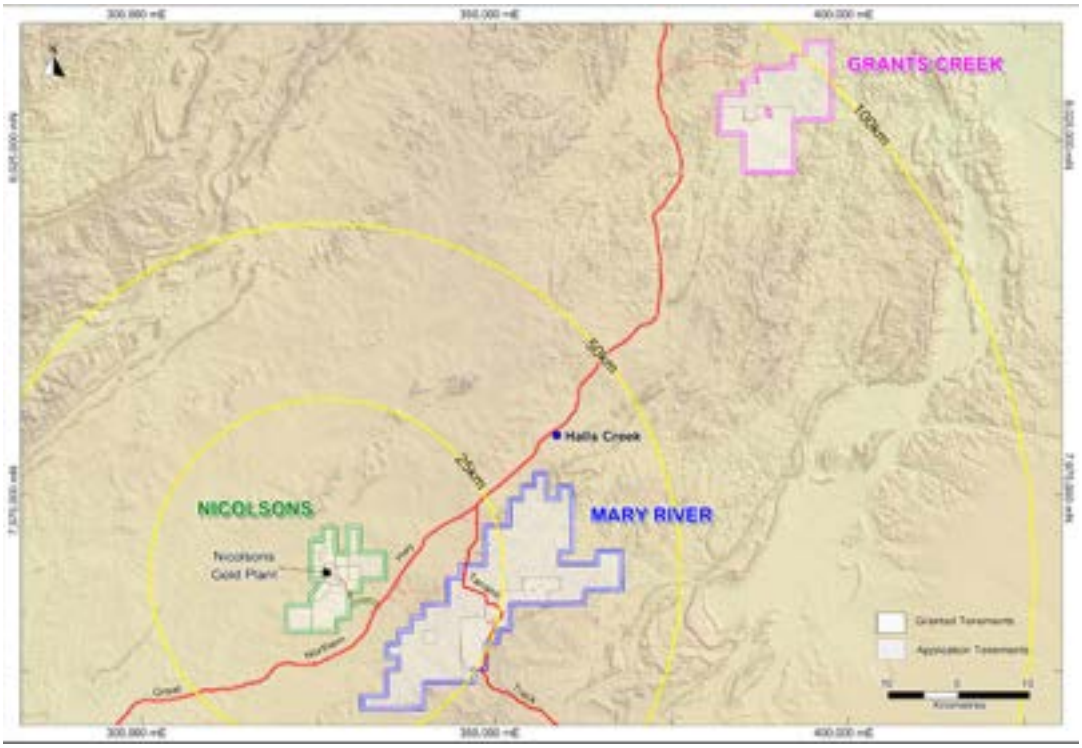
The use of the ore sorter aims to increase mill feed grade by 1.5 to 1.8 times through the exclusion of waste dilution material following primary crushing. Initial work using the ore sorter has confirmed the successful upgrading of ore in the operating environment.



Regional Exploration

Regional exploration has continued to be an important part of the overall growth plan for the Halls Creek Project. Pantoro owns the only gold processing facility in the Halls Creek Region, with the closest facility approximately 300 km to the south. Pantoro through its wholly owned subsidiary, Halls Creek Mining, acquired two additional projects during the year, named Grants Creek, and Mary River. The projects are approximately 100 km and 25 km from Nicolsons respectively. If suitable ore deposits are identified, both projects are within trucking distance of the Nicolsons plant.

For personal use only

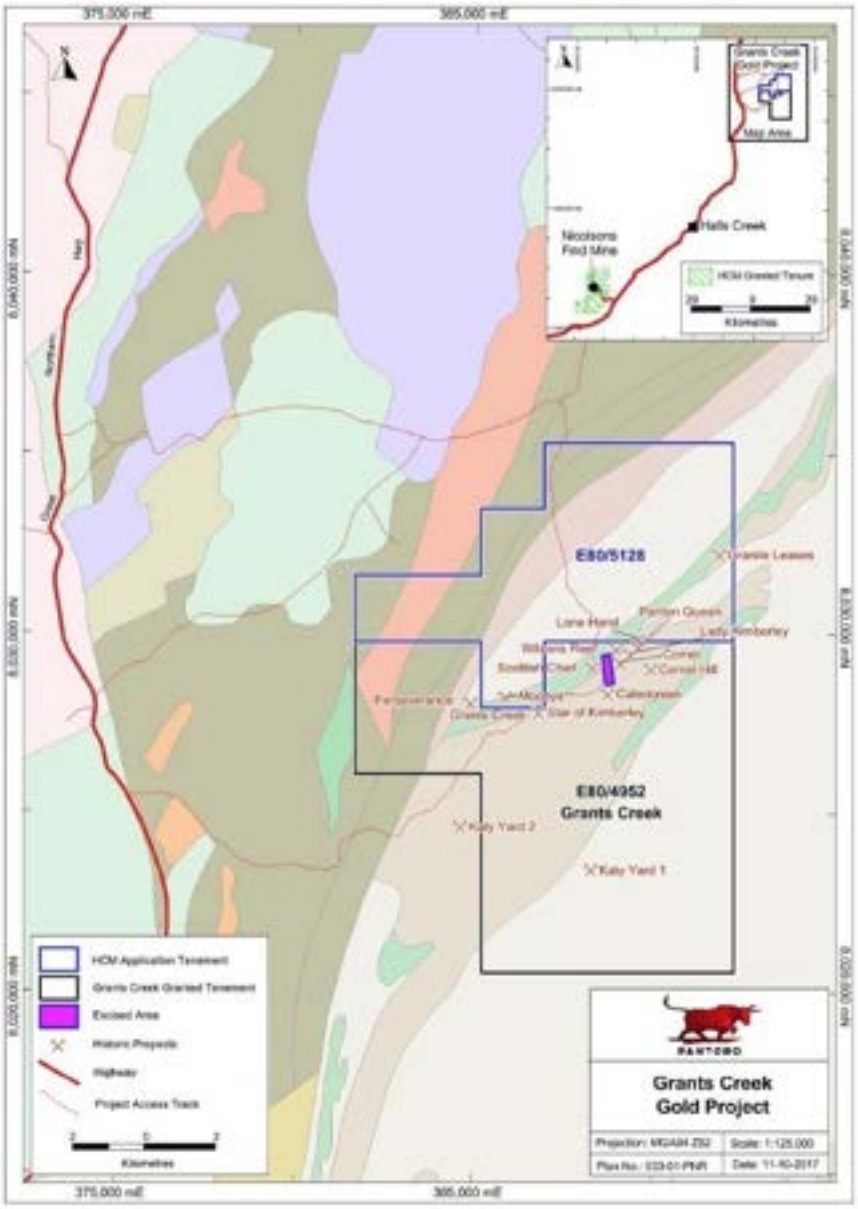


Both of the new project areas were historically mined during the 1880's, and have seen limited exploration work in the modern era. Grants Creek is however reasonably well advanced with known mineralisation at Perseverance and Star of the Kimberley prospects the subject of a Notice of Intent to Mine during the 1990's. Drilling campaigns were undertaken during the 1980's, 1990's, and 2000's. Based on information presented in government data bases, along with field inspection of the outcropping ore, the style of known mineralisation at Grants Creek appears to be of a similar nature to that seen at Nicolsons.

Pantoro has approval to undertake drilling programs at Perseverance, Star of the Kimberley and Wilsons prospects. Drilling is to be undertaken during the coming year with the aim to identifying near term open pit mining opportunities to supplement ore feed at Nicolsons.

For personal use only

REVIEW OF OPERATIONS (CONTINUED)



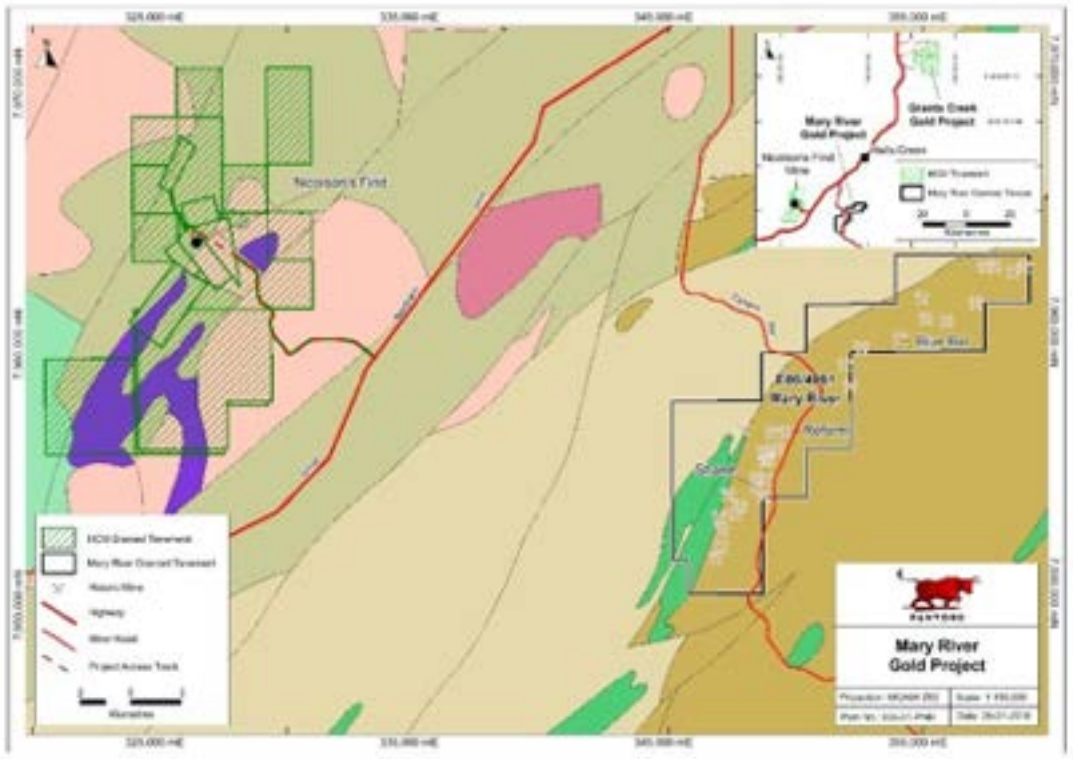
At Mary River, Pantoro recently undertook an initial 8 hole stratigraphic drilling program beneath the historic Reform Mine. The program revealed a broad shear zone hosting gold mineralisation. Results from the initial drilling included:

- 31.65 m @ 1.78 g/t Au inc. 12.95 m @ 1.88 g/t from 35 m and 10.7 m @ 2.56 g/t from 53.3 m.
- 8 m @ 1.2 g/t Au.
- 8 m @ 1.65 g/t Au (hole ended in mineralisation).

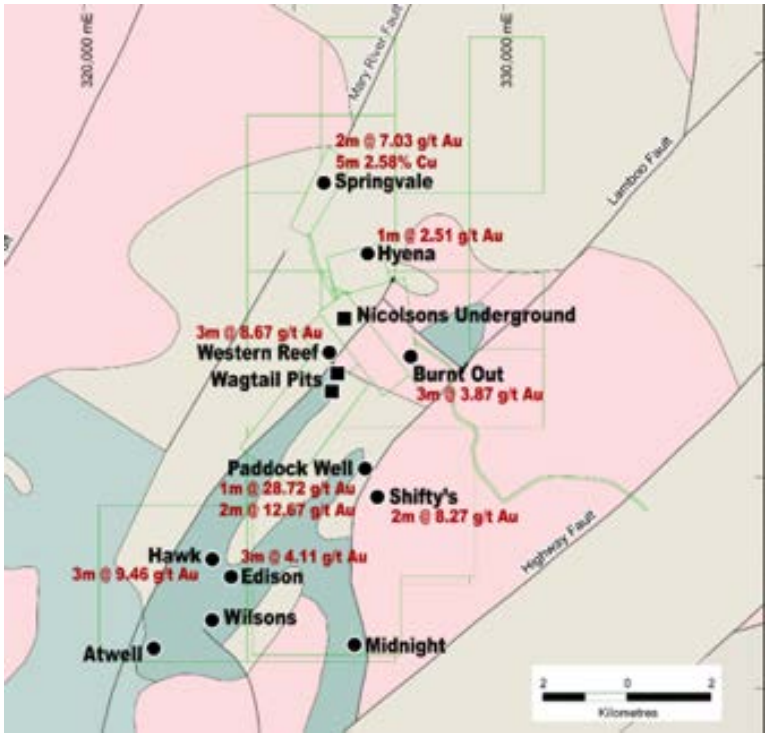
Refer to ASX announcement on 7 August 2018 titled "Initial Results from Mary River Gold Project".

For personal use only

For personal use only



The Mary River project hosts more than 20 historical mine workings over approximately 15 km of strike length. While the testing completed to date only covers a small part of the tenement area, Pantoro considers that the tenement area is prospective for the discovery of a large mineralised system. Additional exploration is planned during the coming year.



Plan showing new and historical drilling results within the Nicolsons Regional target areas.

REVIEW OF OPERATIONS (CONTINUED)

Papua New Guinea (PNG)

Operations in PNG have continued on the basis of completing minimum work requirements to maintain tenement holdings. Pantoro intends to continue to review options for partnering at its Garaina project while completing works required to maintain the tenements. Pantoro withdrew from the ML457 Widubosh Joint Venture during the year.

Corporate

Share Issues and Corporate Structure

There was no additional equity raising during the year, with the only additions to ordinary shares in the Company through the exercise of listed and unlisted options, unlisted employee options, and through conversion of employee performance rights.

Subsequent to the end of the period, Pantoro announced that it was to issue new capital at 20 cents per share to raise upto $15 million before costs. The issue had two main elements being a A$13million placement to professional and sophisticated investors, and a share purchase plan aiming to raise A$2 million available to all existing Pantoro shareholders with a registered address in Australia or New Zealand, with the ability to accept over subscriptions of A$1 million.

Ordinary Shares (PNR)	789,375,144
Unlisted Employee Options	16,580,000 (various conversions and expiry dates)
Unlisted Employee Performance Rights	2,500,000 (various hurdles and expiry dates)

The capital structure of the Company as at 25 September 2018 is shown below:

Ordinary Shares (PNR)	854,905,144
Unlisted Employee Options	16,460,000 (various conversions and expiry dates)
Unlisted Employee Performance Rights	2,000,000 (various hurdles and expiry dates)

For personal use only

For personal use only

Project Funding - Gold Pre-Pay Facility and Gold Forward Contracts

Pantoro entered into a gold pre-payment facility with the Commonwealth Bank of Australia (CBA) during February 2015, through its wholly owned subsidiary Halls Creek mining Pty Ltd (HCM). The repayment schedule was modified in July 2015 at the time that the Rights Issue was completed, delaying the repayment period by two months, with adjusted delivery from January 2016 to October 2017.

Pantoro fully repaid the facility during April 2018, and was debt free apart from normal trade creditors. In addition to the gold prepayment facility, Pantoro maintains a number of gold forward contracts to offset gold price risk. The hedging profile is set out in the table below.

