PanTerra Gold Limited

Appendix 4D

Half-year report

for the half-year ended 30 June 2018

Expressed in ***United States dollars*** *unless otherwise stated*

Results for announcement to the market

This information should be read in conjunction with the attached consolidated financial report for the half-year ended 30 June 2018 of PanTerra Gold Limited

	Consolidated Six months 30 June 2018 US$	Consolidated Six months 30 June 2017 US$	Percentage increase/ (decrease)
Revenues from ordinary activities	**26,996,358**	27,551,969	(2%)
Profit/ (Loss) from ordinary activities after tax attributable to the owners of PanTerra Gold Limited	**2,181,271**	(486,787)	548%
Net Profit / (Loss) for the year attributable to the owners of PanTerra Gold Limited	**2,308,148**	(635,351)	463%
EBITDA	**9,264,012**	9,002,760	(1%)
NET TANGIBLE ASSETS			
Net tangible assets per ordinary share	**0.07**	0.06	10%
EARNINGS PER SHARE			
Basic earnings / (loss) cents per share	**1.79**	(0.50)	458%
Diluted earnings / (loss) cents per share	**1.79**	(0.50)	324%

DIVIDEND INFORMATION

There were no dividends paid, recommended or declared during the current financial period.
There were no dividends paid, recommended or declared during the previous financial period.

Explanation of Results

Please refer to the commentary included in the Directors' Report and accompanying Australian Securities Exchange ("ASX") releases for an explanation of results.

PanTerra Gold Limited

ABN 48 008 031 034

Financial Report

for the half-year ended

30 June 2018

CORPORATE INFORMATION

ABN 48 008 031 034

DIRECTORS

Brian Johnson *Executive Chairman*
James Tyers *Executive Director*
Ugo Cario
Angela Pankhurst

COMPANY SECRETARY

Pamela Bardsley

REGISTERED OFFICE

55 Kirkham Road
Bowral NSW 2576
AUSTRALIA

PRINCIPAL PLACE OF BUSINESS

55 Kirkham Road
Bowral NSW 2576
AUSTRALIA

Phone: +61 2 4861 1740

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
SYDNEY NSW 2000

Phone: 1300 855 080

PanTerra Gold Limited shares are listed on the Australian Securities Exchange.

DIRECTORS' REPORT

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of PanTerra Gold Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Brian Johnson	Executive Chairman
James Tyers	Executive Director
Ugo Cario	Non Executive Director
Angela Pankhurst	Non Executive Director

PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

The principal activities of the Consolidated Group during the half-year were:

- the operation of a process plant at Las Lagunas in the Dominican Republic to extract gold and silver from Government owned refractory tailings from the Pueblo Viejo mine; and
- evaluation of potential projects that might utilise the Las Lagunas plant after completion of the tailings retreatment operation in Q3-2019.

There have been no significant changes in the nature of the Consolidated Group's activities.

OPERATING RESULTS

Metal sales for the period from the Las Lagunas gold/silver project were US$26,983,623 [2017: US$27,548,164].

Net cash inflows from operations after interest paid were US$7,739,595 [2017: US$5,571,128].

Operating profits before interest, depreciation and amortisation (EBITDA) for the half year were US$8,999,838 [2017: US$9,002,760]. The consolidated net profit for the period was US$2,308,148 [2017: loss of (US$635,351)].

The net assets of the consolidated entity at balance date were US$13,951,366 [31 December 2017: US$11,635,022].

Cash and cash equivalents as at the balance date were US$8,330,580 [31 December 2017: US$4,150,990], while non-current amount held as deposits as at balance date were US$2,000,000 [31 December 2017: US$2,000,000]. External borrowings (undiscounted principal) as at the balance date were:

OPERATING RESULTS (continued)

	30 Jun 2018 US$	30 Jun 2017 US$	
ALCIP Capital LLC	**2,256,335**	5,264,782	Secured Project loan
BanReservas	**1,757,500**	2,500,000	Unsecured Project loan
BanReservas	**3,492,500**	5,000,000	Unsecured Credit facility
Shareholders	**2,363,264**	2,452,064	Unsecured loans
Central American Mezzanine Infrastructure Fund ("CAMIF")	**3,900,000**	7,200,000	Redeemable Preference Shares

REVIEW OF OPERATIONS

Las Lagunas Gold Tailings Project

The Las Lagunas gold tailings project is located approximately 105km to the north of Santo Domingo, the capital of the Dominican Republic. The Dominican Republic occupies the eastern two-thirds of Hispaniola, a Caribbean island of the Greater Antilles arc lying between Cuba to the west and Puerto Rico to the east.

The Las Lagunas tailings were generated between 1992 and 1999 through the processing of refractory ores from the Pueblo Viejo mine when owned and operated by Rosario Dominicana S.A, a State owned mining company. The refractory nature and metallurgical complexity of the ore resulted in poor recoveries of gold and silver when treated by conventional carbon in leach/cyanidation methods, resulting in significant tonnages of +3g/t Au material reporting to the Las Lagunas tailings storage facility.

The low recoveries and depressed gold price at the time resulted in the operations at Pueblo Viejo being closed in 1999 when the mine was placed on care and maintenance.

