



PANTORO LIMITED

ABN 30 003 207 467

(Formerly known as Pacific Niugini Limited)

**CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2015**

CORPORATE DIRECTORY

Board of Directors

Peter Cook – Non-Executive Chairman
Paul Cmrlec - Managing Director
David Osikore – Non-Executive Director

Company Secretary

David Okeby

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Website

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Auditors

Somes Cooke

35 Outram Street, West Perth WA 6005
Telephone: +61 8 9426 4500
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Share Registry

Computershare Investor Services Pty Ltd

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Securities Exchange

Australian Securities Exchange Limited

Exchange Plaza
2 The Esplanade, Perth WA 6000

ASX Codes: PNR, PNRO

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DIRECTORS' REPORT

Your directors present their report together with the consolidated financial report of Pantoro Limited (formerly Pacific Niugini Limited) ("PNR" or "the Company") for the six months ended 31 December 2015.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Peter Cook – Non-Executive Chairman
Paul Cmrlec – Managing Director
David Osikore – Executive Director

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

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recorded a loss after tax of \$2,144,969 for the half-year ended 31 December 2015 (2014: loss after tax \$729,799).

Corporate

At 31 December 2015 the Company had 508,995,172 (30 June 2015: 392,453,924) fully paid ordinary shares on issue and cash reserves of \$7,190,717 (30 June 2015: \$6,765,618).

On 14 July 2015, the Company announced a Rights Issue on the basis of 1 new share for every 4 shares held at the record date at an issue price of 5 cents per share, with one attaching 2 year option for every two new shares subscribed for, exercisable at 6 cents per share. An additional 98,113,481 shares were issued raising \$4.91 million before costs.

The Company issued convertible notes valued at a total of \$3.3 million in July 2015 with a coupon rate of 8% per annum. Key terms of the notes include:

- Total amount – \$3.3 million
- Interest rate – 8% pa
- Term – two years from the date of issue.
- Convertible into fully paid ordinary shares in the Company at six (6) cents per share.
- Conversion Bonus at debt holder's election.
 - » One option per share converted if converted in the first twelve months after the date of establishment of the facility. The options will have a two year expiry from the date of issue and exercisable at 6 cents per share.
 - » One option for every two shares converted if converted between twelve and twenty four months after the date of establishment of the facility. The options will have a two year expiry from the date of issue and exercisable at 6 cents per share.

A total of \$1 million of the convertible notes were converted to shares and options under the terms of the agreement during the period. The Company had \$2.3 million in convertible notes outstanding at the end of the period.

Halls Creek Project (PNR 80%)

The Halls Creek Project has been a transformational development for the Company throughout the period. Following the commencement of underground mining and processing plant refurbishment during the previous half yearly period, works continued to progress at the mine, with the major milestone of first gold pour being achieved during September 2015.

The Company required additional funding at the beginning of the period, primarily due to poor ground conditions experienced in the upper levels of the underground access decline. Despite the difficult conditions, gold production commenced within six months of commencing underground development.

The production profile continued to grow throughout the final quarter of the calendar year with a total of 4,180 ounces of gold produced during the December quarter, and 5,142 ounces produced during the half-year period.

Ore development has resulted in a large over-call relative to the mine reserve. Based on Reserve areas mined during the December 2015 quarter, 180% of the modelled gold was recovered from the mine. Reserve overcall during the period was the result of:

- Increased tonnage and grade within the area classified as Reserve;
- Extension of the Reserve along the strike of the main ore zone. The strike length of the Reserve was increased at both the North and South ends of the Reserve;
- Mining of high grade splay veins extending off of the main lode. The splay veins were not previously modelled.

This is an outstanding result for the operation, and holds the mine in good stead to perform at or above expectations set prior to commencement. Subsequent to the end of the period, the Company is preparing to undertake an initial 12,000 metre maiden underground diamond drilling program which is planned to commence in the first quarter of 2016, and will be completed over the following nine months.

In addition, the Company has commenced planning and feasibility works for potential satellite open pit mines at the project, which if successful will provide supplement ore feed to the Nicolsons processing plant.