As at 30 June 2018	Ounces	Delivery	Average Delivery Price per ounce
Gold Forward	4,000.00	Jul 18 – Oct 18	$1,690.00
Gold Forward	12,726.56	Jul 18 – Oct 19	$1,707.00
Gold Forward	3,000.00	Aug 18 – Oct 18	$1,724.19
Gold Forward	12,000.00	Nov 18 – Oct 19	$1,756.00

As at 25 September 2018	Ounces	Delivery	Average Delivery Price per ounce
Gold Forward	1,000.00	Oct 18	$1,690.00
Gold Forward	12,000.00	Nov 18 – Oct 19	$1,707.00
Gold Forward	12,000.00	Nov 18 – Oct 19	$1,756.00

Liquidity

Cash on hand at 30 June 2018 was $11,758,532 (2017: $9,672,046). As at 30 June 2018, the site gold inventory, cash and gold on hand was $14.9 million (refer to June 2018 quarterly report, released to the ASX on 30 July 2018).



For personal use only

For personal use only

MINERAL RESOURCES & ORE RESERVES

Pantoro holds 100% of the Halls Creek Project. The total Mineral Resources and Ore Reserves for the Halls Creek Project were calculated as at 31 May 2018 and announced on 2 August 2018. The Mineral Resources and Ore Reserves have been rounded for reporting and are set out below.

Halls Creek Mineral Resources

	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Nicolsons Underground	155,000	17.4	86,000	285,000	8.8	80,000	116,000	10.7	40,000	556,000	11.5	206,000
Nicolsons Open Pits	67,000	11.5	25,000	147,000	5.0	24,000	47,000	4.6	7,000	261,000	6.7	56,000
Wagtail (inc. Rowdies)	-	-	-	450,000	6.8	98,000	124,000	7.0	28,000	574,000	6.8	126,000
Low Grade Stockpiles	81,000	2.10	5,000	-	-	-	-	-	-	81,000	2.1	5,000
Total	**303,000**	**11.9**	**116,000**	**882,000**	**7.1**	**202,000**	**287,000**	**8.1**	**75,000**	**1,472,000**	**8.3**	**393,000**

Halls Creek Ore Reserves

	Proven			Probable			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Nicolsons Underground	198,000	11.8	75,000	275,000	6.5	58,000	473,000	8.8	133,000
Nicolsons Open Pits	31,000	12.4	12,000	23,000	8.4	6,000	54,000	10.7	19,000
Wagtail (inc. Rowdies)	-	-	-	356,000	5.4	62,000	356,000	5.4	62,000
Low Grade Stockpiles	81,000	2.1	5,000	-	-	-	81,000	2.1	5,000
Total	**310,000**	**9.2**	**92,000**	**654,000**	**6.0**	**126,000**	**964,000**	**7.1**	**219,000**

MINERAL RESOURCES & ORE RESERVES (CONTINUED)

Mineral Resource Update – Nicolsons

The Nicolsons Mineral Resource update has been completed in accordance with JORC 2012 by Pantoro Geologists under the supervision and review of the Competent Person. Key changes in the Mineral Resource Estimate include:

- Modification of ore zones – the geological interpretation of the mineralised domains was re-interpreted using additional face sampling and drilling data obtained since the previous Mineral Resource and Ore Reserve upgrade.
- Additional data – 254 diamond drill holes were completed during the year, with all available assay results utilised in the Mineral Resource Estimate. Face sampling of ore drives and rises was also undertaken with 1,931 faces sampled for 4,341 individual sample utilised in the estimate.
- Re-classification of ore categories – ore within the block model was classified into the Measured, Indicated and Inferred categories as appropriate. The classification was based on data density and statistical analysis of that data.
- Depletion of zones that have been mined or sterilised.

Details of the Nicolsons Mineral Resource are set out in the table below:

	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
April 2017 Nicolsons	150,000	16.4	79,000	707,000	8.2	186,000	195,000	8.0	50,000	1,053,000	9.3	315,000
May 2018 Resource	222,000	15.6	111,000	432,000	7.5	104,000	163,000	9.0	47,000	817,000	10.0	262,000

For personal use only

For personal use only

Ore Reserve Update – Nicolsons

The Nicolsons Ore Reserve has been completed utilising functional mine designs using both underground and open pit methods. The Open Pit Ore Reserve has not been revisited since the previous update, and remains unchanged. The Open Pit Ore Reserve and Table 1 requirements is detailed in a release to the ASX on 1 June 2017 in a release titled "Mineral Resource and Ore Reserve Upgrade Demonstrates Strong Growth Potential at Nicolsons".

Changes to the Nicolsons Ore Reserve include:

- Addition of Ore Reserve blocks where the Mineral Resource estimate has classified new zones of Measured and Indicated Mineral Resource material as a result of additional data.
- Modification of the tonnage and grade of ore blocks where the revised block model has changed since the last estimate.
- Depletion of zones that have been mined or left in pillars.
- Adjustment of ore stockpiled on the surface.

Details of the Nicolsons Ore Reserve are set out in the table below:

	Proven			Probable			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
April 2017 Nicolsons Underground	136,000	10.6	46,000	443,000	6.8	97,000	579,000	7.7	143,000
April 2017 Nicolsons Pits	31,000	12.4	12,000	23,000	8.4	6,000	54,000	10.7	19,000
May 2018 Nicolsons Underground	198,000	11.8	75,000	275,000	6.5	58,000	473,000	8.8	133,000
May 2018 Nicolsons Pits	31,000	12.4	12,000	23,000	8.4	6,000	54,000	10.7	19,000

MINERAL RESOURCES & ORE RESERVES (CONTINUED)

For personal use only

Mineral Resource Update – Wagtail

The Wagtail Mineral Resource update has been completed in accordance with JORC 2012 by Pantoro Geologists under the supervision and review of the Competent Person. The Wagtail Mineral Resource is detailed in a release to the ASX on 24 May 2018, and has not changed since the time of that report. Key changes detailed in that report include:

- Identification and estimation of additional Mineral Resource through additional drilling programs.
- Depletion of Ore mined via open pit up to December 2017 from the model.
- April 2017 Mineral Resources were reported separately for the Rowdies and Wagtail deposits. In this update Rowdies and Wagtail have been aggregated.

	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
April 2017 Wagtail	-	-	-	340,000	3.9	43,000	138,000	2.9	13,000	478,000	3.6	56,000
May 2018 Wagtail	-	-	-	450,000	6.8	98,000	124,000	7.0	28,000	574,000	6.8	126,000

Ore Reserve Update – Wagtail

The Wagtail Ore Reserve is based on underground mine designs and costs. The Wagtail Ore Reserve is detailed in a release to the ASX on 24 May 2018, and has not changed since the time of that report. Key changes detailed in that report include:

- Addition of Ore Reserve blocks where the Mineral Resource estimate has classified new zones of Measured and Indicated Mineral Resource material as a result of additional data.
- Depletion of zones which have been mined via open pit.

	Proven			Probable			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
April 2017 Wagtail	-	-	-	93,000	5.2	16,000	93,000	5.2	16,000
May 2018 Wagtail	-	-	-	356,000	5.4	62,000	356,000	5.4	62,000

For personal use only

Material Changes since 31 May 2018

Between 31 May 2018 and 30 June 2018 there have been no material changes in the Mineral Resources or Ore Reserves except for mining depletion in the usual course of business.

Governance Arrangements and Internal Controls

Pantoro ensures that the Mineral Resource and Ore Reserve estimates quoted are subject to governance arrangements and internal controls activated at a site level and at the corporate level. Internal reviews of Mineral Resource and Ore Reserve estimation procedures and results are carried out by the Managing Director and Operations Director. These reviews have not identified any material issues.

The Operations Director is responsible for monitoring the planning, prioritisation and progress of exploratory and resource definition drilling programs across the Company and the estimation and reporting of resources and reserves

Pantoro reports its Mineral Resources and Ore Reserves on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named by Pantoro are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined in the JORC Code.

Compliance Statements

Halls Creek Project – Exploration Targets, Exploration Results
The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Scott Huffadine (B.Sc. (Hons)), a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Huffadine is a Director and full time employee of the company. Mr Huffadine is eligible to participate in short and long term incentive plans of and holds shares, options and performance rights in the Company as has been previously disclosed. Mr Huffadine has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Huffadine consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Halls Creek Project - Mineral Resources & Ore Reserves
The information relating to Mineral Resources and Ore Reserves is extracted from a report entitled 'Nicolsons Project Mineral Resource and Ore Reserve Update' created on 2 August 2018 and available to view on Pantoro's website (www.pantoro.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 and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Wagtail Drilling Results
The information relating to drilling results at Wagtail is extracted from reports entitled 'High grade drilling results at Wagtail' created on 5 April 2018 and 'High grade drilling at Wagtail and operations update' created on 19 June 2018 and 'High grade Results Underwrite Wagtail Underground' created on 8 November 2017 and available to view on Pantoro's website (www.pantoro.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. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Mary River Gold Project
The information is extracted from the report entitled 'Initial Results from Mary River Gold Project Drilling' created on 7 August 2018 and is available to view on Pantoro's website (www.pantoro.com.au) and the ASX (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. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

DIRECTORS' REPORT

Your directors present their report on the company, being Pantoro Limited ("the Company") and its controlled entities ("the Consolidated Entity") for the financial year ended 30 June 2018.

DIRECTORS

The names of the directors in office and at any time during or since the end of the financial year are as follows. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Michael Jefferies BCom, CA – Non-Executive Chairman
Mr Jefferies has extensive experience in finance and investment, including 20 years as an executive at Guinness Peat Group plc. Michael is a non-executive director of Homeloans Limited and Ozgrowth Limited. He was formerly a director of a number of financial services companies including Australian Wealth Management Limited, Tower Australia Limited, Clearview Wealth Limited and Afterpay Touch Group Limited. Michael was also formerly a director of a number of resources companies.

During the past three years he has served as a director of the following public listed companies:

- Afterpay Touch Group Limited (resigned 16 January 2018)
- Homeloans Limited*
- Ozgrowth Limited*

(* Denotes current directorship).

Mr Paul Cmrlec BEng (Mining), Honours – Managing Director
Mr Cmrlec holds a Bachelor of Mining Engineering degree from the University of South Australia. He has more than 20 years experience in corporate and operational management of mining companies. Paul has held a number of operational and planning roles with several companies and was previously the Group Underground Mining Engineer for Harmony Gold Australia and the Group Mining Engineer for Metals X Limited.

In addition to operational mining roles, Mr Cmrlec's experience includes the general management of major feasibility studies for the Wafi Copper-Gold deposit in Papua New Guinea, and the Wingellina Nickel-Cobalt deposit in the Central Musgraves region of Western Australia.

- Metals X Limited (Resigned 5 October 2016).

Mr Scott Huffadine BSc., Honours – Operations Director
Mr Huffadine is a geologist with more than 20 years' experience in the resource industry, specifically project management, geology and executive management. Mr Huffadine has held several key management positions ranging from operational start-ups involving open pit and underground mining projects, through to large integrated operations in gold and base metals. He was previously Managing Director of Kingsrose Mining Limited, an Executive Director of Metals X Limited and Managing Director of Westgold Resources Limited.

During the past three years he has served as a director of the following public listed companies:

- Kingsrose Mining Limited (Resigned 15 January 2016).

For personal use only

Mr Kyle Edwards BArts/Law – Non-Executive Director
Mr Edwards is a corporate and resources lawyer and a Director at EMK Lawyers (a Western Australian based corporate and resources law firm). Mr Edwards graduated from the University of Notre Dame Fremantle with a bachelor of Arts (Politics)/Law in 2008.

Mr Edwards' has over 7 years' experience as a lawyer with a particular focus on mining and resources law, mergers and acquisitions, capital markets and native title law.

Mr Edwards has not held any other public company directorships in the past three years.

COMPANY SECRETARY
Mr David Okeby

Mr Okeby has extensive legal, contractual, administrative and corporate experience in the mining industry. Mr Okeby brings skills in governance, stakeholder relations and corporate activities including mergers, acquisitions and divestments to the Company.

PRINCIPAL ACTIVITIES
The principal activities of the Consolidated Entity during the financial year was gold mining, processing and exploration at the Halls Creek project in Western Australia.

OPERATING RESULTS
The Consolidated Entity's gross profit was $16,819,593 (2017:$8,244,007).

The consolidated profit for the financial year after providing for income tax amounted to $13,756,181 (2017: loss of $15,736,965).

DIVIDENDS PAID OR RECOMMENDED
The directors recommend that no dividend be paid for the year ended 30 June 2018, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

SHARE OPTIONS
Unissued shares

As at the date of this report, there were 19,080,000 ordinary shares under options, refer to note 21(d).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of exercising options

There were 25,965,272 options converted to shares during the financial year, refer to note 21 (e).

REVIEW OF OPERATIONS
A full review of the operations of the Consolidated Entity during the year ended 30 June 2018 is included in this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
In the opinion of the directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year other than as disclosed in this report or the consolidated financial statements.

For personal use only

DIRECTORS' REPORT (CONTINUED)

AFTER BALANCE DATE EVENTS

On 6 September 2018 the Company announced a $15,000,000 capital raising at 20 cents per share comprising a $13,000,000 placement to professional and sophisticated investors and $2,000,000 under a share purchase plan to all existing Pantoro shareholders with a registered address in Australia or New Zealand.

On 12 September 2018 the Company announced the completion of the share placement component of the capital raising with the issue of 65,000,000 ordinary shares.

On 14 September 2018 the Company announced details of the previously announced share purchase plan with the aim of raising $2,000,000 with the ability to accept oversubscription of a further $1,000,000.

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

FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Business strategies and prospects for future financial years have been included in the review of operations.

ENVIRONMENTAL ISSUES

The Consolidated Entity's operations are subject to significant environmental regulations under the laws of Australia and Papua New Guinea.

In Australia these issues are dealt with by the Operations Director of the Company.

In PNG these issues are dealt with by the Managing Director of Pacific Niugini Minerals (PNG) Ltd, the operating entity in PNG.

The Consolidated Entity is not aware of any matter that requires disclosure with respect to any significant environmental regulation in respect of its activities.

For personal use only

REMUNERATION REPORT (AUDITED)

(A) Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of the Company has been designed to align director and other key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives via the issue of options and performance rights. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

During the year ended 30 June 2018, the Company did not have a separately established nomination or remuneration committee. Considering the size of the Company, the number of directors and the economic entity's stage of its development, the Board are of the view that these functions can be efficiently performed with full Board participation.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board. The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No advice was obtained during the reporting period. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a general meeting. The last determination was at the general meeting held on 26 November 2009 when shareholders approved an aggregate fee pool of $250,000 per year. Fees for non-executive directors are not linked to the performance of the economic entity. The directors are not required to hold any shares in the Company under the Constitution of the Company, however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

For personal use only

REMUNERATION REPORT (CONTINUED)

Managing Director and Executive Remuneration Structure

Based on the current stage in the Company's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executives and their contribution towards increasing shareholder value is share price performance over the review period. At present, remuneration is not impacted solely by the Company's share price performance but also other factors such as project identification, acquisition, development, exploration progress and results.