The Dominican State called international tenders for the evaluation and exploitation of the Las Lagunas tailings in October 2003 as a component of environmental remediation program, and a consortium of investors, PanTerra Gold Technologies Pty Ltd (formerly EnviroGold Holdings Pty Ltd), Nanking Holdings Limited, and Grimston World Inc, established EnviroGold (Las Lagunas) Limited (formerly Las Lagunas Limited) to bid. The consortium's bid was based on the use of Xstrata Technology's (now Glencore Technologies) patented Albion Process to oxidise the refractory tailings prior to conventional cyanide leaching.

EnviroGold (Las Lagunas) Limited was declared the successful bidder for the project on 12 March 2004 and a Development Agreement with the Government was signed on 28 April 2004. Since then, PanTerra Gold Technologies Pty Ltd has acquired the minority shareholdings and now holds 100% of the issued shares of EnviroGold (Las Lagunas) Limited, which is currently undertaking the Las Lagunas gold/silver project.

The Agreement with the Dominican State grants EnviroGold (Las Lagunas) Limited the right to retreat the refractory tailings contained within the Las Lagunas dam, and retain profits after the payment to the Government of royalties, and a 25% share of cash flow once the Project has recouped all construction costs.

Operations

The Company is utilizing Glencore Technologies' patented Albion process to oxidise concentrated refractory tailings at Las Lagunas before extracting precious metals through a standard carbon in leach ("CIL") circuit.

REVIEW OF OPERATIONS (continued)

Las Lagunas Gold Tailings Project (continued)

The Las Lagunas Albion/CIL process plant was the world's first application for extracting precious metals from refractory ore, and encountered problems with design and equipment after construction was completed in 2012. Plant modifications since then have resulted in improved gold and silver recoveries, but they are still 30% below those anticipated by pilot plant testwork during the feasibility study for the project.

Plant feed for the period was 295,779mt. As at 30 June 2018, 895,000mt of tailings remained to be treated over a period of approximately twelve months.

Competent Person Statement

Las Lagunas, Dominican Republic

The Indicated Resource for the Las Lagunas project was based on, and fairly represents, information and supporting documentation compiled by Rick Adams, BSc MAusIMM MAIG, Director Geological Resource Services who is a consultant to PanTerra Gold Limited. Mr Adams is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Adams consents to the inclusion of the matters in the report based on information in the form and context in which it appears.

CHANGE IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

SUBSEQUENT EVENTS

BanReservas

BanReservas has been paid a principle repayment of US$1,500,000 as per terms of its loan.

Shortfall on Royalty payments

An error in the calculation of past royalties due to the Dominican Republic Government will result in an additional payment of approximately US$250,000 to correct the shortfall. This amount has been included in Accruals in note 15.

Taxation

Article 8.6.1.c of the Special Contract with the Dominican Republic Government for the exploitation of their Las Lagunas refractory tailings reads as follows for the benefit of subsidiary EnviroGold (Las Lagunas) Limited ("EVGLL"):

"*Exemption on any type of tax, fee, duty, national or municipal, in effect at the time or that is established in the future during the term of this Contract*."

SUBSEQUENT EVENTS (continued)

Based on an opinion from the Group's legal counsel, and advice from EVGLL's tax agents in the Dominican Republic that no income tax is payable on profits from the Las Lagunas project, the Directors are confident that EVGLL will not be liable for income tax.

However, the Dominican taxation department ("DGII") has issued assessments for "advance (provisional) taxation" resulting in significant legal costs challenging these assessments.

On 30 January 2018 the Superior Administrative Court found EVGLL was exempted from paying income tax under the terms of the Special Contract and accordingly was not required to pay advance taxation to DGII. DGII subsequently appealed the Court's decision before the Supreme Court of Justice, which has not yet heard the appeal.

In order to resolve this issue, a formal Notice of Dispute under the dispute resolution provisions of the Special Contract was lodged with the Government on 11 July 2018. Assuming the matter is not resolved during a stipulated 90 day negotiation period, EVGLL will commence Arbitration proceedings which will be held in Washington, D.C., USA under the ICSID (International Centre for Settlement of Investment Disputes) Rules.

AUDITORS' INDEPENDENCE DECLARATION

In accordance with the Audit Independence requirements of the *Corporations Act* 2001, the directors have received and are satisfied with the "Auditors' Independence Declaration" provided by the company's external auditors BDO East Coast Partnership. The Auditors' Independence Declaration has been attached immediately after the Directors' Report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3)(a) of the *Corporations Act* 2001.

Brian Johnson
Executive Chairman
30 August 2018

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Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF PANTERRA GOLD LIMITED

As lead auditor for the review of PanTerra Gold Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of PanTerra Gold Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 30 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Note	30 Jun 2018 US$	30 Jun 2017 US$
Revenue	3	26,996,358	27,551,969
Other income	4	303,774	(147,113)
Changes in metal inventories		141,009	159,470
Mining and mill feed costs		(968,668)	(736,491)
Consumables		(4,362,630)	(4,683,172)
Grid power		(3,477,330)	(3,226,793)
Equipment spares and maintenance		(2,222,715)	(2,842,015)
Direct labour costs		(2,943,285)	(2,955,243)
Site and camp costs		(879,417)	(1,045,525)
Royalties		(1,113,870)	(877,618)
Employee benefits – non-direct	5	(625,398)	(792,118)
Insurance costs		(340,292)	(333,336)
Occupancy costs		(64,369)	(47,430)
Legal and professional costs		(265,577)	(175,196)
Depreciation and amortisation expense	12 & 13	(5,295,990)	(6,612,251)
Finance costs	6	(1,715,039)	(2,862,409)
Project evaluation costs		(482,796)	(426,859)
Foreign exchange loss		(71,712)	(14,887)
Other expenses		(430,782)	(419,770)
Profit / (Loss) before income tax expense		**2,181,271**	**(486,787)**
Income tax benefit / (expense)		-	-
Profit / (Loss) for the period from continuing operations		**2,181,271**	**(486,787)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation movement		126,877	(148,564)
Total other comprehensive income net of tax for the half-year		**126,877**	**(148,564)**
Total comprehensive income for the half-year		**2,308,148**	**(635,351)**
Attributable to: Owners of the Parent		**2,308,148**	**(635,351)**
Total comprehensive income for the half-year attributable to members of the parent		**2,308,148**	**(635,351)**

