

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 30 SEPTEMBER 2018

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HIGHLIGHTS

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

- Gold production for Quarter was 1.8% lower than previous Quarter, and sales revenue was 6.8% lower than the previous Quarter
- Operating costs of US\$720 per ounce Au equivalent for Quarter, an 8.1% increase on the previous Quarter
- Doré sales for Quarter were US\$13.9 million and operating costs were US\$8.3 million
- Operating profit for the project was US\$6.0 million for the Quarter.

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC**PRODUCTION**

	September Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	164,096	161,589	1.6%	459,874
Average head grade (g/t)				
Gold	4.05	4.25	-4.7%	4.06
Silver	41.7	41.4	0.7%	40.5
Recovery (%)				
Gold	52.6	51.8	1.6%	52.6
Silver	8.2	14.1	-42.1%	14.2
Production (oz)				
Gold	11,226	11,430	-1.8%	31,489
Silver	17,667	27,009	-34.6%	82,201
Sales (oz)				
Gold	11,233	11,269	-0.3%	31,513
Silver	18,341	22,498	-18.5%	4,532
Sales (US\$m)	13.9	14.9	-6.8%	41.0
Sales (A\$m)*	19.0	19.8	-4.4%	54.4

* Based on average exchange rate for the Quarter.

Gold production for the September 2018 Quarter was 1.8% lower than the previous Quarter, and doré sales decreased by 6.8% to US\$13.9 million.

OPERATING COSTS

	September Quarter		Previous Quarter	
	US\$ ('000)	US\$/oz (Gold Equiv. Production)	US\$ ('000)	US\$/oz (Gold Equiv. Production)
Tailings Reclaim	408	36	401	35
Processing Consumables	1,996	174	2,174	188
Salaries	1,435	125	1,485	128
Grid Power	2,058	179	1,782	154
Processing Fuel	217	19	118	10
Spares, Repairs & Maintenance	1,093	95	966	84
Site & Camp Costs	380	33	425	37
Office Overheads	502	44	184	16
Insurance	164	14	165	14
TOTAL OPERATING COSTS (C1 Cash Costs)	8,254	720	7,697	666

Notes: Gold equivalent production 11,481 oz for the Quarter, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US\$8.3 million up 7.2% on previous Quarter.

Operating Costs of US\$720 per ounce Au equivalent production up 8.1% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 12,623 tonnes per week was below the 13,439 tonnes per week target for 2018.

CASH BALANCE

Available Group funds as at 30 September 2018 were US\$4.9 million (A\$6.8 million).

An additional US\$1.0 million is on deposit with the project's power supplier as a performance bond, and US\$1.0 million is in an escrow account with CAMIF 1. Both amounts should be returned to the Company on completion of the Las Lagunas project.

FINANCE**PROJECT LOAN – LAS LAGUNAS**

The outstanding secured project loan from ALCIP Capital LLC ("ALCIP") as at 30 September 2018 was US\$752,112, with the final payment scheduled for 31 December 2018.

REDEEMABLE PREFERENCE SHARES

PanTerra Gold Limited ("PGL") issued US\$10.0 million of unsecured Redeemable Preference Shares ("RPS") to the Central American Mezzanine Infrastructure Fund I ("CAMIF I") in August 2013.

The Company has redeemed US\$8.7 million of the RPS with the balance of US\$1.3 million to be redeemed on 31 December 2018:

BANRESERVAS

Dominican Government-owned BanReservas has provided US\$7.5 million of unsecured loans to the Las Lagunas project. These loans are subordinated to ALCIP but provision has been made in a Variation to the Facilities Agreement to repay the remaining loan at 27 July 2018, in accordance with the following schedule:

	US\$
20 January 2019	1,750,000
15 July 2019	2,000,000

SHAREHOLDER LOANS

Certain Shareholders have provided loans totalling A\$3.2 million to PanTerra Gold Limited.

These unsecured loans are subordinated to the Las Lagunas project loan from ALCIP which has prohibited repayment before 15 July 2019.

BUSINESS DEVELOPMENT

CUBA

The PanTerra Gold Group has recently been selected by the Cuban Government's mining company, GeoMinera S.A., as its proposed joint venture partner for the development of their La Demajagua refractory gold deposit on the Isle of Youth in Southwest Cuba.

PanTerra Gold's involvement in the project is dependent on approval by the Cuban Government's Committee for Foreign Investment of the proposed joint venture agreement. GeoMinera has indicated drafting of the joint venture agreement and the approval process could take up to six months.

The first stage of the proposed project is planned as an open pit mining operation for seven years, followed by a second stage underground operation for around 10 years. The deposit has been extensively drilled but will require further exploration for both the open pit and underground targets to define JORC compliant resources. Both stages will require successful Definitive Feasibility Studies to be undertaken prior to development.