Individual and Company operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of executives and the need to be flexible and multi-tasked, as the Company responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time.

Remuneration consists of the following key elements:

Fixed remuneration; and

Variable remuneration Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each executive by the Board.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining and exploration industry and external advice. No external advice was obtained during the reporting period. Executives receive their fixed remuneration in cash.

Executive directors and other senior executives can be employed by the Company on a consultancy basis, on Board approval, with remuneration and terms stipulated in individual consultancy agreements.

Variable Remuneration – Long Term Incentive (LTI)

The objective of the LTI plan is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the seniority of the Executive and the responsibilities the Executive assumes in the Company and this is granted at the discretion of the Board. LTI grants to Executives are delivered in the form of share options and performance rights.

The options are issued on terms determined by the Board at the time of issue. Executives are able to exercise the share options for periods as determined by the Board before the options lapse. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse three months after ceasing employment. There are no performance conditions attached to the options, unless otherwise determined by the Board of Directors, as they are used as part of the remuneration packages to attract and retain Executives and to align the Executives interests with that of the shareholders.

For personal use only

The performance rights will be issued with such conditions as determined by the Board. Where a participant ceases employment prior to the vesting of their performance rights, the performance rights are forfeited. The performance rights will have performance hurdles as determined by the Board. They are issued to align the Executives interests with that of the shareholders.

The Company has a formal employee Long Term Incentive Plan ("LTIP") last approved at the AGM held 29 November 2016. As per ASX Listing Rule 7.2 (Exception 9(b)) the LTIP will require reapproval at a general meeting no later than November 2019.

During the current financial year the Consolidated Entity has generated profits from its mining and exploration and evaluation activities. Given the nature of the Consolidated Entity's activities and the current financial position, no dividends have been paid. There have been no returns of capital in the current or previous financial periods. The details of market year-end share price movements are as follows:

Year end	Closing share price	Profit/(loss) per share (cents)	Net tangible assets per share (cents)
30 June 2018	$0.30	1.76	5.75
30 June 2017	$0.25	(2.15)	3.84
30 June 2016	$0.13	(1.08)	3.86
30 June 2015	$0.05	(1.07)	3.54
30 June 2014	$0.07	(4.90)	4.23

(B) Remuneration of Directors and other Key Management Personnel

Details of the remuneration of directors and the key management personnel are set out in the following tables.

The key management personnel of the Company and the Consolidated Entity include the directors and the following executive officers who have or did have authority and responsibility for planning, directing and controlling the activities of the entity:

- David Okeby – Company Secretary (part-time) and subject to a service agreement.
- Scott Balloch – Chief Financial Officer (part-time).

For personal use only

(B) Remuneration of Directors and other Key Management Personnel

2018	Short Term			Post employment	Long term benefits	Share-based Payment		Total	% Performance related
	Salary and Fees	Consultancy Agreement	Cash Bonus	Superannuation	Long service leave	Performance Rights	Options		
Directors									
Paul Cmrlec	-	373,600	-	-	-	201,923	176,520	752,043	50
Kyle Edwards	40,000	-	-	3,800	-	-	-	43,800	-
Scott Huffadine	325,000	-	-	30,875	6,524	67,412	176,520	606,331	40
Michael Jefferies	60,000	-	-	5,700	-	-	-	65,700	-
	425,000	**373,600**	**-**	**40,375**	**6,524**	**269,335**	**353,040**	**1,467,874**	
Other key management personnel									
Scott Balloch [1]	79,289	-	-	449	115	-	35,304	115,157	31
David Okeby [2]	66,984	-	-	-	-	-	35,304	102,288	35
	146,273	**-**	**-**	**449**	**115**	**-**	**70,608**	**217,445**	
Total	**571,273**	**373,600**	**-**	**40,824**	**6,639**	**269,335**	**423,648**	**1,685,319**	

(1) Mr Balloch was an employee of Westgold Resources Ltd and his services were invoiced under a service agreement to Pantoro Ltd until 31 May 2018. Amounts invoiced to Pantoro Ltd by Westgold Resources Ltd are included in the salary and fees amount. From 1 June 2018 Mr Balloch was an employee of Pantoro Ltd. The amount shown in the options column relates to options issued directly to Mr Balloch.

(2) Mr Okeby is an employee of Westgold Resources Ltd and his services are invoiced under a service agreement to Pantoro Ltd. Amounts invoiced to Pantoro Ltd by Westgold Resources Ltd are included in the salary and fees amount. The amount shown in the options column relates to options issued directly to Mr Okeby.

For personal use only

2017	Short Term			Post employment	Share-based Payment		Total	% Performance related
	Salary and Fees	Consultancy Agreement	Cash Bonus	Superannuation	Performance Rights	Options		
Directors								
Peter Cook [1]	15,000	-	-	1,425	-	-	16,425	-
Paul Cmrlec	-	373,000	60,000	-	118,676	167,883	719,559	40
Kyle Edwards [2]	30,000	-	-	2,850	-	-	32,850	-
Scott Huffadine	295,000	-	-	28,025	16,597	167,883	507,505	36
Michael Jefferies [2]	45,000	-	-	4,275	-	-	49,275	-
David Osikore [1]	10,000	21,523	-	-	-	-	31,523	-
	395,000	**394,523**	**60,000**	**36,575**	**135,273**	**335,766**	**1,357,137**	
Other key management personnel								
Scott Balloch [3]	59,581	-	-	5,660	-	33,577	98,818	34
David Okeby [3]	48,228	-	-	4,582	-	33,577	86,387	39
	107,809	**-**	**-**	**10,242**	**-**	**67,154**	**185,205**	
Total	**502,809**	**394,523**	**60,000**	**46,817**	**135,273**	**402,920**	**1,542,342**	

(1) Mr Cook and Mr Osikore resigned on 5 October 2016.

(2) Mr Edwards and Mr Jefferies were appointed on 5 October 2016.

(3) Mr Balloch and Mr Okeby are both employees of Westgold Resources Ltd and their services are invoiced under a service agreement to Pantoro Ltd. The amounts shown relate to options issued directly to Mr Balloch and Mr Okeby.

For personal use only

REMUNERATION REPORT (CONTINUED)

(C) Compensation options/rights – Granted and vested during the year

No options or performance rights were granted to key management personnel during the 2018 financial year. The table below shows options and performance rights vested during the year.

2018	Granted Number	Grant Date	Value per Option/Right at Grant Date $	Exercise Price $	Vesting Date	Expiry Date	Options/ rights vesting during the year	Options/ rights lapsed during the year
Directors and key management personnel								
S Balloch-Options	-	1/12/16	0.0775	0.215	1/12/17	1/12/19	500,000	-
P Cmrlec-Options	-	1/12/16	0.0775	0.215	1/12/17	1/12/19	2,500,000	-
P Cmrlec-Rights	-	29/11/16	0.1140	Nil	15/2/18	29/11/19	500,000	-
P Cmrlec-Rights	-	29/11/16	0.1850	Nil	21/12/17	29/11/18	500,000	-
S Huffadine-Options	-	1/12/16	0.0775	0.215	1/12/17	1/12/19	2,500,000	-
S Huffadine-Rights	-	29/11/16	0.1140	Nil	15/2/18	29/11/19	500,000	-
D Okeby-Options	-	1/12/16	0.0775	0.215	1/12/17	1/12/19	500,000	-

* Vesting Subject to performance hurdles - see F below

For personal use only

The table below shows options and performance rights granted as equity compensation benefits to key management personnel during the 2017 financial year.

2017	Granted Number	Grant Date	Value per Option/Right at Grant Date $	Exercise Price $	Vesting Date	Expiry Date	Options/ rights vesting during the year	Options/ rights lapsed during the year
Directors and key management personnel								
S Balloch-Options	500,000	1/12/16	0.0775	0.215	1/12/17	1/12/19	-	-
S Balloch-Options	500,000	1/12/16	0.0762	0.220	1/12/18	1/12/19	-	-
P Cmrlec-Options	2,500,000	1/12/16	0.0775	0.215	1/12/17	1/12/19	-	-
P Cmrlec-Options	2,500,000	1/12/16	0.0762	0.220	1/12/18	1/12/19	-	-
P Cmrlec-Rights	500,000	29/11/16	0.1140	Nil	15/2/18	29/11/19	-	-
P Cmrlec-Rights	500,000	29/11/16	0.0560	Nil	N/A	29/11/19	-	-
P Cmrlec-Rights	500,000	29/11/16	0.1850	Nil	N/A	29/11/19	-	-
P Cmrlec-Rights	500,000	29/11/16	0.1850	Nil	21/12/17	29/11/18	-	-
P Cmrlec-Rights	500,000	29/11/16	0.1850	Nil	N/A	29/11/18	-	-
P Cmrlec-Rights	500,000	29/11/16	0.1500	Nil	16/1/17	29/11/18	500,000	-
S Huffadine-Options	2,500,000	1/12/16	0.0775	0.215	1/12/17	1/12/19	-	-
S Huffadine-Options	2,500,000	1/12/16	0.0762	0.220	1/12/18	1/12/19	-	-
S Huffadine-Rights	500,000	29/11/16	0.1140	Nil	15/2/18	29/11/19	-	-
S Huffadine-Rights	500,000	29/11/16	0.0560	Nil	N/A	29/11/19	-	-
S Huffadine-Rights	500,000	29/11/16	0.1850	Nil	N/A	29/11/19	-	-
D Okeby-Options	500,000	1/12/16	0.0775	0.215	1/12/17	1/12/19	-	-
D Okeby-Options	500,000	1/12/16	0.0762	0.220	1/12/18	1/12/19	-	-

* Vesting Subject to performance hurdles - see E below

For details on the valuation of the options, including models and assumptions used, please refer to note 23.

The value of the share based payments granted during the year is recognised in compensation over the vesting period of the grant.

For personal use only

REMUNERATION REPORT (CONTINUED)

(D) Security Holdings of Directors and Key Management Personnel

(i) Option and performance right holdings

The numbers of options and performance rights over ordinary shares in the Company held during the financial year by directors and other key management personnel, including their personally related parties, are set out below.

30 June 2018	Balance at beginning of year or on appointment	Granted during the year as Compensation	Expired during the year	Exercised during the year[1]	Balance at end of year	Vested and exercisable at the end of the year
Directors						
Paul Cmrlec	7,500,000	-	-	1,000,000	6,500,000	2,500,000
Scott Huffadine	8,557,577	-	-	557,577	8,000,000	4,500,000
Key management personnel						
Scott Balloch	1,500,000	-	-	500,000	1,000,000	500,000
David Okeby	1,000,000	-	-	-	1,000,000	500,000
Total	**18,557,577**	**-**	**-**	**2,057,577**	**16,500,000**	**8,000,000**

(1) Mr Cmrlec and Mr Huffadine had 1,000,000 and 500,000 performance rights exercise at a nil exercise price respectively. Mr Huffadine exercised 57,577 options at an exercise price of $0.06. Mr Balloch exercised 500,000 options at an exercise price of $0.10 with an intrinsic value of $122,500.

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related parties, are set out below. No shares were granted as remuneration. 1,500,000 shares were issued on the vesting of remuneration performance rights (2017: nil) and 500,000 shares were issued on exercise of remuneration options (2017: 2,500,000).

30 June 2018	Balance at start of year	Acquired during the year	Disposed during the year	Exercise of options / vesting of performance rights	Other changes during the year	Balance at the end of the year
Directors						
Paul Cmrlec	5,898,992	-	-	1,000,000	-	6,898,992
Kyle Edwards	50,000	-	-	-	-	50,000
Scott Huffadine	915,767	-	-	557,577	-	1,473,344
Michael Jefferies	357,820	-	-	-	-	357,820
Key management personnel						
Scott Balloch	24,450	-	-	500,000	-	524,450
David Okeby	700,000	-	-	-	-	700,000
Total	**7,947,029**	**-**	**-**	**2,057,577**	**-**	**10,004,606**

For personal use only

For personal use only

(E) Employment Contracts of Directors and Senior Executives

Mr Paul Cmrlec, Managing Director and CEO

Mr Cmrlec was appointed as Managing Director on 4th April 2011.

With effect from 14 September 2017 a renewed three year contract was entered into between Berrimil Services Pty Ltd (a company associated with Mr Cmrlec) and Pantoro Limited (PNR) with the term extending to 1 April 2020.

Under the contract Berrimil provides the services of Mr Cmrlec as Managing Director of PNR for a daily consulting fee based on an hourly rate of $200 and capped to a maximum daily amount of $1,600 per day. The fee is all inclusive, with no additional on-costs to be charged by Berrimil.

The Company may terminate the contract with Berrimil with at least 180 days notice or alternatively by paying 120 days of consulting fees.

Mr Cmrlec's remuneration package includes the following incentives:-

(a) 2,500,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.215 expiring 1 December 2019 with a vesting date of 1 December 2017.

(b) 2,500,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.220 expiring 1 December 2019 with a vesting date of 1 December 2018.

(c) 3,000,000 performance rights to be allotted fully paid ordinary shares in PNR with the following terms and performance hurdles:

- 500,000 shares when the Company achieves a $150 million market capitalisation for a period of five successive trading days. This performance hurdle was achieved on 16 January 2017 and shares issued 18 January 2017.
- 500,000 shares when the Company achieves a $200 million market capitalisation for a period of five successive trading days. This performance hurdle was achieved on 13 February 2018 and shares issued 15 February 2018.
- 500,000 shares when the Company achieves a $300 million market capitalisation for a period of five successive trading days. These rights have an expiry date of 29 November 2019.
- 500,000 shares when the Company achieves production of 40,000 ounces of gold over a six month period. These rights have an expiry date of 29 November 2019.
- 500,000 shares when the Company achieves production of 50,000 ounces of gold from grant date. This performance hurdle was achieved on 19 December 2017 and shares issued 21 December 2017.
- 500,000 shares when the Company achieves production of 100,000 ounces of gold from grant date. These rights have an expiry date of 29 November 2018.

The options and performance rights were issued under the terms of the Long Term Incentive Plan and were approved by shareholders at a meeting held on 29 November 2016. To exercise the performance rights, it is a requirement that Mr Cmrlec remains a consultant of the Company until the vesting conditions are met. The above performance hurdles were chosen to align Mr Cmrlec's remuneration with the generation of shareholder wealth.

Mr Scott Huffadine, Operations Director

Mr Huffadine is employed under an annual salary employment contract and receives a fixed remuneration of $325,000 (excluding superannuation). Either party may terminate the contract by giving three months' notice.

Mr Huffadine's remuneration package includes the following incentives:-

(a) 2,000,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.100 expiring 30 January 2019.