		Cents	Cents
Basic earnings / (loss) per share (cents per share)	25	1.79	(0.50)
Diluted earnings / (loss) per share (cents per share)	25	1.79	(0.50)

The above Consolidated Statement of Profit or Loss and Other Comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 Jun 2018	31 Dec 2017
		US$	US$
CURRENT ASSETS			
Cash and cash equivalents	7	8,330,580	4,150,990
Trade and other receivables	8	1,250,860	1,393,301
Prepayments and deposits	9	559,608	350,654
Inventories	10	4,152,626	4,299,257
TOTAL CURRENT ASSETS		**14,293,674**	**10,194,202**
NON – CURRENT ASSETS			
Other Financial Assets	11	2,000,000	2,000,000
Property, plant and equipment	12	20,256,941	23,341,000
Intangible assets	13	5,398,993	7,353,031
Investments	14	402,398	481,952
TOTAL NON – CURRENT ASSETS		**28,058,332**	**33,175,983**
TOTAL ASSETS		**42,352,006**	**43,370,185**
CURRENT LIABILITIES			
Trade and other payables	15	7,824,447	6,866,506
Employee benefits and provisions	16	475,280	308,138
Borrowings	17	12,527,496	13,547,477
TOTAL CURRENT LIABILITIES		**20,827,223**	**20,722,121**
NON – CURRENT LIABILITIES			
Trade and other payables	18	850,000	850,000
Employee benefits and provisions	19	1,757,012	1,649,804
Borrowings	20	4,966,405	8,513,238
TOTAL NON – CURRENT LIABILITIES		**7,573,417**	**11,013,042**
TOTAL LIABILITIES		**28,400,640**	**31,735,163**
NET ASSETS		**13,951,366**	**11,635,022**
EQUITY			
Contributed equity	21	78,406,299	78,406,299
Reserves	22	(2,550,442)	(2,685,515)
Accumulated losses		(61,904,491)	(64,085,762)
TOTAL EQUITY		**13,951,366**	**11,635,022**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Ordinary Shares $US	Equity Reserve $US	Options Reserve $US	Performance Rights Reserve $US	Foreign Currency Translation Reserve $US	Accumulated Losses $US	Total $US
Balance as at 1 January 2018	**78,406,299**	**(11,773,880)**	**3,920,449**	**1,378,768**	**3,789,148**	**(64,085,762)**	**11,635,022**
Profit for the period	-	-	-	-	-	2,181,271	**2,181,271**
Other comprehensive income	-	-	-	-	126,877	-	**126,877**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**126,877**	**2,181,271**	**2,308,148**
Transactions with owners in their capacity as owners:							
Shares Issued	-	-	-	-	-	-	**-**
Transaction costs on share issue	-	-	-	-	-	-	**-**
Share based payment	-	-	-	8,196	-	-	**8,196**
Balance as at 30 June 2018	**78,406,299**	**(11,773,880)**	**3,920,449**	**1,386,964**	**3,916,025**	**(61,904,491)**	**13,951,366**
Balance as at 1 January 2017	**78,406,299**	**(11,773,880)**	**3,920,449**	**1,346,900**	**3,981,810**	**(54,093,223)**	**21,788,355**
Loss for the period	-	-	-	-	-	(486,787)	**(486,787)**
Other comprehensive income	-	-	-	-	(148,564)	-	**(148,564)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(148,564)**	**(486,787)**	**(635,351)**
Transactions with owners in their capacity as owners:							
Shares Issued	-	-	-	-	-	-	**-**
Transaction costs on share issue	-	-	-	-	-	-	**-**
Share based payment	-	-	-	23,673	-	-	**23,673**
Balance as at 30 June 2017	**78,406,299**	**(11,773,880)**	**3,920,449**	**1,370,573**	**3,833,246**	**(54,580,010)**	**21,176,677**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2018

	30 Jun 2018	30 Jun 2017
	US$	**US$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from metal sales	27,006,383	27,126,680
Receipts from insurance claims	230,993	-
Payments to suppliers and employees	(16,800,317)	(18,284,074)
Payments for project evaluation activities	(482,796)	(437,564)
Interest received	12,735	3,805
Interest paid	(2,227,403)	(2,837,720)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**7,739,595**	**5,571,127**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(257,893)	(714,467)
Amount held on deposit	-	(2,000,000)
Proceeds from sale of property, plant and equipment	-	-
NET CASH USED IN INVESTING ACTIVITIES	**(257,893)**	**(2,714,467)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Payments for share issue costs	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	(3,302,112)	(3,078,270)
NET CASH USED IN FINANCING ACTIVITIES	**(3,302,112)**	**(3,078,270)**
NET DECREASE IN CASH HELD	**4,179,590**	**(221,610)**
Cash at the beginning of the financial period	4,150,990	5,457,278
CASH AT THE END OF FINANCIAL PERIOD	**8,330,580**	**5,235,668**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Reporting Entity

PanTerra Gold Limited (the "Company") is a public company, listed on the Australian Securities Exchange, incorporated and domiciled in Australia. The address of the Company's registered office is 55 Kirkham Road, Bowral, NSW, 2576. This half-year financial report covers the consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group" or "consolidated entity") as at 30 June 2018. The half-year financial report is presented in US dollars, which is the consolidated entity's functional and presentational currency.