PNG Operations

Pantoro has continued to focus on its Australian operations during the period, with works in PNG limited to maintaining the remaining tenements in good standing. By the end of the half year, the Company only held ML457 – Widubosh (PNR 50%), and the Garaina Project (PNR 100%).

The Company continues to review options for divestment of ML457.

The Garaina Project provides substantial upside potential for the company with potential for discovery of copper-gold porphyry and epithermal gold deposits. Works completed to date support this prospectively. The Company is continuing to review options for consolidation of prospective ground in the Garaina region, and will consider forward work plans once the full ramp up of production has been completed at Halls Creek.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on the next page and forms part of the directors' report for the six months ended 31 December 2015.

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



Paul Cmrlec
Managing Director
Perth, Western Australia
Date: 14 March 2016

Auditor's Independence Declaration

To those charged with the governance of Pantoro Limited

As auditor for the review of Pantoro Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Partner

Perth

14 March 2016

**PANTORO LIMITED
AND ITS CONTROLLED ENTITIES
ABN 30 003 207 467**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Note | 31 Dec 15 \$ | 31 Dec 14 \$ |
|---|------|-----------------|-----------------|
| Revenue | 4 | 4,949,284 | - |
| Cost of sales | 5(a) | (4,634,701) | - |
| Gross profit | | 314,583 | - |
| Other income | | 68,977 | 56,510 |
| Other expenses | 5(b) | (706,270) | (727,484) |
| Fair value change in financial instruments | 5(c) | (1,550,071) | (51,985) |
| Finance costs | | (266,323) | - |
| Exploration and evaluation expenditure written off | | (5,865) | (6,840) |
| Loss before income tax | | (2,144,969) | (729,799) |
| Income tax expense | | - | - |
| Loss after income tax | | (2,144,969) | (729,799) |
| Other comprehensive income / (loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | (212,271) | 397,683 |
| Other comprehensive profit / (loss) for the period, net of tax | | (212,271) | 397,683 |
| Total comprehensive loss for the period, net of tax | | (2,357,240) | (332,116) |
| Basic loss per share (cents per share) | | (0.46) | (0.23) |
| Diluted loss per share (cents per share) | | (0.46) | (0.23) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**PANTORO LIMITED
AND ITS CONTROLLED ENTITIES
ABN 30 003 207 467**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

| | Note | As at 31 December 2015 \$ | As at 30 June 2015 \$ |
|---|------|------------------------------------|--------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 7,190,717 | 6,765,618 |
| Trade and other receivables | | 1,376,414 | 1,837,502 |
| Financial assets at fair value through profit or loss | | 38,077 | 20,769 |
| Inventories | 6 | 1,537,713 | 52,073 |
| Other assets | | 36,373 | 95,373 |
| Total current assets | | 10,179,294 | 8,771,335 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 6,742,770 | 7,957,009 |
| Exploration and evaluation expenditure | 8 | 5,985,190 | 5,933,690 |
| Mine properties and development costs | 9 | 13,352,856 | 6,778,618 |
| Total non-current assets | | 26,080,816 | 20,669,317 |
| TOTAL ASSETS | | 36,260,110 | 29,440,652 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 4,146,177 | 4,910,439 |
| Unearned Income | 10 | 4,807,733 | 2,269,518 |
| Provisions | | 175,119 | 81,286 |
| Interest-bearing loans and borrowings | 11 | 1,585,071 | - |
| Other financial liabilities | 12 | 1,821,784 | - |
| Total current liabilities | | 12,535,884 | 7,261,243 |
| NON-CURRENT LIABILITIES | | | |
| Unearned Income | 10 | 4,392,267 | 6,930,482 |
| Provisions | | 1,372,617 | 1,368,375 |
| Total non-current liabilities | | 5,764,884 | 8,298,857 |
| TOTAL LIABILITIES | | 18,300,768 | 15,560,100 |
| NET ASSETS | | 17,959,342 | 13,880,552 |
| EQUITY | | | |
| Contributed equity | 13 | 145,852,604 | 139,851,807 |
| Reserves | | 3,633,970 | 3,411,008 |
| Accumulated losses | | (131,527,232) | (129,382,263) |
| TOTAL EQUITY | | 17,959,342 | 13,880,552 |

The above statement of financial position should be read in conjunction with the accompanying notes.