(b) 2,500,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.215 expiring 1 December 2019 with a vesting date of 1 December 2017.

(c) 2,500,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.220 expiring 1 December 2019 with a vesting date of 1 December 2018.

(d) 1,500,000 performance rights to be allotted fully paid ordinary shares in PNR with the following terms and performance hurdles:

- 500,000 shares when the Company achieves a $200 million market capitalisation for a period of five successive trading days. This performance hurdle was achieved on 13 February 2018 and shares issued 15 February 2018.
- 500,000 shares when the Company achieves a $300 million market capitalisation for a period of five successive trading days. These rights have an expiry date of 29 November 2019.
- 500,000 shares when the Company achieves production of 40,000 ounces of gold over a six month period. These rights have an expiry date of 29 November 2019.

Mr David Okeby, Company Secretary

Mr Okeby has no formal agreement between himself and the Company. His remuneration is by way of a service agreement with Westgold Resources Limited for services provided to the Company invoiced on an hourly basis.

Mr Scott Balloch, CFO

From 1 June 2018 Mr Balloch is employed under an employment contract on a part time basis and receives a pro-rata remuneration based on an annual salary of $280,000 (excluding superannuation). Either party may terminate the contract by giving three months' notice.

Prior to this Mr Balloch had no formal agreement between himself and the Company. His remuneration was by way of a service agreement with Westgold Resources Limited for services provided to the Company invoiced on an hourly basis.

(F) Other Transactions with Directors and Key Management Personnel

There were no other transactions with Directors and Key Management Personnel.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

For personal use only

For personal use only

MEETINGS OF DIRECTORS

During the financial year details of meetings of directors held and attendances by each director (while a director of the Company) were as follows:

	Board Meetings	
	Eligible to attend	Attended
P Cmrlec	8	8
K Edwards	11	11
S Huffadine	10	10
M Jefferies	11	11

INDEMNIFYING AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year and to the extent permitted by law, the Company has paid premiums to insure the directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. The Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract the premium paid cannot be disclosed.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section of the Report.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst & Young.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2018 is on the following page and the declaration forms part of this directors' report.

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

P.M.

Paul Cmrlec
Managing Director
Dated 28 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

For personal use only

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Pantoro Limited

As lead auditor for the audit of Pantoro Limited for the financial year ended 30 June 2018, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Philip Teale
Partner
28 September 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

PT:CT:PNR:013

For personal use only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 Jun 18 $	30 Jun 17 $
Revenue	4	87,181,900	63,906,847
Cost of sales	5(a)	(70,362,307)	(55,662,840)
Gross profit		**16,819,593**	**8,244,007**
Other income	4	345,045	41,726
Other expenses	5(b)	(2,607,821)	(2,707,721)
Finance costs		(30,251)	(31,379)
Fair value change in financial instruments	5(c)	-	(69,857)
Impairment recognised	32	-	(16,303,586)
Exploration and evaluation expenditure written off		(957,393)	(4,910,155)
Profit/(loss) before income tax		**13,569,173**	**(15,736,965)**
Income tax expense	6	187,008	-
Profit/(loss) after income tax		**13,756,181**	**(15,736,965)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(9,518)	6,521
Other comprehensive (loss)/profit for the year, net of tax		**(9,518)**	**6,521**
Total comprehensive profit/(loss) for the year, net of tax		**13,746,663**	**(15,730,444)**
Earnings per share attributable to the ordinary equity holders of the parent (cents per share)			
Basic profit/(loss) per share (cents per share)	8	1.76	(2.15)
Diluted profit/(loss) per share (cents per share)	8	1.75	(2.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

For personal use only

	Note	30 Jun 18 $	30 Jun 17 $
CURRENT ASSETS			
Cash and cash equivalents	9	11,758,532	9,672,046
Trade and other receivables	10	1,215,012	1,163,168
Available-for-sale financial assets	11	-	48,462
Inventories	12	4,397,691	4,845,079
Prepayments	13	628,240	394,883
Total current assets		**17,999,475**	**16,123,638**
NON-CURRENT ASSETS			
Property, plant and equipment	14	17,179,148	9,981,902
Exploration and evaluation expenditure	15	2,159,094	2,314,845
Mine properties and development costs	16	25,997,825	22,107,707
Total non-current assets		**45,336,067**	**34,404,454**
TOTAL ASSETS		**63,335,542**	**50,528,092**
CURRENT LIABILITIES			
Trade and other payables	17	13,525,556	10,713,975
Unearned income	18	-	7,405,417
Provisions	19	1,097,633	735,936
Interest-bearing loans and borrowings	20	595,705	448,604
Total current liabilities		**15,218,894**	**19,303,932**
NON-CURRENT LIABILITIES			
Provisions	19	2,696,188	1,965,365
Interest-bearing loans and borrowings	20	25,333	-
Total non-current liabilities		**2,721,521**	**1,965,365**
TOTAL LIABILITIES		**17,940,415**	**21,269,297**
NET ASSETS		**45,395,127**	**29,258,795**
EQUITY			
Issued capital	21	174,992,952	173,379,286
Reserves	22	7,074,892	6,302,315
Accumulated losses		(136,672,717)	(150,422,806)
TOTAL EQUITY		**45,395,127**	**29,258,795**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

For personal use only

	Note	30 Jun 18 $	30 Jun 17 $
CASH FLOWS USED IN OPERATING ACTIVITIES			
Receipts from customers		79,776,483	59,449,177
Payments to suppliers and employees		(48,222,128)	(39,785,605)
Interest paid		(30,251)	(30,186)
Interest received		71,688	36,387
Other income		-	5,339
Proceeds from security deposits		18,672	-
Net cash flows from operating activities	9	31,614,464	19,675,112
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(10,476,050)	(2,517,164)
Payments for exploration and evaluation		(4,330,703)	(1,354,991)
Payments for mine properties and development		(16,033,738)	(18,012,668)
Proceeds from sale of property, plant and equipment		300,000	19,500
Proceeds from sale of available-for-sale financial assets		82,246	(67,500)
Net cash flows used in investing activities		(30,458,245)	(21,932,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from gold prepayment facility		-	3,200,000
Payment of finance lease liabilities		(648,506)	(149,534)
Proceeds from share issues	21	-	3,970,861
Proceeds from exercise of options	21	1,585,880	-
Net cash flows from financing activities		937,374	7,021,327
Net increase in cash and cash equivalents held		2,093,593	4,763,616
Net foreign exchange differences		(7,107)	(18,043)
Cash and cash equivalents at the beginning of the financial year		9,672,046	4,926,473
Cash and cash equivalents at the end of the financial year	9	11,758,532	9,672,046

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Options reserve	Share based payment reserve	Accumulated losses	Foreign currency translation reserve	Total equity
	$	$	$	$	$	$
At 1 July 2016	**150,991,758**	**4,380,625**	**1,603,206**	**(134,685,841)**	**(443,811)**	**21,845,937**
Loss for the year	-	-	-	(15,736,965)	-	(15,736,965)
Other comprehensive loss	-	-	-	-	6,521	6,521
Total comprehensive income and expense for the year	**-**	**-**	**-**	**(15,736,965)**	**6,521**	**(15,730,444)**
Exercise of options	3,970,861	-	-	-	-	3,970,861
Convertible note conversions	216,667	133,333	-	-	-	350,000
Acquisition of minority interest in subsidiary	18,200,000	-	-	-	-	18,200,000
Share-based payments	-	-	622,441	-	-	622,441
At 30 June 2017	**173,379,286**	**4,513,958**	**2,225,647**	**(150,422,806)**	**(437,290)**	**29,258,795**

	Issued Capital	Options reserve	Share based payment reserve	Accumulated losses	Foreign currency translation reserve	Total equity
	$	$	$	$	$	$
At 1 July 2017	**173,379,286**	**4,513,958**	**2,225,647**	**(150,422,806)**	**(437,290)**	**29,258,795**
Profit for the year	-	-	-	13,756,181	-	13,756,181
Other comprehensive income/(loss), net of tax	-	-	-	-	(9,518)	(9,518)
Total comprehensive profit/(loss) for the year	**-**	**-**	**-**	**13,756,181**	**(9,518)**	**13,746,663**
Exercise of options	1,613,666	-	-	-	-	1,613,666
Share-based payments	-	-	776,003	-	-	776,003
De-registration of Sonora Australia Mining SA DE CV	-	-	-	(6,092)	6,092	-
At 30 June 2018	**174,992,952**	**4,513,958**	**3,001,650**	**(136,672,717)**	**(440,716)**	**45,395,127**

For personal use only

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

Pantoro Limited ("the Company", "the Consolidated Entity") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

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

The financial report of Pantoro Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 28 September 2018.

2. BASIS OF PREPARATION

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritive pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for available-for-sale financial assets, which have been measured at fair value.

The financial report is presented in Australian dollars. The functional currency of the Consolidated Entity's Papua New Guinea subsidiary is the PNG Kina.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Adoption of new accounting standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2017. Adoption of these Standards and Interpretations did not have any effect on the financial position or the performance of the Consolidated Entity.

New and amended standards and interpretations issued but not yet effective

A number of new and amended Standards and Interpretations have recently been issued but are not yet effective and have not been adopted by the Consolidated Entity as at the financial reporting date. Except as disclosed, the potential effect of these new and amended Standards and Interpretations are yet to be fully determined.

2. BASIS OF PREPARATION (CONTINUED)

(b) Statement of Compliance (Continued)

<table>
<tr><th>Reference and Title</th><th>Application date for the Consolidated Entity</th><th>Summary</th></tr>
<tr><td>AASB 9 Financial Instruments</td><td></td><td>AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains new requirements in the areas of classification and measurement, impairment and hedge accounting.

Existing financial assets and liabilities of the Consolidated Entity at 30 June 2018 were assessed in terms of the requirements for AASB 9. In this regards, the Consolidated Entity has determined that the adoption of AASB will impact the classification of financial asset and liabilities as follows:

<table>
<tr><th>Class of financial instrument presented in the Consolidated Statement of Financial Position</th><th>Original measurement category under AASB 139 (i.e. prior to 1 July 2018)</th><th>New measurement category under AASB 9 (i.e. from 1 July 2018)</th></tr>
<tr><td>Cash and cash equivalents</td><td>Loans and receivables</td><td>Financial assets at amortised cost</td></tr>
<tr><td>Trade and other receivables</td><td>Loans and receivables</td><td>Financial assets at amortised cost</td></tr>
<tr><td>Trade and other payables</td><td>Financial liability at amortised cost</td><td>Financial liability at amortised cost</td></tr>
<tr><td>Interest-bearing loans and borrowings</td><td>Financial liability at amortised cost</td><td>Financial liability at amortised cost</td></tr>
</table>
The change in classification will not result in any re-measurement adjustments at 1 July 2018. The Consolidated Entity will adopt AASB 9 retrospectively from 1 July 2018 and has elected not to restate comparative information under the modified retrospective transition approach.</td></tr>
<tr><td>AASB 15 Revenue from Contracts with Customers</td><td>1 July 2018</td><td>AASB 15 Revenue was issued in December 2015 and establishes a five-step model to account for revenue arising from contracts with customers, Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under AASB 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Consolidated Entity plans to adopt AASB 15 using the modified retrospective approach. In this regard, the Consolidated Entity will apply AASB 15 retrospectively at 1 July 2018 to all contracts that were not completed.

Revenue from gold sales is recognised on delivery when gold is sold out of the metal account. The Consolidated Entity has no other performance obligations once gold has been sold off the metal account and accordingly, adoption of AASB 15 is not expected to have material impact on revenue recognition in relation to gold sales.

Unearned income is in relation to the gold pre-pay facility as disclosed in note 18 to the Financial Statements. The Consolidated Entity does not have any pre-pay facilities in place at 30 June 2018 but will assess future prepaid revenue on a case-by-case basis. In particular, the Consolidated Entity will take into account any financing component of facilities entered into and the potential impact it could have on revenue recognition.</td></tr>
</table>

For personal use only

Reference and Title	Application date for the Consolidated Entity	Summary
AASB 16 Leases	1 July 2019	AASB 16 provides a new lease 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. A lessee measure the right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option and terminate the lease. AASB 16 contains disclosure requirements for lessees. The Consolidated Entity is in the process of assessing the impact of the new lease standard.
AASB Interpretation 23, and relevant amending standards Uncertainty over Income Tax Treatments	1 July 2019	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income 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. The Consolidated Entity is still assessing whether there will be any material impact.

(c) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements have been made as well as the following key estimates and assumptions that have the most significant impact on the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being net present value of expected future cash flows of the relevant cash generating unit) and "fair value less costs of disposal".

In determining the value in use, future cash flows for each cash generating unit (CGU) (ie each mine site) are prepared utilising managements latest estimates of;

- the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- royalties;
- future production levels;
- future commodity prices;

For personal use only

2. BASIS OF PREPARATION (CONTINUED)

(c) Use of estimates and judgements (Continued)

- future cash costs of production and development expenditure; and
- other relevant cash inflows and outflows.

Cash flow scenarios for a range of commodity prices and foreign exchange rates are assessed using internal and external market forecasts, and the present value of the forecast cash flows is determined utilising a pre-tax discount rate.

The Consolidated Entity's cash flows are most sensitive to movements in commodity price, expected quantities of ore reserves and mineral resources and key operating costs.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which in turn could impact future financial results. Refer to Note 3(g) for further discussion on the impairment assessment process undertaken by the Consolidated Entity.

(ii) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related area interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(iii) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes, which could impact the cost, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The Consolidated Entity regularly reviews the carrying values of its mine development assets in the context of internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profit in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability in a manner consistent with property, plant and equipment as described below. Refer to note 3(l) for further discussion on the impairment assessment process undertaken by the Consolidated Entity.

For personal use only

(iv) Life of mine method of amortisation and depreciation

The Consolidated Entity applies the life of mine method of amortisation and depreciation to its mine specific plant and to mine properties and development based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and production capacity are the Consolidated Entity's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets.

(v) Taxation

Balances disclosed in the financial statements and the notes relating to taxation, are based on the best estimates of management and take into account the financial performance and position of the Consolidated Entity as they pertain to current income tax legislation, and management's understanding thereof. No adjustment has been made for pending taxation legislation.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets, when recognised, are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Unrecognised deferred tax assets are only recognised to the extent that it is probable that there are future taxable profits available against which deductible temporary differences can be utilised.

(vi) Mine rehabilitation provision

The ultimate cost of rehabilitation is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new rehabilitation techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in resources or to production rates. Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

In recognising the amount of rehabilitation obligation at each reporting date, judgement is made on the extent of rehabilitation that the Consolidated Entity is responsible for at each reporting date.

(d) Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For personal use only

2. BASIS OF PREPARATION (CONTINUED)

(e) Tax consolidation

Pantoro Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group under tax consolidation legislation. The head entity, Pantoro Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. Such taxes are allocated using the 'stand-alone taxpayer' approach . Current tax liabilities and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. Entities in the tax consolidated group have entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the head entity in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity. Members of the tax consolidated group have entered into a tax sharing agreement, which provides for the allocation of income tax liabilities between members of the tax consolidated group should the parent, Pantoro Limited, default on its tax payments obligations.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, unless otherwise stated and have been applied consistently across the Consolidated Entity.