(b) Basis of preparation

These financial statements for the half-year ended 30 June 2018 have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act* 2001.

The half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual report for the year ended 31 December 2017 and considered together with any public announcements made by PanTerra Gold Limited during the half-year ended 30 June 2018 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

This is the first set of the Group's financial statements where AASB 15 and AASB 9 have been applied. Changes to significant accounting policies are described in paragraph (c) below.

(c) Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* (see (I)) and AASB 9 *Financial Instruments* (see (II)) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. The Group has also had a change in accounting estimates in relation to intangible assets (see (III) below).

(I) AASB 15 *Revenue from Contracts with Customers*

Transition

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. The Group has adopted AASB 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 118, AASB 111 and related interpretations.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Changes in significant accounting policies (continued)

(I) AASB 15 *Revenue from Contracts with Customers* (continued)

Nature of goods and services

All of the Group's revenue is generated from the sale of the gold and silver produced from its mining operation in the Dominican Republic. All doré material produced is shipped on a weekly basis to the customer (refinery) and is sold at the prevailing gold and silver spot prices. A provisional payment of 95% of the estimated value of the shipment is paid 3 business days after shipment and the final payment is received within 21 days from shipment date.

Under AASB 15, each shipment is a separate customer contract whereby revenue is recognised at a point in time upon shipment. The Group has concluded there is no significant financing associated with each sale.

This approach is consistent with the Group's previous revenue recognition accounting policy. Therefore, there is no adjustment to equity on adoption of AASB 15 and there is no material impact of adopting AASB 15 on the Group's interim financial statements for the six-month period ended 30 June 2018.

Disaggregation of revenue

Revenue is disaggregated by major product lines and refinery costs are shown as a deduction to arrive at the net revenue figure. The table in note 3 displays the disaggregation of revenue and reconciles to the external revenue figure as disclosed in note 2 - Segment Reporting.

(II) AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except that the Group has applied the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of AASB 9 but rather those of ASB 139.

Classification and measurement of financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Changes in significant accounting policies (continued)

(II) AASB 9 *Financial Instruments* (continued)

Classification and measurement of financial assets

AASB 9 eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; fair value through other comprehensive income ("FVOCI") – equity investment; or fair value through profit and loss ("FVTPL").

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Changes in significant accounting policies (continued)

(II) AASB 9 *Financial Instruments* (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets on the date of initial application of the standard on 1 January 2018.

Financial assets	***Note***	**Original classification under AASB 139**	**New classification under AASB 9**	**Original carrying amount under AASB 139**	**New carrying amount under AASB 9**
Equity securities	*(A)*	Designated as at FVTPL	Mandatorily at FVTPL	481,952	481,952
Trade and other receivables	*(B)*	Loans and receivables	Amortised cost	1,393,301	1,393,301
Cash and cash equivalents		Loans and receivables	Amortised cost	4,150,990	4,150,990
Deposits		Loans and receivables	Amortised cost	1,000,000	1,000,000
Total financial assets				**7,026,243**	**7,026,243**

(A) Under AASB 139, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under AASB 9.

(B) Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Changes in significant accounting policies (continued)

(II) AASB 9 *Financial Instruments* (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under AASB 139, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

The Group has determined that the application of AASB 9's impairment requirements at 1 January 2018 does not results in any impairment allowance and has not recognised any adjustments because the amounts are immaterial.

(III) Change in accounting estimates

During the half year ended 30 June 2018 the directors re-assessed the useful life and value of the intangible assets established for development of the Las Lagunas project in the Dominican Republic. Prior to this date the development intangible assets were fully attributable to this project and have been amortised over the life of the project on a depletion of resource basis. However, on the basis of the engineering design and associated drawings having ongoing application and value when reviewing new prospects, or developing new projects, the directors have formed the opinion that the development intangible asset will be used again with only minor modifications. The directors have therefore re-assessed the useful life of the development intangible asset to be 15 years from June 2018. The asset is now identified as "Albion/CIL processing plant design costs".

The amortised written down value of the Albion/CIL processing plant design costs asset as at reporting date is US$5,398,993 (refer note 13). This carried forward value will be amortised on a straight line basis over the re-assessed useful life of 15 years, commencing July 2018.

The financial impact of this reassessment, assuming the assets are held until the end of their remaining useful life, is to reduce the consolidated amortisation expense for the period to 31 December 2019 by US$4.86 million and increase amortisation in subsequent periods by US$360,000 per annum for the remaining useful life of the Albion/CIL processing plant design costs.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(d) New Accounting Standards and Interpretations not yet mandatory or early adopted

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019):

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact, this is still under assessment.