**PANTORO LIMITED
AND ITS CONTROLLED ENTITIES
ABN 30 003 207 467**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Issued Capital | Options reserve | Share Based Payments Reserve | Accumulated losses | Foreign currency translation reserve | Total equity |
|---|-------------------|--------------------|---------------------------------------|-----------------------|---|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2014 | | | | | | |
| At 1 July 2014 | 136,030,386 | 1,727,125 | 1,466,422 | (125,676,148) | (272,121) | 13,275,664 |
| Loss for the year | - | - | - | (729,799) | - | (729,799) |
| Other comprehensive loss | - | - | - | - | 397,683 | 397,683 |
| Total comprehensive income and expense for the year | - | - | - | (729,799) | 397,683 | (332,116) |
| Transactions with owners in their capacity as owners | | | | | | |
| Shares issued during the year | | | | | | - |
| Share issue costs | | | | | | - |
| Share-based payments | | | (9,483) | | | (9,483) |
| At 31 December 2014 | 136,030,386 | 1,727,125 | 1,456,939 | (126,405,947) | 125,562 | 12,934,065 |
| | | | | | | |
| | Issued Capital | Options reserve | Share Based Payments Reserve | Accumulated losses | Foreign currency translation reserve | Total equity |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2015 | | | | | | |
| At 1 July 2015 | 139,851,807 | 1,727,125 | 1,573,848 | (129,382,263) | 110,035 | 13,880,552 |
| Loss for the year | - | - | - | (2,144,969) | - | (2,144,969) |
| Other comprehensive loss | - | - | - | - | (212,271) | (212,271) |
| Total comprehensive income and expense for the year | - | - | - | (2,144,969) | (212,271) | (2,357,240) |
| Transactions with owners in their capacity as owners | | | | | | |
| Shares issued during the year | 4,905,674 | - | - | - | - | 4,905,674 |
| Exercise of options | 3,609 | - | - | - | - | 3,609 |
| Performance rights vesting into shares | 84,900 | - | (84,900) | - | - | - |
| Convertible note conversions | 1,155,834 | 459,167 | - | - | - | 1,615,001 |
| Convertible note interest paid in shares | 22,853 | - | - | - | - | 22,853 |
| Share issue costs | (172,073) | - | - | - | - | (172,073) |
| Share-based payments | - | - | 60,966 | - | - | 60,966 |
| At 31 December 2015 | 145,852,604 | 2,186,292 | 1,549,914 | (131,527,232) | (102,236) | 17,959,342 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**PANTORO LIMITED
AND ITS CONTROLLED ENTITIES
ABN 30 003 207 467**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Note | 31 Dec 15 | 31 Dec 14 |
|--|------|-------------------------|-----------------------|
| | | \$ | \$ |
| CASH FLOWS USED IN OPERATING ACTIVITIES | | | |
| Receipts from trade and other debtors | | 4,949,284 | - |
| Payments to suppliers and employees | | (5,834,604) | (722,718) |
| Interest paid | | (3,799) | - |
| Interest received | | 52,477 | 32,337 |
| Other income | | 16,500 | 24,446 |
| Net cash flows used in operating activities | | <u>(820,142)</u> | <u>(665,935)</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | (1,145,918) | (69,435) |
| Payments for exploration and evaluation | | (249,002) | (995,427) |
| Payments for mine properties and development | | (5,480,882) | (528,157) |
| Proceeds from sale of property, plant and equipment | | 92,545 | 66,721 |
| Proceeds from sale of Investments | | - | 549 |
| Net cash flows used in investing activities | | <u>(6,783,257)</u> | <u>(1,525,749)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from Convertible Note | | 3,300,000 | - |
| Proceeds from share issue | | 4,909,283 | - |
| Transaction costs on issue of shares | | (172,073) | - |
| Net cash flows from financing activities | | <u>8,037,210</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | 433,811 | (2,191,684) |
| Net foreign exchange differences | | (8,712) | 388,709 |
| Cash at the beginning of the financial period | | <u>6,765,618</u> | <u>2,594,876</u> |
| Cash and cash equivalents at the end of the period | | <u><u>7,190,717</u></u> | <u><u>791,901</u></u> |

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Pantoro Limited (formerly known as Pacific Niugini Limited) for the half-year ended 31 December 2015 was authorised in accordance with a resolution of the directors on 14 March 2016.