(a) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Consolidated Entity.

Subsidiaries are entities controlled by the Company. The Company has control over an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-Consolidated Entity balances, and any unrealised income and expenses arising from intra-Consolidated Entity transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the parent.

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Consolidated Entity on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements. The acquisition date is the date on which the Consolidated Entity obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

For personal use only

For personal use only

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Consolidated Entity measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred.

Where the Consolidated Entity obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the Consolidated Entity remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Consolidated Entity obtains control of a subsidiary that was previously accounted for as an available-for-sale financial assets, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the Consolidated Entity had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

(c) Available-for-sale financial assets

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs. Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available-for-sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised in other comprehensive income and presented as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

The fair value of investments that are actively traded in organised markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments with no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured for certain unquoted investments, these investments are measured at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign Currency Transactions and Balances

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Consolidated Entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted at rates of exchange ruling on the date of those transactions. At balance date, amounts receivable and payable in foreign currencies are translated at rates of exchange current at that date. Realised and unrealised gains and losses are brought to account in determining the profit or loss for the financial year.

(iii) Consolidated entity companies

The results and financial position of all entities in the Consolidated Entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Share capital, reserves and accumulated losses are converted at applicable historical rates;
- Income and expenses for each item of profit or loss are presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue Recognition

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time proportion basis using the effective interest method.

For personal use only

For personal use only

(f) Income Tax

Income tax expense comprises current and deferred tax. Current tax for the period is the expected tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction. Deferred tax is recognised using the full liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and unused tax losses.

Deferred tax is recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates, which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure deferred tax. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income and directly in equity are also recognised in other comprehensive income and directly in equity respectively.

(g) Impairment of Non-Financial Assets

The Consolidated Entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of Non-Financial Assets (Continued)

The Consolidated Entity bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Consolidated Entity's CGUs to which the individual assets are allocated, based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure based on life-of-mine plans.

Value in use does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in fair value less costs of disposal calculations. Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit and loss. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Consolidated Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(h) Cash and Cash Equivalents

For the Consolidated Statement of Cash Flows purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location and is determined using the weighted average cost method.

(j) Property, plant and equipment

Recognition and measurement

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

For personal use only

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset Major depreciation periods are:

- Mine Specific plant and equipment is depreciated using useful life. Useful life ranges between 1 and 10 years.
- Buildings are depreciated using useful life. Useful life ranges between 5 and 10 years.
- Office plant and equipment is depreciated using useful life. Useful life ranges between 1 and 10 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Capital work in progress is not depreciated until it is ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(k) Mineral Exploration and Evaluation Expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;

ii) exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the profit and loss or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment regularly and if after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely or that the Consolidated Entity no longer holds tenure, the relevant capitalised amount is written off to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period when the new information becomes available.

(l) Mine properties and development

Expenditure on the acquisition and development of mine properties within an area of interest are carried forward at cost separately for each area of interest. Accumulated expenditure is amortised over the life of the area of interest to which such costs relate on a production output basis.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

For personal use only

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Mine properties and development (Continued)

Impairment

The carrying value of capitalised mine properties and development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Refer to note 3(g) for further discussion on impairment testing performed by the Consolidated Entity.

(m) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Consolidated Entity has the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(n) Rehabilitation costs

The Consolidated Entity is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets or from plant clean up at closure.

(o) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

For personal use only

For personal use only

(p) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(s) Employee benefits

(i) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay when the liabilities are settled, including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Consolidated Entity has one plan in place that provides these benefits. It is the Long Term Incentive Plan ("LTIP") which provides benefits to all employees including Directors.

In valuing equity-settled transactions, no account is taken of any vesting conditions (such as service conditions), other than conditions linked to the price of the shares of Pantoro Limited (market conditions) if applicable. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. Further details of which are given in note 23.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to profit and loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of dilutive earnings per share.

For personal use only

(u) Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to manage commodity price exposures. Such derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value.

Certain derivative instruments are also held for trading for the purpose of making short term gains. None of the derivatives qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

(v) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in profit and loss on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(ii) Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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.

Capitalised leased assets are depreciated over the estimated useful life.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

For personal use only

4. REVENUE AND INCOME

	2018 $	2017 $
Revenue from sale of gold	86,745,388	63,476,836
Revenue from sale of silver	436,512	430,011
Total revenue	87,181,900	63,906,847
OTHER INCOME		
Interest received	71,688	36,387
Realised gain on sale of available-for-sale financial assets	33,784	-
Other income	239,573	5,339
Total other income	**345,045**	**41,726**

5. EXPENSES

	2018 $	2017 $
(a) Cost of Sales		
Salaries, wages expense and other employee benefits	(14,898,956)	(13,138,533)
Operating lease rentals	(4,556,175)	(3,167,153)
Other production costs	(29,697,515)	(20,163,807)
Royalties	(2,072,100)	(1,505,546)
Reversal of write down/(write-down) in value of inventories to estimated net realisable value	287,612	(715,792)
Depreciation and amortisation expense		
Depreciation of non-current assets		
Property, plant and equipment	(1,288,328)	(976,081)
Buildings	(68,664)	(59,807)
Amortisation of non-current assets		
Mine properties and development costs	(18,068,181)	(15,936,121)
Total cost of sales	(70,362,307)	(55,662,840)
(b) Other Expenses		
Administration Expenses		
Salaries, wages expense and other employee benefits	(159,796)	(122,218)
Directors' fees and other benefits	(115,522)	(113,918)
Share-based payments	(776,003)	(622,441)
Consulting expenses	(599,616)	(656,834)
Travel and accommodation expenses	(54,931)	(19,980)
Administration costs	(894,375)	(1,174,834)

For personal use only

For personal use only

	2018 $	2017 $
Depreciation expense		
Depreciation of non-current assets		
Property, plant and equipment	(4,218)	(2,996)
Total administration expenses	(2,604,461)	(2,713,221)
Other expenses		
Net (loss)/profit on disposal of property, plant and equipment	(3,360)	5,500
	(3,360)	5,500
Total other expenses	(2,607,821)	(2,707,721)

(c) Fair value change in financial instruments

Available-for-sale financial assets - listed entities (Level 1)	-	(55,384)
Fair value change in derivatives	-	(14,473)
Total fair value change in financial instruments	-	(69,857)

6. INCOME TAX

	2018 $	2017 $
(a) Major components of income tax expense:		
Income Statement		
Current income tax		
Current income tax expense	2,937,077	101,769
Adjustments in respect of current income tax of previous years	(126,154)	(1,010,056)
Deferred income tax		
Relating to recoupment of carry forward tax losses in current year	(2,937,077)	-
Relating to origination and reversal of temporary differences in current year	1,315,409	230,525
Tax loss not recognised	-	677,762
Tax losses recognised to offset net DTL	(1,502,417)	-
Adjustments in respect of current income tax of previous years	126,154	-
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	(187,008)	-

(b) A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable tax rate is as follows:

Accounting profit before tax from continuing operations	13,756,181	(15,736,966)
Total accounting profit before income tax	13,756,181	(15,736,966)
At statutory income tax rate of 30% (2017: 30%)	4,126,854	(4,721,090)

6. INCOME TAX (CONTINUED)

Non-deductible items		
Share-based payments	232,801	186,732
(Gain)/loss on acquisition of remaining interest	(71,872)	4,891,076
Other non-deductible items	2,655	113,647
Deductible items	(37,952)	(138,071)
Under/over in respect of prior years	(126,154)	(1,010,056)
Tax benefit not recognised	-	677,762
Previously unrecognised losses recognised in the current year	(4,313,340)	-
Income tax benefit reported in the Statement of Comprehensive Income	(187,008)	-

(c) Deferred income tax at 30 June relates to the following:

	Statement of financial position		Statement of comprehensive income	
	2018	2017	2018	2017
Deferred tax liabilities				
Exploration	(647,728)	(638,351)	9,377	(1,125,020)
Deferred mining	(6,943,645)	(5,473,391)	1,470,254	1,797,264
Mine properties & development	(526,277)	(757,634)	(231,357)	(430,427)
Rehabilitation asset	(308,682)	(264,212)	44,470	-
Consumables	(283,376)	(232,661)	50,715	190,948
Prepayments	(82,929)	(56,602)	26,327	-
Diesel rebate	(71,058)	(60,000)	11,058	(3,995)
Gross deferred tax liabilities	**(8,863,695)**	**(7,482,851)**		
Deferred tax assets				
Accelerated depreciation for tax purposes	1,114,213	1,078,395	(35,818)	(2,560)
Inventories	159,788	247,591	87,803	-
Available-for-sale financial assets	48,792	319,254	270,462	(16,615)
Accrued expenses	10,500	6,300	(4,200)	2,189
Provision for employee entitlements	379,677	226,743	(152,934)	(91,386)
Provision for rehabilitation	759,448	528,700	(230,748)	(89,873)
Recognised tax losses	6,391,277	4,888,860	-	-
Gross deferred tax assets	**8,863,695**	**7,295,843**		
Net deferred tax liabilities	**-**	**(187,008)**		
Deferred tax income			**1,315,409**	**230,525**

For personal use only

For personal use only

(d) Tax Consolidation and the tax sharing arrangement

The Company and its 100% owned Australian subsidiaries are a tax consolidated group with effect from 1 July 2014. Pantoro Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payments obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(e) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 'Income Taxes'.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Pantoro Limited. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

(f) Unrecognised losses

At 30 June 2018, there are unrecognised losses of $5,961,917 for the Consolidated Entity (2017: $21,627,989).

7. AUDITORS' REMUNERATION

	2018 $	2017 $
Audit services:		
Amounts paid or payable for audit of the financial statements for the company or any entity in the Group.		
- Ernst & Young	81,350	-
- Greenwich & Co	(4,267)	49,885
- Sinton Spence Chartered Accountants (PNG)	7,787	8,325
	84,870	58,210
Taxation services:		
Amounts paid or payable for taxation services performed for the company or any entity in the Group.		
- Greenwich & Co	14,000	-
- Sinton Spence Chartered Accountants (PNG)	-	1,980
	14,000	1,980

8. EARNINGS PER SHARE

	2018 $	2017 $
Net profit/(loss) attributable to ordinary equity holders	13,756,181	(15,736,965)
Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share	13,756,181	(15,736,965)
Basic profit/(loss) per share (cents)	1.76	(2.15)
Fully diluted profit/(loss) per share (cents)	1.75	(2.15)
Weighted average number of ordinary shares for basic earnings per share	782,632,107	731,107,238
Effect of dilution:		
Share options	3,922,308	-
Weighted average number of ordinary shares adjusted for the effect of dilution	786,554,415	731,107,238

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

At 30 June 2018, 16,580,000 (2017: 43,458,143) options and 2,500,000 performance rights (2017: 4,500,000) were outstanding which could potentially dilute basic earnings in the future. Of these nil (2017: 15,130,000) options and 2,500,000 (2017: 4,500,000) performance rights were excluded from the calculation of diluted earnings per share for the current financial period because they are considered non-dilutive.

On 5 July 2018 the Company issued 15,000 ordinary shares in the Company on conversion of unlisted employee options.

On 31 July 2018 the Company issued 500,000 ordinary shares in the Company on the conversion of performance rights on the successful meeting of a performance hurdle.

On 23 August 2018 the Company issued 15,000 ordinary shares in the Company on conversion of unlisted employee options.

On 12 September 2018 the Company issued 65,000,000 ordinary shares on completed of a placement to institutional and professional investors.

For personal use only

9. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank and in hand	11,758,532	9,672,046
Total	11,758,532	9,672,046
Reconciliation of the net profit/(loss) after tax to net cash flows from operations		
Profit/(loss) after tax	13,569,173	(15,736,965)
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows:		
Depreciation and amortisation	19,429,391	16,975,005
Gold prepayment physical deliveries	(7,405,417)	(4,457,670)
Share-based payments	776,003	622,441
Unrealised foreign exchange difference	(3)	-
Exploration and evaluation expenditure written off	957,393	4,910,155
Change in fair value of financial instruments	-	55,384
Gain on financial instruments	-	14,473
Loss on disposal of available-for-sale financial assets	(33,784)	-
Unrealised convertible note effective and real interest	-	1,193
(Profit)/loss on disposal of property, plant and equipment	3,360	(5,500)
Impairment expense	-	16,303,586
Other income	(239,573)	-
Unwinding rehabilitation provision	33,484	(9,156)
Working capital adjustments:		
(Increase) in receivables	487,740	(10,683)
Decrease/(increase) in inventories	447,388	(2,625,335)
Increase in trade and other payables [(1)]	3,504,900	3,434,722
Increase in provisions	84,409	203,462
Net cash from operating activities	**31,614,464**	**19,675,112**

(1) Following on from the reclassification footnoted at note 20 an amount of $149,534 has been reclassified from trade and other payables to financing activities in the Statement of Cash Flows for payment of finance lease liabilities.

For personal use only

10 TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
Other debtors (i)	1,118,132	1,047,616
Security bonds (ii)	96,880	115,552
	1,215,012	1,163,168

(i) - Other debtors are non-interest bearing.

- The carrying amounts disclosed approximates fair value.

- There are no past due nor impaired receivables at 30 June 2018.

(ii) Cash deposits used for government tenement bonds, office lease bond and miscellaneous security deposits.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 $	2017 $
Shares - Australian listed	-	48,462

Listed shares

The fair value of listed available-for-sale financial assets has been determined directly by reference to published price quotations in an active market (level 1 in the fair value hierarchy).

12 INVENTORIES

	2018 $	2017 $
Ore stocks at net realisable value	945,353	2,271,097
Gold in circuit at cost	2,507,750	1,798,446
Stores and spares at cost	949,652	775,536
Provision for obsolete stores and spares	(5,064)	-
	4,397,691	4,845,079

During the year there were reversals of write downs in inventories to net realisable value of $287,612 (2017: write downs of $715,792) from continuing operations for the Consolidated Entity. This is included in cost of sales refer to note 5(a).