(e) Going concern

The Group earned a profit of US$2,181,271 for the half-year ended 30 June 2018 [2017: Loss of (US$486,787)]. Net cash inflows from operations after interest paid for the six months ending 30 June 2018 were US$7,739,595 [2017: US$5,571,127]. The net cash flow from operations is only for six months, therefore the yearly equivalent is over US$12,000,000. As at 30 June 2018, the Group's current liabilities exceeded its current assets by US$6,533,549 [2017: US$10,527,919]. Included in current liabilities is US$3,121,161 [2017: US$2,589,030] of capitalised interest and royalties.

As net cash inflow includes the payment of these capitalised interest and royalties, the financial statements have been prepared on a going concern basis. Also, the Consolidated Group's cash flow forecast indicates it will remain cash positive.

(f) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued for no consideration in relation to dilutive potential ordinary shares issued during the year.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share by taking 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.

2. SEGMENT REPORTING

The Company has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segment is identified by management by project – discrete financial information about this operating segment is reported to the executive management team on at least a monthly basis.

2. SEGMENT REPORTING (continued)

Management has identified the Las Lagunas project as the group's main operating segment. Other segment information comprises a variety of projects that do not meet the definition of an operating segment on a quantitative basis.

The following tables present revenue and profit information for business segments for the half year ended 30 June 2018 and 30 June 2017, and assets and liabilities information for the half year ended 30 June 2018 and full year ended 31 December 2017:

Information about reportable segments

	Las Lagunas Project		Others		Consolidated	
	30 Jun 2018 US$	**30 Jun 2017 US$**	**30 Jun 2018 US$**	**30 Jun 2017 US$**	**30 Jun 2018 US$**	**30 Jun 2017 US$**
External Revenue	**26,983,623**	27,548,165	**-**	-	**26,983,623**	27,548,165
Inter segment revenue	**-**	-	**-**	-	**-**	-
Interest revenue	**2,046**	1,415	**10,689**	2,389	**12,735**	3,804
Interest expense	**(617,822)**	(1,068,930)	**(1,097,217)**	(1,793,479)	**(1,715,039)**	(2,862,409)
Depreciation and amortisation	**(3,340,982)**	(4,506,100)	**(1,955,008)**	(2,106,152)	**(5,295,990)**	(6,612,252)
Other Income	**(149,870)**	(323,530)	**453,644**	176,417	**303,774**	(147,113)
Reportable segment profit/ (loss) before income tax	**6,306,811**	4,655,171	**(4,125,540)**	(5,141,958)	**2,181,271**	(486,787)
Other material non-cash items						
Foreign exchange gain/(loss)	**(15,444)**	(38,540)	**(56,268)**	23,653	**(71,712)**	(14,887)
Share based payments	**-**	-	**-**	-	**-**	-

	Las Lagunas Project		Others		Consolidated	
	30 Jun 2018 US$	**31 Dec 2017 US$**	**30 Jun 2018 US$**	**31 Dec 2017 US$**	**30 Jun 2018 US$**	**31 Dec 2017 US$**
Segment assets	**33,248,314**	21,279,529	**46,342,189**	54,498,622	**79,590,503**	75,778,151
Capital expenditure	**257,893**	2,672,625	**-**	3,872	**257,893**	2,676,497
Segment liabilities	**24,945,055**	19,283,082	**45,422,190**	49,637,825	**70,367,245**	68,920,907

	30 Jun 2018 US$	30 Jun 2017 US$
Revenue		
Total revenue for reportable segments	**26,983,623**	27,548,165
Consolidated revenue	**26,983,623**	27,548,165

All revenue originates out of the Dominican Republic and is sold to MKS (Switzerland) S.A.

2. SEGMENT REPORTING (continued)

	30 Jun 2018 US$	31 Dec 2017 US$
Assets		
Total Assets for reportable segments	**79,590,503**	75,778,151
Elimination of investments in subsidiaries	**(17,869,962)**	(18,068,449)
Elimination of intercompany loans and interest	**(41,966,605)**	(37,185,744)
Elimination of provision for intercompany loans	**21,800,000**	21,800,000
Elimination of head office expenses charged to Las Lagunas project	**798,070**	1,046,227
Consolidated total assets	**42,352,006**	43,370,185

	30 Jun 2018 US$	31 Dec 2017 US$
Liabilities		
Total liabilities for reportable segments	**70,367,245**	68,920,907
Elimination of intercompany loans and interest	**(41,966,605)**	(37,185,744)
Consolidated total liabilities	**28,400,640**	31,735,163

Geographical Information

Geographical non-current assets	30 Jun 2018 US$	31 Dec 2017 US$
Dominican Republic	**22,054,111**	25,385,357
Australia	**6,004,221**	7,790,626
	28,058,332	33,175,983

3. REVENUE

	30 Jun 2018 US$	30 Jun 2017 US$
Revenue from continuing operations		
Sales revenue		
Sales of gold	26,054,346	26,218,169
Sales of silver	1,088,057	1,488,706
Less: Refinery and freight costs	(159,827)	(169,812)
Other sales revenue	1,047	11,102
	26,983,623	**27,548,165**
Other revenue		
Interest received	12,735	3,804
	26,996,358	**27,551,969**

4. OTHER INCOME

		30 Jun 2018 US$	30 Jun 2017 US$
Net (loss) / gain on adjustment to carrying amount of financial liability	(i)	192,462	(147,113)
Insurance claims received		111,312	-
		303,774	**(147,113)**