UK based mining consultants, Wardell Armstrong International Limited, who are familiar with the La Demajagua project, have been engaged by the Company to provide a Conceptual Mineralisation Statement for the property.

If the project proceeds, major components of PanTerra Gold Group's existing 200,000 tpa Albion/CIL processing plant in the Dominican Republic could be relocated to La Demajagua after it becomes redundant in Q3 2019 and incorporated in a reconfigured process plant designed to treat 80,000 tpa of concentrate and produce up to 75,000 oz Au per year.

PanTerra Gold has completed a detailed Preliminary Economic Assessment ("PEA") for Stage 1 of the project which has indicated its technical and commercial viability.

CHINA

The Company has broadened its discussions with suitable potential partners in China that are showing serious interest in jointly constructing a 65,000 tpa Albion/CIL processing plant based on supply of refractory concentrate from the prospective partner.

Negotiations with China National Gold, which is owned by China's Central Government, have proven to be somewhat frustrating, so the focus has been expanded to three Stock Exchange listed gold mining groups showing enthusiasm for the Company's concept and experience with the Albion/CIL technology for extracting precious metal from refractory ore. Each of these companies has available supplies of refractory concentrate which is currently being oxidised by roasters that are tending to being closed in China due to environmental issues.

IBERIAN PENINSULA

The Iberian Peninsula contains a number of known gold deposits situated within two major mineralised zones, namely the Iberian Pyrite belt, which runs along southern Spain and Portugal, and the Iberian Gold Belt which covers northern Spain and Portugal.

The mineralisation in these two zones tends to be refractory and predominantly arsenic, with existing mines producing relatively low value concentrates for sale to overseas roasters rather than high value doré production. The region is reported to have a number of undeveloped resources in the 500,000 to 2 million oz Au range, making them ideally suited for the Albion Process and the standard 50,000 tonnes per annum plant concept developed by the PanTerra Gold Group.

Road transportation routes within Portugal and Spain are extensive and well developed, and being part of the EU there are no cross border restrictions on transport of concentrate, which opens up further opportunity for the development of smaller resources that cannot justify a standalone plant.

The Company has identified opportunities for possible joint ventures with several mining companies holding refractory ore bodies within Portugal and Spain and these are being pursued.

Process Plant for Salave Gold Project, Spain

PanTerra Gold Technologies Pty Ltd (“PGT”), has signed a Co-operation Agreement with TSX-V listed Black Dragon Gold Corp. (“BDG”), acknowledging that:

- BDG’s wholly-owned subsidiary, Exploraciones Mineras del Cantabrico’s (“EMC”) proposes to develop an underground mine at its Salave gold deposit in the autonomous community of Asturias, Spain.
- EMC plans to produce between 50,000tpa and 60,000tpa of refractory concentrate grading approximately 45g/t Au for a minimum of 10 years from an NI43-101 reported resource of 6.822 million tonnes of ore grading 4.51g/t Au (measured and indicated) at a 2.0g/t cut-off.
- PGT proposes to construct and operate an Albion/CIL processing plant in Spain to extract gold in the form of doré bars from the Salave concentrate, with the aim of producing approximately 75,000oz Au per year.

The Co-operation Agreement is non-binding but is a fair reflection of the intentions of both parties.

To advance the processing project, PGT has undertaken the following activities:

- Tested typical concentrate produced from drill cores from Salave at its facilities in the Dominican Republic and recovered +95% of contained gold;
- Established a preliminary design for the proposed processing plant together with estimates of capital and operating costs;

- Signed a Technology Agreement with Glencore Technologies Pty Ltd permitting PGT to utilise Glencore’s patented Albion oxidation process on the Salave concentrate;
- Engaged an experienced Spanish metallurgist as its local Technical Director who is investigating suitable sites for the plant and associated tailings dam.

Both BDG and PGT intend to advance their respective projects as quickly as possible and at the appropriate time may enter into commercial arrangements between the two companies.

POTENTIAL OF ALBION/CIL PROCESS

Despite the disappointing financial performance of the Las Lagunas project due primarily to the poor gold recovery (63%) from the low-grade (10g/t Au) metallurgically complex concentrate that is able to be produced from the refractory tailings, the Company is confident that a clean concentrate from mined sulphide ore will normally have a gold grade in excess of 40g/t with +90% recovery.

This occurs at a Russian mining company’s Albion/CIL plant located in Armenia, and has been replicated on a number of concentrates tested at the Company’s pilot plant in the Dominican Republic.

PanTerra Gold has built up significant intellectual property in relation to the utilisation of the Albion oxidation process and will persevere with its objective of establishing a profitable business based on extraction of gold from refractory ores.