13 PREPAYMENTS (CURRENT)

	2018 $	2017 $
Current		
Prepayments	628,240	394,883

For personal use only

14 PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
Plant and equipment		
Gross carrying amount - at cost	11,774,752	10,041,485
Accumulated depreciation	(3,112,139)	(1,976,093)
Net carrying amount	8,662,613	8,065,392
Land and buildings		
Gross carrying amount - at cost	618,106	589,571
Accumulated depreciation	(160,765)	(92,101)
Net carrying amount	457,341	497,470
Capital work in progress at cost	8,059,194	1,419,040
Total property, plant and equipment	17,179,148	9,981,902
Movement in property, plant and equipment		
Plant and equipment		
Net carrying amount at 1 July	8,065,392	6,456,427
Additions	2,193,137	1,419,109
Additional interest in Hall's Creek project	-	1,182,969
Disposals	(303,360)	(55,000)
Depreciation charge for the year	(1,292,556)	(979,014)
Foreign exchange movements	-	(99)
Impairment reversal	-	41,000
Net carrying amount at 30 June	8,662,613	8,065,392
Land and buildings		
Net carrying amount at 1 July	497,470	371,125
Additions	28,535	93,371
Additional interest in Hall's Creek project	-	92,781
Depreciation charge for the year	(68,664)	(59,807)
Net carrying amount at 30 June	457,341	497,470
Capital works in progress		
At 1 July	1,419,040	1,358,511
Additions	10,524,064	2,517,164
Additional interest in Hall's Creek project	-	289,628
Transfer to mine properties and development	(1,662,238)	(1,233,783)
Transfer to plant and equipment	(2,193,137)	(1,419,109)
Transfer to land and buildings	(28,535)	(93,371)
At 30 June	8,059,194	1,419,040

For personal use only

15 EXPLORATION AND EVALUATION EXPENDITURE

	2018 $	2017 $
Opening balance at 1 July	2,314,845	5,789,346
Expenditure for the year	4,330,703	1,354,991
Additional interest in Hall's Creek project	-	56,060
Exploration and evaluation expenditure written off	(959,878)	(4,710,747)
Transfer to mine properties and development	(3,526,645)	-
Foreign exchange movements	69	(174,805)
Closing balance at 30 June	2,159,094	2,314,845

The ultimate recoupment of costs carried forward in respect of areas of interest in the exploration and evaluation phases is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. The Company has an interest in certain exploration licences and the amounts shown above include amounts expended to date in the acquisition and/or exploration of those tenements.

Impairment

Recovery of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. During the year, tenements which were or are to be relinquished or for which no substantial expenditure is planned, have been fully written off. As a result, exploration and evaluation expenditure of $959,878 (2017: $4,710,747) was written off to the profit and loss. These write downs predominantly relate to the Company's PNG tenements.

16 MINE PROPERTIES AND DEVELOPMENT COSTS

	2018 $	2017 $
Mine properties and development		
Gross carrying amount - at cost	64,389,194	42,430,895
Accumulated amortisation	(38,391,369)	(20,323,188)
Net carrying amount	25,997,825	22,107,707
Net carrying amount at 1 July	22,107,707	15,244,010
Expenditure for the year	16,033,738	18,273,348
Additional interest in Hall's Creek project	-	3,292,687
Transfer from capital work in progress (refer note 14)	1,662,238	1,233,783
Transfer from exploration and evaluation expenditure	3,526,645	-
Adjustment to rehabilitation provision for a change in conditions	735,678	-
Amortisation (refer Note 5(a))	(18,068,181)	(15,936,121)
Net carrying amount at 30 June	25,997,825	22,107,707

For personal use only

The amounts above relate solely to the Halls Creek gold project primarily for underground and open pit mine capital development.

In June 2017 there was an update to the Mineral Resource and Ore Reserve estimates. This resulted in an increase in Ore Reserve for the Nicolsons underground to 142,939 ounces of gold. This resulted in a decrease in amortisation expense by $2,377,188 for the current year.

17 TRADE AND OTHER PAYABLES

	2018 $	2017 $
Trade payables (i)	13,260,187	7,236,756
Sundry payables and accrued expenses (ii)	265,369	3,477,219
	13,525,556	10,713,975

(i) Trade payables are non-interest bearing and generally on 30 day terms.

(ii) Sundry payables and accruals are non-interest bearing and generally on 30 day terms.

Due to the short term nature of these payables, their carrying value approximates their fair value.

18 UNEARNED INCOME

	2018 $	2017 $
Gold Prepayment (Current)	-	7,405,417

In February 2015, subsidiary Halls Creek Mining Pty Ltd ("HCM") drew down on a newly established $9,200,000 gold pre-pay facility with Commonwealth Bank of Australia ("CBA"). The draw down was repayable in gold ounces over 22 instalments commencing November 2015 and finishing August 2017. In July 2016, CBA agreed to defer instalments due on this prepayment facility to accommodate development of the high grade Rowdies and Wagtail open pits and to provide the Company with working capital and operational flexibility. Instalments recommenced on December 2016 and finished in December 2017.

On 14 July 2016, upon completion of the acquisition of the remaining 20% of the Halls Creek Project from Bulletin Resources Limited (Bulletin), the outstanding portion of the Bulletin gold pre-pay facility with CBA was assigned to HCM with a value of $1,732,601 as at that date. Instalments commenced on December 2016 and finished December 2017.

In July 2016, HCM extended the gold pre-pay facility with CBA for a further four months for $3,200,000. The draw down is repayable in gold ounces in four equal instalments of 500 ounces per month between January and April 2018 inclusive.

During the period 5,000 ounces were delivered to CBA which finalised the gold delivery obligations under this pre-payment facility.

The arrangement has been classified as unearned revenue on the Consolidated Statement of Financial Position as CBA has prepaid HCM for a fixed quantity of gold ounces. HCM now has a legal obligation to deliver gold ounces, and will subsequently recognise revenue as and when it makes the repayment in gold ounces. HCM will measure revenue based on the allocation of nominal amounts of advance payments corresponding to the gold ounces delivered.

For personal use only

19 PROVISIONS

	2018 $	2017 $
Current		
Provision for annual leave	1,097,633	735,936
	1,097,633	735,936
Non-current		
Provision for long service leave	164,695	16,025
Provision for deferred tax liability	-	187,008
Provision for rehabilitation (i)	2,531,493	1,762,332
	2,696,188	1,965,365

(i) Environmental obligations associated with the retirement or disposal of mining properties and/or of exploration activities are recognised when the disturbance occurs and are based on the extent of the damage incurred. The provision is measured as the present value of the future expenditure. The rehabilitation liability is remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and an increase in the provision), and additional disturbances/change in the rehabilitation cost are recognised as additions/changes to the corresponding asset and rehabilitation liability.

Movements in provision for rehabilitation	2018 $	2017 $
Opening balance at 1 July	1,762,332	1,434,611
Adjustment due to revised conditions	735,677	302,687
Unwind of discount	33,484	25,034
Closing balance at 30 June	2,531,493	1,762,332

20 INTEREST-BEARING LOANS AND BORROWINGS

	2018 $	2017 $
Current		
Insurance premium funding [1]	579,705	448,604
Finance lease liability (see note 24)	16,000	-
	595,705	448,604

(1) The 2017 amount has been reclassified from Trade and other payables.

The insurance premium funding has repayment terms of 12 months from inception.

For personal use only

	2018 $	2017 $
Non-current		
Finance lease liability	25,333	-
	25,333	-

The carrying amount of the Consolidated Entity's non-current loans and borrowings approximate their fair value.

21 ISSUED CAPITAL

	2018 $	2017 $
(a) Ordinary Shares		
Issued and fully paid	174,992,952	173,379,286

(b) Movements in ordinary shares on issue

	Number	$
At 1 July 2016	565,312,188	150,991,758
Exercise of options	64,181,017	3,970,861
Performance rights vested	500,000	-
Convertible note conversions	1,666,667	216,667
Acqusition of additional interest in Halls Creek project	130,000,000	18,200,000
At 30 June 2017	**761,659,872**	**173,379,286**
At 1 July 2017	761,659,872	173,379,286
Exercise of options	25,965,272	1,613,666
Performance rights vested	1,750,000	-
At 30 June 2018	**789,375,144**	**174,992,952**

(c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company, the holders are entitled to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

For personal use only

21 ISSUED CAPITAL (CONTINUED)

(d) Options and performance rights outstanding

At balance date there were unissued ordinary shares of the Company under option and performance rights as follows:

Type	Expiry Date	Exercise Price ($)	2018	2017
Listed options	25/08/2017	0.06	-	16,428,142
Unlisted options	17/03/2018	0.06	-	1,500,000
Unlisted options	26/05/2018	0.06	-	5,333,334
Unlisted options	30/06/2018	0.10	-	1,150,000
Unlisted options	7/07/2018	0.06	-	1,666,667
Unlisted options	30/01/2019	0.10	2,250,000	2,250,000
Unlisted options	1/12/2019	0.215	6,050,000	6,050,000
Unlisted options	1/12/2019	0.22	6,050,000	6,050,000
Unlisted options	23/12/2019	0.19	1,175,000	1,515,000
Unlisted options	23/12/2019	0.20	1,055,000	1,515,000
Unlisted performance rights	1/12/2018	nil	500,000	1,000,000
Unlisted performance rights	30/01/2019	nil	-	500,000
Unlisted performance rights	1/12/2019	nil	2,000,000	3,000,000
Total			**19,080,000**	**47,958,143**

For personal use only

For personal use only

(e) Shares issued on exercise of options

Date of option conversion	Number of options	Price per option	Expiry date	Increase in contributed equity
5 July 2017	213,100	6 cents	25 Aug 17	12,786
5 July 2017	250,000	6 cents	25 Aug 17	15,000
13 July 2017	500,000	6 cents	25 Aug 17	30,000
13 July 2017	3,048	6 cents	25 Aug 17	183
13 July 2017	25,000	6 cents	25 Aug 17	1,500
13 July 2017	1,562,500	6 cents	25 Aug 17	93,750
13 July 2017	10,000	6 cents	25 Aug 17	600
1 August 2017	3,210,665	6 cents	25 Aug 17	192,640
8 August 2017	5,491,868	6 cents	25 Aug 17	329,512
15 August 2017	1,125,384	6 cents	25 Aug 17	67,523
23 August 2017	2,122,926	6 cents	25 Aug 17	127,376
30 August 2017	1,725,780	6 cents	25 Aug 17	103,547
18 July 2017	1,500,000	6 cents	17 Mar 18	90,000
18 July 2017	3,666,667	6 cents	26 May 18	220,000
17 April 2018	1,666,667	6 cents	26 May 18	100,000
28 September 2017	500,000	10 cents	30 Jun 18	50,000
15 May 2018	500,000	10 cents	30 Jun 18	50,000
14 June 2018	150,000	10 cents	30 Jun 18	15,000
19 June 2018	75,000	19 cents	23 Dec 19	14,250
21 June 2018	1,666,667	6 cents	07 Jul 18	100,000
Total	**25,965,272**			**1,613,666**

22 RESERVES

	2018 $	2017 $
Options reserve	4,513,958	4,513,958
Share-based payment reserve	3,001,650	2,225,647
Foreign currency translation reserve	(440,716)	(437,290)
	7,074,892	6,302,315

(a) Option reserve

The option reserve records items recognised as expenses on valuation of share options issued to third parties.

(b) Share-based payment reserve

The share-based payment reserve records items recognised as expenses on valuation of the options and performance rights issued to directors and employees.

(c) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign subsidiaries.

23 SHARE BASED PAYMENTS

	2018 $	2017 $
Share-based payment expenses recognised during the financial year		
Equity settled options/rights - directors	622,375	471,039
Equity settled options/rights - employees/consultants	162,199	157,281
Equity settled options/rights forfeited	(8,571)	(5,879)
	776,003	622,441

The weighted average remaining contractual life of share options and performance rights outstanding at the end of the financial year was 1.31 years (2017: 2.22 years).

There were no share-based payments granted during the 2018 financial year.

Details of share-based payments granted during the 2017 financial year:

(a) On 1 December 2016 4,500,000 performance rights to be allotted fully paid ordinary shares in PNR were issued to employees with the following performance hurdles:

- Tranche A - 1,000,000 shares when the Company achieves a $200 million market capitalisation for a period of five successive trading days.
- Tranche B - 1,000,000 shares when the Company achieves a $300 million market capitalisation for a period of five successive trading days.
- Tranche C - 1,000,000 shares when the Company achieves production of 40,000 ounces of gold over a six month period.
- Tranche D - 500,000 shares when the Company achieves production of 50,000 ounces of gold from grant date.
- Tranche E - 500,000 shares when the Company achieves production of 100,000 ounces of gold from grant date.
- Tranche F - 500,000 shares when the Company achieves a $150 million market capitalisation for a period of five successive trading days.

(b) On 1 December 2016 6,050,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.215 expiring 1 December 2019 were issued to employees.

(c) On 1 December 2016 6,050,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.22 expiring 1 December 2019 were issued to employees.

(d) On 23 December 2016 1,675,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.19 expiring 23 December 2019 were issued to employees.

(e) On 23 December 2016 1,675,000 options to acquire fully paid ordinary shares in PNR at an exercise price of $0.20 expiring 23 December 2019 were issued to employees.

Fair Value of Options and Rights Granted

The weighted average fair value of options and rights granted during the 2017 financial year was 16.5 cents. The fair value at grant date was estimated using a Black & Scholes model that takes into account the share price at grant date, exercise price, expected volatility, option or right life, expected dividends, the risk free rate, and the fact that the options and rights are not tradeable.

The following table gives the assumptions made in determining the fair value of the options granted:

For personal use only

For personal use only

2017 Financial Year	Employee Options	Employee Options	Employee Performance Rights (Tranche A, B & F)	Employee Performance Rights (Tranche C, D & E)
Number of options/rights	6,050,000 / 6,050,000	1,675,000 / 1,675,000	3,000,000	1,500,000
Pricing model used to calculate fair value	Black-Scholes	Black-Scholes	5 day VWAP	Adjusted current share price
Consideration	nil	nil	nil	nil
Expected life of instruments (yrs)	3.0	3.0	3.0	3.0
Exercise price	$0.215 / $0.220	$0.19 / $0.20	nil	nil
Grant date	01-Dec-16	23-Dec-16	29-Nov-16	29-Nov-16
Vesting date	01-Dec-17 / 01-Dec-18	23-Dec-17 / 23-Dec-18	-	-
Expiry date	01-Dec-19	23-Dec-19	29-Nov-19 / 29-Nov-18	29-Nov-19 / 29-Nov-18
Share price at grant date ($)	$0.190	$0.170	$0.176	$0.185
Fair value at grant date ($)	$0.0775 / $0.0762	$0.0701 / $0.0676	$0.114 / $0.056 / $0.150	$0.185
Expected Volatility (%)	65%	65%	N/A	N/A
Expected dividend yield %	nil	nil	nil	nil
Risk-free interest rate (%)	1.93%	2.04%	N/A	N/A

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using a historical sample of the Company's share price over a twelve month period. The resulting expected volatility therefore reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Summary of share-based payment option/rights issued

The following table illustrates the number and weighted average exercise prices (WAEP) of share-based payment options and rights issued during the financial year.

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding at the beginning of the year	23,030,000	0.155	9,400,000	0.063
Expired during the year	-	-	(1,500,000)	-
Granted during the year	-	-	19,950,000	0.165
Forfeited during the year	(975,000)	0.146	(320,000)	0.195
Exercised during the year	(2,975,000)	0.043	(4,500,000)	0.073
Outstanding at the year end	19,080,000	0.172	23,030,000	0.155
Exercisable at the year end	9,475,000	0.186	3,400,000	0.100

24 COMMITMENTS

(a) Capital commitments

At 30 June 2018, the Company has capital commitments that relate principally to the purchase and maintenance of plant and equipment for its mining operations.