(i) PanTerra Gold Limited and its wholly owned subsidiaries, EnviroGold (Las Lagunas) Limited and PanTerra Gold Technologies Pty Ltd, have a loan facility in place with ALCIP Capital LLC ("ALCIP loan facility"). Under the loan agreement there are several elements which have been grouped together for the purpose of accounting as required by Australian Accounting Standard ***AASB 9 Financial Instruments.*** The following elements were included in the original effective interest rate calculation at the inception date of the facility (12 March 2010):

- Principal and projected interest
- Projected royalty payments
- Projected price participation payments ("PPP")

The impact of changes in production estimates and forecast metal prices on the projected future royalty and PPP payments over the remaining life of the loan has been assessed as at the date of this report. The change in forecasted future cash flows resulting from a change in estimated gold and silver prices, together with revised production estimates has resulted in a gain of US$192,462 [2017: loss of (US$147,113)]. This gain has been recognised as other income in the Statement of Profit or Loss and Other Comprehensive Income in accordance with AASB 9.

5. PROFIT / (LOSS) BEFORE TAX

	30 Jun 2018 US$	30 Jun 2017 US$
Profit / (Loss) includes, amongst others, the following:		
Employee costs – salaries	550,977	667,922
Employee costs – superannuation	30,815	38,255
Employee costs – other	28,490	53,012
Payroll tax	6,920	9,256
Equity settled share-based payments	8,196	23,673
	625,398	**792,118**

6. FINANCE COSTS

		30 Jun 2018 US$	30 Jun 2017 US$
Interest on loan borrowings	(i)	1,288,090	1,971,031
Interest on letter of credit facility		-	16,549
Other borrowing costs	(ii)	426,949	875,330
Finance lease costs		-	(501)
		1,715,039	**2,862,409**

(i) Included in interest on loan borrowings is (US$937,936) [2017: (US$291,359)] relating to effective interest rate adjustments.

(ii) Other borrowing costs include the dividends paid, in relation to the Redeemable Preference Shares Agreement as described in note 17 and note 20.

7. CASH AND CASH EQUIVALENTS

For the purpose of the half-year Statement of Cash Flows, cash and cash equivalents are comprised of the following:

	30 Jun 2018 US$	31 Dec 2017 US$
Cash at bank and on hand	8,289,962	4,105,080
Cash on deposit	40,618	45,910
	8,330,580	**4,150,990**

8. TRADE AND OTHER RECEIVABLES (CURRENT)

	30 Jun 2018 US$	31 Dec 2017 US$
Trade receivables	1,250,860	1,393,301
	1,250,860	**1,393,301**

9. PREPAYMENTS & DEPOSITS

	30 Jun 2018 US$	31 Dec 2017 US$
Prepayments and bonds	559,608	350,654
	559,608	**350,654**

10. INVENTORIES

	30 Jun 2018 US$	31 Dec 2017 US$
Metal on hand and in circuit	1,245,591	1,104,582
Processing consumables	1,091,832	1,505,555
Maintenance spares	1,815,203	1,689,120
	4,152,626	**4,299,257**

11. DEPOSITS

		30 Jun 2018 US$	31 Dec 2017 US$
Term Deposits	(i)	1,000,000	1,000,000
Utility Deposit	(ii)	1,000,000	1,000,000
		2,000,000	**2,000,000**

(i) CAMIF RPS Loan requirement from 30 June 2017.

(ii) Deposit with electricity provider to replace Macquarie Letter of Credit.

12. PROPERTY, PLANT & EQUIPMENT

30 June 2018	**Mine Buildings and Plant US$**	**Leasehold Improvements US$**	**Plant and Equipment US$**	**Total US$**
Cost				
Balance 1 January 2018	67,124,823	-	9,864,189	76,989,012
Additions	257,893	-	-	257,893
Balance 30 June 2018	**67,382,716**	**-**	**9,864,189**	**77,246,905**
Accumulated Depreciation				
Balance 1 January 2018	(37,430,701)	-	(8,135,760)	(45,566,461)
Depreciation expense	(2,584,842)	-	(757,110)	(3,341,952)
Balance 30 June 2018	**(40,015,543)**	**-**	**(8,892,870)**	**(48,908,413)**
Impairment				
Balance 1 January 2018	(8,081,551)	-	-	(8,081,551)
Balance 30 June 2018	**(8,081,551)**	**-**	**-**	**(8,081,551)**
Carrying Value 30 June 2018	**19,285,622**	**-**	**971,319**	**20,256,941**

31 December 2017	**Mine Buildings and Plant US$**	**Leasehold Improvements US$**	**Plant & Equipment US$**	**Total US$**
Cost				
Balance 1 January 2017	66,089,722	79,419	9,072,779	75,241,920
Additions	1,855,200	-	821,297	2,676,497
Sale or Disposal	(820,099)	(79,419)	(29,887)	(929,405)
Balance 31 December 2017	**67,124,823**	**-**	**9,864,189**	**76,989,012**
Accumulated Depreciation				
Balance 1 January 2017	(29,974,584)	(79,419)	(5,770,912)	(35,824,915)
Depreciation expense	(7,483,731)	-	(2,367,123)	(9,850,854)
Sale or Disposal	27,614	79,419	2,275	109,308
Balance 31 December 2017	**(37,430,701)**	**-**	**(8,135,760)**	**(45,566,461)**
Impairment				
Balance 1 January 2017	(3,755,228)	-	-	(3,755,228)
Impairment	(4,326,323)	-	-	(4,326,323)
Balance 31 December 2017	**(8,081,551)**	**-**	**-**	**(8,081,551)**
Carrying Value 31 December 2017	**21,612,571**	**-**	**1,728,429**	**23,341,000**