Pantoro Limited (the "Company") is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of Pantoro Limited as at and for the half-year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Level 3, 18-32 Parliament Place, West Perth WA 6005 or on the website at www.pantoro.com.au

2. Statement of compliance

The consolidated half-year financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated half-year financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

3. Significant accounting policies

The accounting policies and methods of computation applied by the Group in these consolidated half-year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2015.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

The fair value of the Group's financial assets and financial liabilities approximate their carrying value.

4. Revenue

| | 2015 | 2014 |
|---------------------------|-----------|------|
| | \$ | \$ |
| Revenue from sale of gold | 4,949,284 | - |
| Total revenue | 4,949,284 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Expenses

| | 2015 | 2014 |
|--|-------------|-----------|
| | \$ | \$ |
| (a) Cost of sales | | |
| Salaries, wages expense and other employee benefits | (1,724,823) | - |
| Other costs | (1,746,039) | - |
| Royalties | (41,317) | - |
| Write-down in value of inventories to estimated net realisable value | (15,456) | - |
| Depreciation and amortisation expense | | |
| Depreciation of non-current assets | | |
| Property, plant and equipment | (115,864) | - |
| Buildings | (6,443) | - |
| Amortisation of non-current assets | | |
| Mine properties and development costs | (984,759) | - |
| Total cost of sales | (4,634,701) | - |
| (b) Other Expenses by function | | |
| Administration Expenses | | |
| Salaries, wages expense and other employee benefits | (34,977) | (137,588) |
| Directors' fees and other benefits | (42,267) | (36,655) |
| Share based payments | (60,966) | - |
| Consulting expenses | (237,398) | (200,510) |
| Travel and accommodation expenses | (5,654) | (15,737) |
| Administration costs | (251,897) | (259,590) |
| Depreciation expense | | |
| Depreciation of non-current assets | | |
| Property, plant and equipment | (13,728) | (45,757) |
| Total administration expenses | (646,887) | (695,837) |
| Other expenses | | |
| Foreign exchange gain/(loss) | 5,779 | - |
| Profit/(loss) on disposal of property, plant and equipment | (65,162) | (31,647) |
| | (59,383) | (31,647) |
| Total other expenses by function | (706,270) | (727,484) |
| (c) Fair value change in financial instruments | | |
| Available for sale financial assets - listed entities (Level 1) | 17,308 | (51,985) |
| Fair value change in derivatives (refer note 12) | (1,567,379) | - |
| Total fair value change in financial instruments | (1,550,071) | (51,985) |

6. Inventories

| | 31 Dec 15 | 30 Jun 15 |
|------------------------------------|-----------|-----------|
| | \$ | \$ |
| Ore stocks at net realisable value | 55,533 | - |
| Gold in circuit at cost | 1,389,118 | - |
| Stores and spares at cost | 93,062 | 52,073 |
| | 1,537,713 | 52,073 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Property, Plant and Equipment

| | 31 Dec 15 | 30 Jun 15 |
|--|-----------|-----------|
| | \$ | \$ |
| Plant and equipment | | |
| At cost | 7,254,824 | 2,182,562 |
| Accumulated depreciation | (552,055) | (432,653) |
| Net carrying amount | 6,702,769 | 1,749,909 |
| | | |
| Assets under construction at cost | 40,001 | 6,207,100 |
| | | |
| Total property, plant and equipment | 6,742,770 | 7,957,009 |

8. Exploration and Evaluation Expenditure

During the half-year ended 31 December 2015 the Group paid \$249,002 (2014: \$995,427) in relation to exploration and evaluation expenditure.