Capital expenditure commitments

Estimated capital expenditure contracted for at reporting date, but not recognised as liabilities for the Consolidated Entity:

	2018 $	2017 $
- Within one year	674,133	335,313

(b) Operating lease commitments

The Company has entered into a commercial property lease on office rental. The Company has entered into commercial leases on power generation facilities and office equipment. These operating leases have an average life of between one month and five years with renewal options included in the contracts. The Company also has leases over the tenements in which the mining operations are located. These tenement leases have a life of between nine months and twenty one years. In order to maintain current rights to explore and mine the tenements, the Consolidated Entity is required to perform minimum exploration work to meet the expenditure requirements specified by the relevant state governing body. There are no restrictions placed on the lessee by entering into these contracts.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2018 $	2017 $
(i) Operating leases - company as lessee		
- Within one year	3,057,909	1,524,804
- After one year but not more than five years	2,857,228	3,870,512
	5,915,137	**5,395,316**
(ii) Mineral tenement leases:		
- Within one year	374,309	362,927
- After one year but not more than five years	893,269	869,989
- After more than five years	729,000	791,400
	1,996,578	**2,024,316**

For personal use only

For personal use only

(c) Finance lease and hire purchase commitments

The Company has finance leases and hire purchase contracts for various items of plant and machinery. The leases do have terms of renewal but no escalation clauses. Renewals are at the option of the specific entity that holds the lease. The finance and hire purchase contracts have an average term of 12 to 36 months with the right to purchase the asset at the completion of the lease term for a pre-agreed amount.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the minimum lease payments are as follows:

	2018	
	Minimum lease payments	Present value of lease payments
Within one year	18,993	16,000
After one year but not more than five years	26,298	25,333
Total minimum lease payments	45,291	41,333
Less amounts representing finance charges	(3,958)	-
Present value of minimum lease payments	41,333	41,333

	2017	
	Minimum lease payments	Present value of lease payments
Within one year	-	-
After one year but not more than five years	-	-
Total minimum lease payments	-	-
Less amounts representing finance charges	-	-
Present value of minimum lease payments	-	-

The weighted average interest rate of leases for the Company is 3.18% (2017: Nil).

(d) Other commitments

The Company has obligations for various expenditures such as royalties, production-based payments and exploration expenditure. Such expenditures are predominantly related to the earning of revenue in the ordinary course of business.

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at balance date.

26 SUBSEQUENT EVENTS

On 6 September 2018 the Company announced a $15,000,000 capital raising at 20 cents per share comprising a $13,000,000 placement to professional and sophisticated investors and $2,000,000 under a share purchase plan to all existing Pantoro shareholders with a registered address in Australia or New Zealand.

On 12 September 2018 the Company announced the completion of the share placement component of the capital raising with the issue of 65,000,000 ordinary shares.

On 14 September 2018 the Company announced details of the previously announced share purchase plan with the aim of raising $2,000,000 with the ability to accept oversubscription of a further $1,000,000.

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

27 PARENT ENTITY INFORMATION

The following information relates to the parent entity, Pantoro Ltd. The information presented here has been prepared using consistent accounting policies as presented in Note 3.

	2018 $	2017 $
Current assets	8,307,352	4,482,191
Non-current assets	27,164,861	33,124,005
Total assets	35,472,213	37,606,196
Current liabilities	858,396	1,677,589
Non-current liabilities	-	-
Total liabilities	858,396	1,677,589
Net assets	34,613,817	35,928,607
Issued capital	174,992,953	173,379,287
Accumulated losses	(147,894,744)	(144,190,285)
Option premium reserve	4,513,958	4,513,958
Share-based payments reserve	3,001,650	2,225,647
Total shareholders' equity	34,613,817	35,928,607
Net loss of the parent entity	3,704,459	18,567,829
Other comprehensive income for the year	-	-
Total comprehensive income for the year	3,704,459	18,567,829

For personal use only

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Nil

Contingent liabilities of the parent entity

Nil

Contractual commitments by the parent entity for the acquisition of property, plant or equipment

Nil

28 FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Consolidated Entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Consolidated Entity uses gold forwards to manage its exposure to commodity price fluctuations. Exposure limits are reviewed by management on a continuous basis. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables and cash held at financial institutions.

Exposure to credit risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

		Carrying Amount	
		2018	2017
	Note	$	$
Cash and cash equivalents	9	11,758,532	9,672,046
Trade and other receivables	10	216,009	402,078

For personal use only

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash and cash equivalents

The Consolidated Entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. All cash is held with Westpac, Commonwealth and ANZ banks.

Trade and other receivables

As the Consolidated Entity operates primarily in gold mining and exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Consolidated Entity does not have any external borrowings.

The remaining contractual maturities of the Consolidated Entity's financial liabilities are:

	2018	2017
6 months or less	(13,940,577)	(10,713,975)
6 - 12 months	(211,497)	-
1 - 5 years	(28,698)	-
Over 5 years	-	-
	(14,180,772)	(10,713,975)

Currency risk

The Consolidated Entity is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the transacting entity's functional currency. The Consolidated Entity's exposure to foreign currency risk is however not considered to be significant.

Interest rate risk

The Consolidated Entity's exposure to risks of changes in market interest rates relate primarily to the Consolidated Entity's interest-bearing liabilities and cash balances. The level of debt is disclosed in note 20. The Consolidated Entity's policy is to manage its interest cost using fixed rate debt. Therefore, the Consolidated Entity does not have any variable interest rate risk on its debt. The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The Consolidated Entity's exposure to interest rate risk is not considered to be significant.

At the reporting date, the Consolidated Entity's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below.

For personal use only

2018	Floating interest rate	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets				
Cash and cash equivalents	11,758,532	-	-	11,758,532
Trade and other receivables	-	-	216,009	216,009
	11,758,532	**-**	**216,009**	**11,974,541**
Financial liabilities				
Trade and other payables	-	-	(13,525,556)	(13,525,556)
Interest-bearing liabilities	-	(621,038)	-	(621,038)
	-	**(621,038)**	**(13,525,556)**	**(14,146,594)**
Net financial liabilities				**(2,172,053)**

2017	Floating interest rate	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets				
Cash and cash equivalents	9,672,046	-	-	9,672,046
Trade and other receivables	-	-	402,078	402,078
	9,672,046	**-**	**402,078**	**10,074,124**
Financial liabilities				
Trade and other payables	-	-	(10,713,975)	(10,713,975)
Interest-bearing liabilities	-	(448,604)	-	(448,604)
	-	**(448,604)**	**(10,713,975)**	**(11,162,579)**
Net financial liabilities				**(1,088,455)**

For personal use only

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk

Equity price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Consolidated Entity is exposed to equity price risk arising from its available-for-sale financial assets. With respect to the equity price risk arising from these available-for-sale financial assets, the maximum exposure is equal to the carrying amount of the available-for-sale financial assets which at reporting date was nil (2017 $48,462).

Based on the equity investments held at the end of the financial year, had the Australian Securities Exchange strengthened/ weakened by 10% with all other variables held constant, the Consolidated Entity's pre-tax profit and equity would have no change (2017: nil).

Commodity price risk

The Consolidated Entity's revenues are exposed to commodity price fluctuations. The Consolidated Entity manages this risk through the use of gold forward contracts. As at reporting date, the Consolidated Entity had unrecognised sales contracts for 31,727 ounces of gold at an average price of A$1,725 per ounce ending October 2019, which the Consolidated Entity will deliver physical gold to settle. There is therefore no exposure on recognised financial instruments at the balance sheet date.

Fair values

For all financial assets and liabilities recognised in the Consolidated Statement of Financial Position, carrying amount approximates fair value unless otherwise stated in the applicable notes.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from price).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

2018	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial assets				
Available-for-sale financial assets				
Listed investments 1	-	-	-	-
	-	**-**	**-**	**-**

For personal use only

2017	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial assets				
Available-for-sale financial assets				
Listed investments [1]	48,462	-	-	48,462
	48,462	**-**	**-**	**48,462**

1. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

Transfer between categories

There were no transfers between Level 1 and Level 2, and no transfers into and out of Level 3 fair value measurement.

Changes in liabilities arising from financing activities

	1 July 2017	Cash flows	New leases	Other	30 June 2018
Current obligations under finance leases	448,604	(648,506)	788,940	6,667	595,705
Non-current obligations under finance leases	-	-	32,000	(6,667)	25,333
Total liabilities from financing activities	**448,604**	**(648,506)**	**820,940**	**-**	**621,038**

	1 July 2016	Cash flows	New leases	Other	30 June 2017
Current obligations under finance leases	-	(149,534)	598,138	-	448,604
Non-current obligations under finance leases	-	-	-	-	-
Total liabilities from financing activities	**-**	**(149,534)**	**598,138**	**-**	**448,604**

For personal use only

29 OPERATING SEGMENTS

For management purposes, the Consolidated Entity now has a single operating segment being the Nicolsons gold project.

Executive management no longer monitor PNG exploration separately due to minor level of activity taking place, the exploration assets being fully impaired with minimal on going expenditure.

Segment revenue is all derived from within Australia with all gold and silver being sold to The Perth Mint or delivered into forward sales contracts or gold prepayment facility with its Australian banker. In the current year, this accounted for 43% and 57% of external revenue respectively (2017: 55% and 45%).

Non-current assets are all located within Australia.

30 RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Pantoro Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Percentage Owned 2018	Percentage Owned 2017
Chrome Holdings SA Pty Ltd	Australia	100%	100%
Halls Creek Mining Pty Ltd	Australia	100%	100%
Pacific Niugini Minerals Pty Ltd	Australia	100%	100%
Pacific Niugini Minerals (PNG) Ltd	PNG	100%	100%
Pacific Niugini Minerals (Bulolo) Ltd [1]	PNG	0%	100%
Sonora Australia Mining SA DE CV [2]	Mexico	0%	100%

(1) The Company transferred its interest in this subsidiary to its Widubosh Project partner PNG Forest Products on 20 December 2017.

(2) De-registered in Mexico 23 August 2017.

(b) Ultimate Parent

The group ultimate parent company is Pantoro Limited.

(c) Key Management Personnel

Details relating to key management personnel, including remuneration paid, are included in note 31.

For personal use only

31 KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

(i) Non-Executive Directors ("NEDs")

		Appointed	Resigned
ML Jefferies	Non-Executive Chairman	5 October 2016	-
K Edwards	Non-Executive Director	5 October 2016	-

(ii) Executive Directors

		Appointed	Resigned
PM Cmrlec [1]	Managing Director	1 June 2010	-
SJ Huffadine [2]	Operations Director	15 March 2016	-

(iii) Other Executives ("KMPs")

		Appointed	Resigned
SM Balloch	CFO	31 October 2014	-
DW Okeby	Company Secretary	31 October 2014	-

(1) Mr Cmrlec was appointed as a Non-Executive Director on 1 June 2010 and appointed Managing Director on 4 April 2011.

(2) Mr Huffadine commenced employment with the Company on 18 January 2016 and was appointed Operations Director on 15 March 2016.

There are no other changes of the key management personnel after the reporting date and before the date the financial report was authorised for issue.

(b) Compensation of key management personnel

	2018 $	2017 $
Short-term employee benefits [1]	944,873	957,332
Post-employment benefits	40,824	46,817
Other long-term benefits	6,639	-
Share-based payments	692,983	538,193
	1,685,319	1,542,342

(1) Managing Director Paul Cmrlec services are provided under a contract with Berrimil Services Pty Ltd. Fees paid to Berrimil Services Pty Ltd are included in the short-term employee benefits amounts.

The amounts disclosed in the table are the amounts recognised as an expense during the period related to key management personnel

For personal use only

31 KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Loans to key management personnel

There were no loans to key management personnel during the current or previous financial year

(d) Interest held by Key Management Personnel under the Long Term Incentive Plan

Performance rights held by key management personnel under the long term incentive plan to purchase ordinary shares:

Grant date	Expiry date	Exercise price $	2018	2017
1/12/2016	1/12/2018	Nil	500,000	1,000,000
1/12/2016	1/12/2019	Nil	2,000,000	3,000,000
Total			**2,500,000**	**4,000,000**

Share options held by key management personnel under the long term incentive plan to purchase ordinary shares:

Grant date	Expiry date	Exercise price $	2018	2017
6/2/2015	30/6/2018	0.10	-	500,000
8/2/2016	30/1/2019	0.10	2,000,000	2,000,000
1/12/2016	1/12/2019	0.215	6,000,000	6,000,000
1/12/2016	1/12/2019	0.22	6,000,000	6,000,000
Total			**14,000,000**	**14,500,000**

32 IMPAIRMENT

On 14 July 2016, the Company completed the acquisition of the remaining 20% of the Halls Creek Project ("the Project") from Bulletin Resources Limited (Bulletin). Through its wholly owned subsidiary Halls Creek Mining Pty Ltd, the Company now has 100% of the Halls Creek Project. Consideration for the acquisition was 130,000,000 fully paid ordinary shares in the Company valued at $18,200,000. As a result of this acquisition the carrying value of the cash generating unit was assessed for impairment resulting in an impairment of $16,303,586 recorded in the 2017 financial year.

For personal use only

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2018

In the directors' opinion:

(a) the financial statements comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and :

  (i) comply with Accounting Standards and the Corporations Regulations 2001 and:

  (ii) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated entity.

(b) the consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(d) the remuneration disclosures set out in the Directors' Report as part of the audited Remuneration Report) for the year ended 30 June 2018 comply with section 300A of the Corporations Act 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

P.M.