13. INTANGIBLE ASSETS

	30 Jun 2018 US$	31 Dec 2017 US$
(a) Development costs		
Albion/CIL processing plant design costs		
Balance at the beginning of the period	7,353,031	14,904,851
Amortisation expense	(1,954,038)	(5,526,233)
Impairment	-	(2,025,587)
Closing balance	**5,398,993**	**7,353,031**
(b) Exploration and evaluation costs		
Balance at the beginning of the period	-	133,471
Current year costs	-	10,703
Impairment	-	(144,174)
Closing balance	-	-
Total intangible assets	**5,398,993**	**7,353,031**

The expected remaining useful life of the Albion/CIL processing plant design costs has been re-assessed by the directors during the half year ended 30 June 2018 (refer to note 1(c)(III)). The re-assessed remaining period for amortisation is 15 years from the date of these interim financial statements.

14. INVESTMENTS

	30 Jun 2018 US$	31 Dec 2017 US$
Shares Black Dragon Gold Corp	402,398	481,952
	402,398	**481,952**

15. TRADE & OTHER PAYABLES (CURRENT)

	30 Jun 2018 US$	31 Dec 2017 US$
Trade Creditors - Current		
Other corporations	3,649,893	3,609,659
Director related entities	50,611	46,591
Accruals	4,123,943	3,210,256
	7,824,447	**6,866,506**

16. PROVISIONS (CURRENT)

	30 Jun 2018 US$	31 Dec 2017 US$
Employee benefits (expected to be settled within 12 months)	475,280	308,138

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those employees who are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	30 Jun 2018 US$	31 Dec 2017 US$
Employee benefits obligation expected to be settled after 12 months	1,469,452	1,372,514

17. LOANS & BORROWINGS (CURRENT)

		30 Jun 2018 US$	31 Dec 2017 US$
ALCIP Capital loan facility	20	4,418,441	5,658,457
BanReservas line of credit		3,250,000	2,750,000
CAMIF redeemable preference shares		4,859,055	5,139,020
		12,527,496	**13,547,477**

18. TRADE & OTHER PAYABLES (NON-CURRENT)

	30 Jun 2018 US$	31 Dec 2017 US$
Accrued Royalty	850,000	850,000
	850,000	**850,000**

19. PROVISIONS (NON-CURRENT)

	30 Jun 2018 US$	31 Dec 2017 US$
Site restoration and rehabilitation	287,560	277,290
Employee benefits	1,469,452	1,372,514
	1,757,012	**1,649,804**
Movements of restoration provision:		
Carrying amount at the start of the year	277,290	256,750
Provisions recognised during the period	10,270	20,540
Carrying amount at the end of the period	**287,560**	**277,290**

20. LOANS & BORROWINGS (NON-CURRENT)

		30 Jun 2018 US$	31 Dec 2017 US$
ALCIP Capital facility loan	(a)	603,141	1,192,246
BanReservas project loan		2,000,000	3,750,000
Shareholder loans		2,363,264	2,497,568
CAMIF redeemable preference shares		-	1,073,424
		4,966,405	**8,513,238**

(a) The total carrying amount of the ALCIP Capital loan facility (as described in note 4) was estimated at 30 June 2018 as US$5.0 million [December 2017: US$6.9 million] using the effective interest rate method. In addition, there was an amount of US$870,566 [December 2017: US$787,589] of accrued royalties included in the value of accruals in note 15. The annual effective interest rate is calculated at 23.1% after all of the components of the loan as described in note 4 have been fair valued.

The total carrying amount of the loan is calculated as follows:

	Current US$	Non-Current US$
Scheduled quarterly repayments	2,256,335	-
Cumulative effective interest rate adjustments (Interest)	53,841	-
Cumulative effective interest rate adjustments (PPP)	973,314	229,025
Cumulative effective interest rate adjustments (Royalty)	1,134,951	374,116
	4,418,441	**603,141**

21. CONTRIBUTED EQUITY

	30 Jun 2018 US$	31 Dec 2017 US$
(A) Paid Up Capital		
Ordinary shares fully paid	78,406,296	78,406,296
Non-redeemable preference shares	3	3
	78,406,299	**78,406,299**

	30 Jun 2018		31 Dec 2017	
	No. of Shares	US$	No. of Shares	US$
(B) Movements in ordinary shares on issue				
Beginning of the financial period	**128,829,011**	**78,406,296**	127,755,677	78,406,296
Vesting of performance share rights approved by shareholders 30 November 2010	**1,033,334**	**-**	1,073,334	-
Balance	**129,862,345**	**78,406,296**	128,829,011	78,406,296

(C) Terms and Conditions of Contributed Equity

Ordinary shares have no par value. Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote either in person or by proxy, at a meeting of the Company.

22. RESERVES

Foreign currency translation reserve

Exchange differences arising on translation of the Australian Parent Entity (PanTerra Gold Limited) and Australian Subsidiary (PanTerra Gold Technologies Pty Ltd) are taken to the foreign currency translation reserve.