During the current period a review was undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. As a result exploration and evaluation expenditure of \$5,732 (2014: \$6,840) was written off to the profit and loss.

9. Mine Properties and Development

| | 31 Dec 15 | 30 Jun 15 |
|---|------------|-----------|
| | \$ | \$ |
| Opening Balance | 6,778,618 | 528,157 |
| Expenditure for the period | 5,480,883 | 4,385,595 |
| Transfer from exploration and evaluation | - | 1,864,866 |
| Transfer from property, plant and equipment | 2,078,114 | - |
| Amortisation | (984,759) | - |
| Closing Balance | 13,352,856 | 6,778,618 |

During the period the company completed the refurbishment of the processing plant and continued the development of the underground at its Halls Creek project. The amounts shown above relate solely to this project.

10. Unearned Income

In February 2015, subsidiary Halls Creek Mining Pty Ltd ("HCM") drew down on a \$9,200,000 gold pre-pay facility with Commonwealth Bank of Australia ("CBA"). As a result of delays caused by poor ground conditions in the upper levels of the underground the facility was restructured to delay the start of the repayments. The loan repayment now commences 29 January 2016 and finishes 31 October 2017. There were no other changes to the terms of the loan.

The loan has been classified as unearned revenue on the Statement of Financial Position as CBA has prepaid HCM \$9,200,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Interest-Bearing Loans and Borrowings

| | 31 Dec 15 | 30 Jun 15 |
|-----------------------|-----------|-----------|
| | \$ | \$ |
| Current | | |
| Convertible notes (i) | 1,585,071 | - |
| | 1,585,071 | - |
| | 1,585,071 | - |

(i) The Company issued convertible notes valued at a total of \$3,300,000 in July 2015, interest bearing at 8% and maturing 31 December 2017, as announced on the ASX 14 July 2015. The notes are convertible into fully paid ordinary shares at \$0.06 per share. If the notes are converted in the first year after issue one bonus option will be issued per share converted. If converted after the first year one bonus option will be issued per two shares converted. The options will have an exercise price of \$0.06 and expire two years from issue.

During the current period \$1,000,000 of convertible notes were converted into 16,666,675 shares and 16,666,675 unlisted options. As at 31 December 2015 there were \$2,300,000 of convertible notes outstanding.

12. Other Financial Liabilities

| | 31 Dec 15 | 30 Jun 15 |
|-----------------------------------|-----------|-----------|
| | \$ | \$ |
| Current | | |
| Convertible note derivatives (ii) | 1,821,784 | - |
| | 1,821,784 | - |
| | 1,821,784 | - |

(ii) The Company issued convertible notes (refer note 11) containing embedded derivatives. The embedded derivatives were valued on issue date and have been separated out from the convertible notes (refer note 11). The embedded derivatives are carried at fair value (level 2) through profit and loss (refer note 5(c)).

The derivatives relate to the convertible notes issued during the current period. There are two contained derivatives being the conversion feature of the notes and the bonus options. The bonus options fail the fixed for fixed test due to the interest being payable in a variable number of shares and therefore, do not meet the definition of equity. The fair values are determined using a Black & Scholes model, which takes into account factors including the exercise price, the volatility of the underlying share price, the risk-free interest rate, the market price of the underlying shares at the transaction date and the expected life of the notes. Below are the inputs used to value the derivative:

| | Convertible Notes | Bonus Options |
|--------------------------------|-------------------|---------------|
| Expected volatility (%) | 60% | 60% |
| Risk-free interest rate (%) | 1.93% | 1.93% |
| Expected life (yrs) | 2.48 | 2.00 |
| Option exercise price (\$) | \$0.060 | \$0.060 |
| Share price at grant date (\$) | \$0.044 | \$0.044 |
| Maturity Date | 31-Dec-17 | N/A |