Paul Cmrlec
Managing Director

Dated 28 September 2018

For personal use only

INDEPENDENT AUDITOR'S REPORT

For personal use only

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of Pantoro Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Pantoro Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

TH:CT:PNR:012

INDEPENDENT AUDITOR'S REPORT

For personal use only



1. Carrying value of non-current assets

Why significant	How our audit addressed the key audit matter
At 30 June 2018, the Group had non-current assets comprising mine properties and development costs of $25,997,825, property, plant and equipment of $17,179,184 and exploration and evaluation expenditure of $2,159,094. Australian Accounting Standards and the Group's accounting policy require the Group assess, throughout the reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the Group is required to estimate the recoverable amount of the assets. The Group has performed an impairment indicator assessment, concluding no indicators of impairment exist at 30 June 2018. The Group's assessment of the recoverable amount of its non-current assets requires estimation and judgment about assumptions used, including reserves and resources and related production profiles, future operating and capital expenditure, commodity prices, discount rates and exchange rates. Changes to key assumptions could lead to material changes in the estimated recoverable amounts of the Group's non-current assets. Accordingly, this was considered to be a key audit matter. Disclosure regarding this matter can be found in Notes 3(g), 3(k) and 3(l) of the financial report.	We evaluated the Group's assessment of the carrying value of its non-current assets. Our audit procedures included the following: ► Assessed the Group's identification of indicators of impairment and indicators of reversal of impairment ► Considered the changes in reserves and resources estimates during the year and assessed whether the reserves and resource estimates were appropriately applied to relevant areas of the Group's financial report, including the recoverable value of mining assets and calculation of depletion, depreciation and amortisation ► Assessed the competence, capabilities and objectivity of the Group's internal experts, the work of whom formed the basis of the Group's estimation of mineral reserves and resources quantities ► Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and tenement registers from the Government of Western Australia's Department of Mines, Industry Regulation and Safety ► Considered the Group's intention to carry out significant exploration on the tenements held which included an assessment of the Group's cash flow forecast models and enquiries with the directors as to the intentions and strategy of the Group ► Considered whether there was sufficient data that indicated the carrying value of the capitalised exploration and evaluation expenditure would not be recovered in full from successful development or by sale ► Assessed the Group's ability to fund any planned future exploration and evaluation activity.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

TH:CT:PNR:012

INDEPENDENT AUDITOR'S REPORT

For personal use only



Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

TH:CT:PNR:012

INDEPENDENT AUDITOR'S REPORT

For personal use only



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Pantoro Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

TH:CT:PNR:012

INDEPENDENT AUDITOR'S REPORT



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Philip Teale
Partner
Perth
28 September 2018

For personal use only

For personal use only

CORPORATE GOVERNANCE STATEMENT

Current as at 28 September 2018 and approved by the board.

This Corporate Governance Statement discloses the extent to which the Company will, as at the date it is re-admitted to the official list of the ASX, follow the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The Company's Corporate Governance Charters, Policies & Procedures are available on the Company's website at http://www.niugini.com.au/Investors/Corporate-Governance

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Principles and Recommendations:

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Principle 1: lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.	Yes	The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management. The Board Charter sets out the role and specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of individual Directors, the Chairman and Managing Director, as well as the roles and responsibilities of Executive Directors, Non-Executive Directors and management, details of the Board's relationship with management, details of the Board's performance review, and details of the Directors' right to seek independent advice. A copy of the Company's Board Charter is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 1.2 A listed entity should: (a) (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.	Yes	(a) The Company has guidelines for the appointment and selection of the Board in its Nomination Charter. The Statement of Selection, Appointment and Re-Election of Directors Charter requires the Board to ensure appropriate checks are undertaken before appointing a Director (including a review of qualifications, capabilities, ability to serve, conflicts of interest and other relevant factors). (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director. (c) Guidelines for evaluating Board candidates and recommending individuals for Board appointments are set out in the Company's Statement of Selection, Appointment and Re-Election of Directors Policy which is available on the Company's website.
Recommendation 1.3 A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Partially	Although not prescribed under the Company's corporate governance charters, polices or procedures, the Company ensures that each Director is a party to a written agreement with the Company which sets out the terms of that Director's appointment. The Company has written agreements with each of its Directors and the Chief Financial Officer. The Company's Company Secretary is engaged through a service agreement with Westgold Resources Limited.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Yes	The Board Charter sets out that the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

For personal use only

For personal use only

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: • the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or • if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act.	Partially	(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives and to assess annually both the objectives if any have been set and the Company's progress in achieving them. (b) The Diversity Policy is available on the Company's website. (c) (i) The Board does not presently intend to set measurable gender diversity objectives because: • - the Board does not anticipate there will be a need to appoint any new Directors or senior executives due to limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and • - if it becomes necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit: and (ii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) for each financial year will be disclosed in the Company's Annual Report.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	(a) The Board is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. The process for this is set out in the Company's Board Performance Evaluation Policy, which is available on the Company's website. (b) The Company intends to complete performance evaluations in respect of the Board, its committees (if any) and individual Directors for each financial year in accordance with the above process. It was not completed in the current reporting period due to Board changes.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 1.7 A listed entity should: (c) have and disclose a process for periodically evaluating the performance of its senior executives; and (a) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	(a) The Board is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Board is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non executive Director. The applicable processes for these evaluations can be found in the Company's Board Performance Evaluation Policy and Remuneration Charter which are both available on the Company's website. (b) The Company intends to complete performance evaluations in respect of senior executives for the financial year in accordance with the above process. It was not completed in the current reporting period due to Board changes.
Principle 2: Structure the Board to add value		
Recommendation 2.1 The Board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	Yes	(a) The Company does not have a Nomination Committee. (b) The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively: (i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and (ii) all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.

For personal use only

For personal use only

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 2.2 A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	No	(a) Under the Nomination Charter and the Statement of Selection, Appointment and Re-election of Directors, the Board is required to implement processes to assess the necessary and desirable competencies of Board members, including, experience, expertise, skills, diversity and performance of the Board and its committees to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. (b) Full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report and on the Company's website.
Recommendation 2.3 A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director	Yes	(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on its ASX website. (b) The Company will disclose in its Annual Report and ASX website any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent. (c) The Company's Annual Report will disclose the length of service of each Director, as at the end of each financial year. The Company considers the Chairman Michael Jefferies to be independent. Mr Jefferies has served with the Company since 5 October 2016. Mr Jefferies are not a member of management and are is free of any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the independent exercise of their judgement.
(d) Recommendation 2.4 (e) A majority of the Board of a listed entity should be independent Directors.	No	The Company's Board Charter sets out the Company's priority to achieve an appropriate balance between independent and non-independent representation on the Board. The Board currently comprises a total of four directors, one whom one is considered to be independent. As such, independent directors are not currently a majority of the Board. The Board does not currently consider an independent majority of the Board to be appropriate given: (a) the speculative nature of the Company's business, and its limited scale of activities, means the Company only needs, and can only commercially sustain, a small Board of four (4) Directors and no senior executives other than the executive Director(s), Company Secretary and CFO; (b) the Company considers at least one (1) Director needs to be an executive Directors for the Company to be effectively managed; (c) the Company considers it necessary, given its speculative and small scale activities, to attract and retain suitable Directors by offering Directors an interest in the Company; and (d) the Company considers it appropriate to provide remuneration to its Directors in the form of securities in order to conserve its limited cash reserves.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 2.5 The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	Yes	The Chairman of the Company is an independent Director.
Recommendation 2.6 A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.	Yes	In accordance with the Company's Nomination Charter and Board Charter, the Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and (b) disclose that code or a summary of	Yes	(a) The Company's Employee Code of Conduct applies to the Company's Directors, senior executives and employees. The company also has a Directors and Executive Officers Code of Conduct which sets ethical standards for the Board and Executive Officers. (b) The Company's Employee Code of Conduct and the Directors and Executive Officers Code of Conduct are available on the Company's website.

For personal use only

For personal use only

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The Board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (ii) is chaired by an independent Director, who is not the Chair of the Board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Yes	(a) The Company does not have an Audit Committee. (b) The Company does not have an Audit Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Audit Charter and Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit Committee under the Audit Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: (i) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and (ii) all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	The Company's Audit Charter requires the Board to review and approve the Company's annual financial report. The Company obtains a Managing Director and CFO sign off on these terms for each of its financial statements in each financial year.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	The Company will ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes	(a) The ASX Disclosure Policy provides details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The ASX Disclosure Policy is available on the Company website.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	Information about the Company and its governance is available in the Corporate Governance Charters, Policies and Procedures which can be found on the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company has adopted a Shareholder Communication Policy which aims to promote and facilitate effective two-way communication with investors. The Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Shareholder Communication Policy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders queries should be referred to the Company Secretary at first instance.

For personal use only

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Principle 7: Recognise and manage risk		
Recommendation 7.1 The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	Yes	(a) The Company does not have a Risk Committee. A copy of the Risk Management Policy is available on the Company's website. (b) The Company does not have a Risk Committee as the Board consider the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by a Risk Committee under the Risk Management Policy including the following processes to oversee the entity's risk management framework: (i) The Managing Director is accountable to the Board, for ensuring that the risk management system is implemented and maintained in accordance with the Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the Board. (ii) Senior Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to operational managers. Collectively the Senior Executive is responsible for: • The formal identification of strategic risks that impact upon the Company; • Allocation of priorities; • The development of strategic risk management plans; • The Senior Executive review progress against agreed risk management plans.
Recommendation 7.2 The Board or a committee of the Board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Yes	(a) The Risk Management Policy requires that the Board should, at least annually, satisfy itself that the Company's risk management framework continues to be sound. (b) A review of the Company's Risk Management Policy was undertaken by the Board during the year when it reviewed the Company's Corporate Governance Policies and Statements.

For personal use only

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes	(a) The Audit Charter provides for the Board to monitor the need for an internal audit function. The Company has an internal audit function. The function is structured as follows: (i) The Board shall discuss with management, the internal auditors, and the external auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (eg the Company's Codes of Conduct). (ii) Any opinion obtained from the internal or external auditors on the Company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method. (iii) The Board shall periodically meet separately with management, the internal auditors, and the external auditors to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. (iv) The Board shall provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the committee. The Audit Committee shall review with the external auditors any audit problems or difficulties and management's response. (v) The Board shall receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information, within generally accepted accounting principles, that have been discussed with management.
Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	The Risk Management Policy requires the Board to assist management determine whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. Although not prescribed under the Company's Corporate Governance Charters, Polices and Procedures, the Company will disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. The Company will disclose this information in its Annual Report and on its ASX website as part of its continuous disclosure obligations.

For personal use only

For personal use only

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The Board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	(a) The Company does not have a Remuneration Committee. (b) The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive the Board devotes time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives and ensure that the different roles and responsibilities of non-executive Directors compared to executive Directors and other senior executives are reflected in the level and composition of their remuneration.	Yes	Although not prescribed under the Company's Corporate Governance Charters, Polices and Procedures, the Board will disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the Company's Annual Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	No	(a) The Company has an equity based remuneration plan being the Pantoro Limited Long Term Incentive Plan under which options and performance rights may be granted. The Company does not have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

INTERESTS IN MINING TENEMENTS

AS AT 27 SEPTEMBER 2018

Halls Creek, Western Australia	Status	Interest %
E80/5062	Application	100%
E80/5120	Application	100%
E80/5150	Application	100%
E80/5185	Application	100%
P80/1857	Application	100%
E80/2601	Granted	100%
E80/3861	Granted	100%
E80/4458	Granted	100%
E80/4459	Granted	100%
E80/4952	Granted	100%
E80/4958	Granted	100%
E80/4991	Granted	100%
E80/5003	Granted	100%
E80/5004	Granted	100%
E80/5005	Granted	100%
E80/5006	Granted	100%
E80/5054	Granted	100%
L80/70	Granted	100%
L80/71	Granted	100%
L80/94	Granted	100%
M80/343	Granted	100%
M80/355	Granted	100%
M80/359	Granted	100%
M80/362	Granted	100%
M80/471	Granted	100%
M80/503	Granted	100%
P80/1842	Granted	100%
P80/1843	Granted	100%
P80/1844	Granted	100%
P80/1845	Granted	100%
P80/1846	Granted	100%

For personal use only

Papua New Guinea	Status	Interest %
EL 2518	Granted	100%
EL 2321	Granted	100%

For personal use only

SECURITY HOLDER INFORMATION

AS AT 25 SEPTEMBER 2018

(a) Top 20 Quoted Shareholders

	Units	%
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	202,003,369	23.63
J P MORGAN NOMINEES AUSTRALIA LIMITED	112,491,339	13.16
CITICORP NOMINEES PTY LIMITED	93,151,537	10.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	58,693,013	6.87
SHR PTY LTD	12,000,000	1.40
BNP PARIBAS NOMINEES PTY LTD <JARVIS A/C NON TREATY DRP>	10,712,135	1.25
LIBERTY MANAGEMENT PTY LTD <LIBERTY SUPERANNUATION FUND>	9,920,000	1.16
ALL-STATES FINANCE PTY LTD	9,324,707	1.09
JAMARI PTY LTD <JAMARI P/L STAFF SUPER A/C>	9,000,000	1.05
AJAVA HOLDINGS PTY LTD	7,611,454	0.89
BRESRIM NOMINEES PTY LTD <DA HANNES SUPER FUND #2 A/C>	7,600,000	0.89
RELLAV PTY LTD <THE COSGROVE SUPER FUND A/C>	7,000,000	0.82
MR JONATHAN JOSEPH MAXIME MARTIN	6,050,000	0.71
BUNDARRA TRADING COMPANY PTY LTD <THOMAS EMERY KENNEDY A/C>	5,800,000	0.68
MR SIMON HOWES + MRS SARA HOWES	5,555,555	0.65
PICCADILLY VIEWS PTY LTD <SS OXENHAM FAMILY A/C>	5,403,831	0.63
BERRIMIL SERVICES PTY LTD <BERRIMIL SERVICES A/C>	5,244,617	0.61
TEMOREX PTY LTD <NITRAM FAMILY A/C>	5,000,000	0.58
UBS NOMINEES PTY LTD	4,805,709	0.56
ALL STATES SECRETARIAT PTY LIMITED <ALL-STATES SEC LTD S/F A/C>	4,500,000	0.53
Total	**581,867,266**	**68.06**

(b) Distribution of quoted ordinary shares

Size of parcel	Number of share holders	Number of shares
1 - 1,000	213	49,068
1,001 - 5,000	617	2,047,085
5,001 - 10,000	407	3,363,177
10,001 - 100,000	1,195	47,339,813
100,001 -	431	802,106,001
Total	**2,863**	**854,905,144**

(c) Number of holders with less than a marketable parcel of ordinary shares

	Number of share holders	Number of shares
Minimum $ 500.00 parcel at $ 0.195 per unit (2,565 shares).	**425**	**488,124**

(d) Substantial Shareholders

	Units	%
ROBMAR INVESTMENTS PTY LTD	149,909,201	19.68%

For personal use only

(e) Voting Rights

The voting rights for each class of security on issue are:

Ordinary fully paid shares

Each ordinary shareholder is entitled to one vote for each share held.

Unquoted Employee/Consultant Options

The holders of options have no rights to vote at a general meeting of the company.

Unquoted Performance Rights

The holders of performance rights have no rights to vote at a general meeting of the company.

(f) Unquoted Equity Securities

Unquoted Employee/ Consultant Options	Exercise Price	Expiry Date	Number of Holders
2,250,000	$0.10	30/01/2019	2
6,050,000	$0.215	01/12/2019	5
6,050,000	$0.22	01/12/2019	5
1,055,000	$0.19	23/12/2019	40
1,055,000	$0.20	23/12/2019	40
16,460,000			

Unquoted Performance Rights	Exercise Price	Expiry Date	Number of Holders
2,000,000	Nil	01/12/2019	2
2,000,000			

(g) Substantial Holders of Unquoted Securities (Above 20%)

Unquoted employee/consultant options and performance rights are issued under an employee incentive scheme.

For personal use only