Option reserve

The option reserve records the following items:

i) Directors and employees options granted and recognised as expenses;
ii) Options granted to Macquarie Bank Limited under the terms of its funding agreement with the consolidated entity;
iii) Proceeds received by PanTerra Gold Limited from a non-renounceable rights issue in January 2010;
iv) Options granted under the terms of shareholder loan agreements.

Fair value of options granted in items i) and ii) is independently determined using the Black Scholes option valuation methodology which takes into account the risk free interest rate and share price volatility.

Performance rights reserve

The performance rights reserve is used to recognise the fair value of performance rights issued to employees.

Equity reserve

The Equity reserve of $11,773,880 is a consequence of the consolidated entity acquiring 30% of the shares in EnviroGold (Las Lagunas) from Grimston World Inc. on 3 December 2010. The increase in ownership from 70% to 100% was accounted for as an equity transaction.

23. COMMITMENTS FOR EXPENDITURE

	30 Jun 2018 US$	31 Dec 2017 US$
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	112,804	96,612
One to five years	31,680	-
Total lease commitments	**144,484**	**96,612**

24. LITIGATION AND CONTINGENT LIABILITIES

Status as at 30 June 2018 follows:

EnviroGold (Las Lagunas) Limited ("EVGLL") v Gruas Liriano

EVGLL filed a lawsuit in the Dominican Republic against crane operator, Gruas Liriano, for damages caused to one of its dredges. The amount claimed is approximately US$1.9 million being the out of pocket costs of recovering the damaged dredge, the costs of a replacement dredge (including shipping), and compensation for loss of revenue as a direct result of the loss of the dredge. Gruas Liriano has lodged a counter-claim against EVGLL for unpaid invoices to the value of approximately US$38,000.

DGII (Dominican tax authority) v EVGLL

EVGLL and DGII are in dispute as to whether EVGLL should pay advance tax to the DGII. A lower administrative court in the Dominican Republic resolved the matter in EVGLL's favour by agreeing with EVGLL's contention that it is exempt from paying any income tax under the terms of the Special Contract with the Dominican Government. DGII has appealed the decision with the Supreme Court of Justice. EVGLL intends to strenuously defend its position.

25. EARNINGS PER SHARE

	30 Jun 2018 US$	31 Dec 2017 US$
Numerator used for basic and diluted EPS:		
Profit / (Loss) after tax attributable to the owners of PanTerra Gold Limited	**2,308,148**	(10,185,201)

	Number of shares	
Weighted average number of ordinary shares outstanding during the half year used in calculating the basic and diluted EPS	**128,829,011**	128,316,371

26. FINANCIAL INSTRUMENTS

The consolidated entity has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2018:

	Carrying Amount US$	Fair Value US$	Discount Rate
ALCIP Capital facility loan	5,021,582	5,892,148	23.1%

The fair values of the above borrowings are based on discounted cash flows using the rates disclosed in the table above. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including credit risk.

27. EVENTS SUBSEQUENT TO REPORTING DATE

BanReservas

BanReservas has been paid a principle repayment of US$1,500,000 as per terms of the loan.

Shortfall on Royalty payments

An error in the calculation of past royalties due to the Dominican Republic Government will result in an additional payment of approximately US$250,000 to correct the shortfall. This amount has been included in Accruals in note 15.

Taxation

Article 8.6.1.c of the Special Contract with the Dominican Republic Government for the exploitation of their Las Lagunas refractory tailings reads as follows for the benefit of subsidiary EnviroGold (Las Lagunas) Limited ("EVGLL"):

"*Exemption on any type of tax, fee, duty, national or municipal, in effect at the time or that is established in the future during the term of this Contract*."

Based on an opinion from the Group's legal counsel, and advice from EVGLL's tax agents in the Dominican Republic that no income tax is payable on profits from the Las Lagunas project, the Directors are confident that EVGLL will not be liable for income tax.

However, the Dominican taxation department ("DGII") has issued assessments for "advance (provisional) taxation" resulting in significant costs challenging these assessments.

On 30 January 2018 the Superior Administrative Court found EVGLL was exempted from paying income tax under the terms of the Special Contract and accordingly was not required to pay advance taxation to DGII. DGII subsequently appealed the Court's decision before the Supreme Court of Justice, which has not yet heard the appeal.

In order to resolve this issue, a formal Notice of Dispute under the dispute resolution provisions of the Special Contract was lodged with the Government on 11 July 2018. Assuming the matter is not resolved during a stipulated 90 days negotiation period, EVGLL will commence Arbitration proceedings which will be held in Washington, D.C., USA under the ICSID (International Centre for Settlement of Investment Disputes) Rules.

DIRECTORS’ DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2018

In accordance with a resolution for the directors of PanTerra Gold Limited, the Directors of the Company declare that:

a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act* 2001, including:

   (i) giving a true and fair view of the financial position as at 30 June 2018 and the performance of the half year ending on that date of the consolidated entity; and

   (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations* 2001 and other mandatory professional requirements; and

b. in the Directors’ opinion, 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 directors made pursuant to S303(5)(a) of the *Corporations Act* 2001.

On behalf of the Board,

Brian Johnson
Executive Chairman
30 August 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PanTerra Gold Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of PanTerra Gold Limited (the Company) and its subsidiaries (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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 30 August 2018