The derivative was valued at \$605,000 on inception (14 July 2015) and at 31 December 2015 was revalued to \$920,000 post conversion of \$1,000,000 of notes during the period. The bonus options were valued at \$593,545 on inception (14 July 2015) and at 31 December 2015 were revalued to \$901,784 post conversion of \$1,000,000 of notes during the period. As the number of bonus options is variable depending on conversion date we have assumed that a rational noteholder will likely convert their convertible notes within the first year to maximize their return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Contributed Equity

| | 31 Dec 15 | 30 Jun 15 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Ordinary Shares | | |
| Issued and fully paid | 145,852,604 | 139,851,807 |
| (b) Movements in ordinary shares on issue | | |
| | Number | \$ |
| At 1 July 2014 | 313,963,139 | 136,030,386 |
| Placement | 78,490,785 | 3,924,539 |
| Share issue costs | - | (103,118) |
| At 30 June 2015 | 392,453,924 | 139,851,807 |
| Placement (i) | 98,113,480 | 4,905,674 |
| Exercise of options | 60,167 | 3,609 |
| Performance rights vesting into shares | 1,300,000 | 84,900 |
| Convertible note conversions | 16,666,675 | 1,155,834 |
| Convertible note interest paid in shares | 400,926 | 22,853 |
| Share issue costs | - | (172,073) |
| At 31 Dec 2015 | 508,995,172 | 145,852,604 |

(i) In August 2015 the Company completed a non-renounceable entitlements issue of 98,113,480 shares at an issue price of 5 cents per share. Costs of the issue amounted to \$172,073.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Segment Information

The following table presents revenue and profit information regarding the Consolidated Entity's operating segments for the half-years ended 31 December 2015 and 31 December 2014.

| Half-year ended 31 December 2015 | PNG Exploration | Nicolsons Gold Project | Total segments | Unallocated | Consolidated |
|---|----------------------------|-----------------------------------|---------------------------|--------------------|---------------------|
| External revenue | | | | | |
| Revenue from sale of gold | - | 4,949,284 | 4,949,284 | - | 4,949,284 |
| Interest received | 263 | 36,586 | 36,849 | 15,628 | 52,477 |
| Other income | - | - | - | 16,500 | 16,500 |
| Total revenue | 263 | 4,985,870 | 4,986,133 | 32,128 | 5,018,261 |

| | | | | | |
|-----------------------|-----------|---------|-----------|-------------|-------------|
| Results | | | | | |
| Segment profit/(loss) | (704,966) | 240,696 | (464,271) | (1,680,698) | (2,144,969) |

| Half-year ended 31 December 2014 | PNG Exploration | Nicolsons Gold Project | Total segments | Unallocated | Consolidated |
|---|----------------------------|-----------------------------------|---------------------------|--------------------|---------------------|
| External revenue | | | | | |
| Interest | - | - | - | 32,064 | 32,064 |
| Other revenue | 9,921 | - | 9,921 | 14,525 | 24,446 |
| Total revenue | 9,921 | - | 9,921 | 46,589 | 56,510 |

| | | | | | |
|-----------------------|---------|-----------|---------|-------------|-----------|
| Results | | | | | |
| Segment (loss)/profit | 839,623 | (287,951) | 551,672 | (1,281,471) | (729,799) |

The following table presents segment assets and liabilities of the Consolidated Entity's operating segments as at 31 December 2015 and 30 June 2015.

| | PNG Exploration | Nicolsons Gold Project | Total segments | Unallocated | Consolidated |
|-------------------------------|----------------------------|-----------------------------------|---------------------------|--------------------|---------------------|
| As at 31 December 2015 | | | | | |
| Segment assets | 5,790,097 | 27,505,308 | 33,295,405 | 2,964,705 | 36,260,110 |
| Segment liabilities | (299,434) | (14,458,767) | (14,758,201) | (3,542,567) | (18,300,768) |
| As at 30 June 2015 | | | | | |
| Segment assets | 5,886,108 | 21,949,794 | 27,835,902 | 1,604,750 | 29,440,652 |
| Segment liabilities | (289,750) | (15,143,948) | (15,433,698) | (126,402) | (15,560,100) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Segment Information (continued)

The following table presents segment capital expenditure of the Consolidated Entity's operating segments for the half-years ended 31 December 2015 and 30 June 2015.

| | PNG Exploration | Nicolsons Gold Project | Total segments | Unallocated | Consolidated |
|----------------------------|----------------------------|-----------------------------------|---------------------------|--------------------|---------------------|
| Capital Expenditure | | | | | |
| 31 December 2015 | 110,282 | 6,764,953 | 6,875,235 | 5,732 | 6,880,967 |
| 30 June 2015 | 180,072 | 10,566,584 | 10,746,656 | 8,908 | 10,755,564 |

Unallocated

Corporate income and expenses are not allocated to individual segments.

Taxes and certain financial assets and liabilities are not allocated to segments as they are managed on a group basis.

| | 31 Dec 15 | 31 Dec 14 |
|---|--------------------|------------------|
| | \$ | \$ |
| Reconciliation of Profit | | |
| Segment (loss)/profit | (464,271) | 551,672 |
| Corporate expenses | (573,949) | (222,329) |
| Loss on disposal of assets | (65,162) | (31,647) |
| Exploration and evaluation assets written off | (5,865) | (6,840) |
| Fair value change in financial instruments | (1,550,071) | - |
| Finance costs | (266,323) | - |
| Exchange differences on translation of foreign operations | 780,672 | (1,020,655) |
| Total consolidated loss before tax | <u>(2,144,969)</u> | <u>(729,799)</u> |

| | 31 Dec 15 | 30 Jun 15 |
|----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Reconciliation of Assets | | |
| Segment operating assets | 33,295,405 | 27,835,902 |
| Unallocated cash and receivables | 2,605,010 | 1,262,017 |
| Unallocated plant and equipment | 321,618 | 247,360 |
| Unallocated financial assets | 38,077 | 95,373 |
| Group operating assets | <u>36,260,110</u> | <u>29,440,652</u> |

| | 31 Dec 15 | 30 Jun 15 |
|--------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Reconciliation of Liabilities | | |
| Segment operating liabilities | (14,758,201) | (15,433,698) |
| Trade and other payables | (133,797) | (121,234) |
| Provision for employee benefits | (1,915) | (5,168) |
| Other financial liabilities | (3,406,855) | - |
| Group operating liabilities | <u>(18,300,768)</u> | <u>(15,560,100)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Contingent Liabilities and Contingent Assets

The Group has no contingent liabilities and contingent assets at reporting date.

16. Subsequent Events

On 7 January 2016 the company issued 1,200,266 shares as interest payment on convertible notes.

On 19 January 2016 833,334 unlisted options with an exercise price of \$0.06 and expiry date of 30 October 2017 were exercised.

On 8 February 2016 the Company issued 2,250,000 unlisted employee options with an exercise price of \$0.10 expiring 30 January 2019 and 500,000 unlisted employee performance rights expiring 30 January 2019.

On 26 February 2016 the company issued 6,500,001 shares and granted 6,500,001 unlisted bonus options on conversion of 390 convertible notes. The options have an exercise price of \$0.06 and expire 26 February 2018. A further 62,627 shares were issued as interest payment on the convertible notes.

On 26 February 2016 11,000 listed options (PNRO) with an exercise price of \$0.06 and expiry date of 25 August 2017 were exercised.

On 9 March 2016 833,334 unlisted options with an exercise price of \$0.06 and expiry date of 30 October 2017 were exercised. Also, 11,862 listed options (PNRO) with an exercise price of \$0.06 and expiry date of 25 August 2017 were exercised.

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

17. Dividends

No dividends were provided for or paid during the half-year.

DIRECTORS' DECLARATION

In the opinion of the directors of Pantoro Limited ("the Company"):

- a) the financial statements comprising the consolidated statement of profit or loss and other 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, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Paul Cmrlec
Managing Director

Perth, Western Australia
Date: 14 March 2016

Independent Auditor's Review Report

To the members of Pantoro Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pantoro Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. As the auditor of Image Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pantoro Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Act 2001*.

Somes Cooke

SOMES COOKE

Nicholas Hollens

NICHOLAS HOLLENS
Partner

14 March 2016
Perth