

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 31 DECEMBER 2018

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LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

HIGHLIGHTS FOR THE QUARTER

- Gold production - up 4.7% on previous Quarter
- Sales revenue - up 6% on previous Quarter
- Operating costs - US\$621 per ounce Au equivalent, down 13.8% on previous Quarter
- Doré sales - US\$14.7 million
- Operating costs - US\$7.5 million
- Operating profit for the project - US\$7.2 million

PRODUCTION

	December Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	163,744	164,096	-0.2%	623,618
Average head grade (g/t)				
Gold	4.14	4.05	2.2%	4.08
Silver	41.2	41.7	-1.3%	40.7
Recovery (%)				
Gold	54.0	52.6	2.5%	52.9
Silver	23.5	8.2	188.3%	16.7
Production (oz)				
Gold	11,754	11,226	4.7%	43,243
Silver	50,731	17,667	187.1%	132,932
Sales (oz)				
Gold	11,525	11,233	2.6%	43,039
Silver	47,651	18,341	159.8%	131,380
Sales (US\$m)	14.7	13.9	6.0%	55.7
Sales (A\$m)*	20.5	19.0	8.0%	74.9

* Based on average exchange rate for the Quarter.

Gold production was 4.7% higher than the previous Quarter, and doré sales increased by 6.0% to US\$14.7 million.

OPERATING COSTS

	December Quarter		Previous Quarter	
	US\$ ('000)	US\$/oz (Gold Equiv. Production)	US\$ ('000)	US\$/oz (Gold Equiv. Production)
Tailings Reclaim	252	21	408	36
Processing Consumables	2,026	167	1,996	174
Salaries	1,375	113	1,435	125
Grid Power	2,083	171	2,058	179
Processing Fuel	239	20	217	19
Spares, Repairs & Maintenance	779	64	1,093	95
Site & Camp Costs	360	30	380	33
Office Overheads	142	12	502	44
Insurance	284	23	164	14
TOTAL OPERATING COSTS (C1 Cash Costs)	7,540	621	8,254	720

Notes: Gold equivalent production - 12,169 oz, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US\$7.5 million down 8.6% on previous Quarter.

Operating Costs of US\$621 per ounce Au equivalent production down 13.8% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 12,596 tonnes per week was below the 13,439 tonnes per week target for 2018.

FINANCE**PROJECT LOAN – LAS LAGUNAS**

The secured project loan from ALCIP Capital LLC (“ALCIP”), was paid out on 31 December 2018.

REDEEMABLE PREFERENCE SHARES

The final tranche of unsecured Redeemable Preference Shares (“RPS”) issued to the Central American Mezzanine Infrastructure Fund I (“CAMIF I”) was redeemed on 31 December 2018:

BANRESERVAS

Dominican Government-owned BanReservas provided US\$7.5 million of unsecured loans to the Las Lagunas project. The remaining loan balance as at 31 December 2018 will be repaid in accordance with the following schedule:

	US\$
20 January 2019 (paid)	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 prohibited repayment before 15 July 2019.

CASH POSITION

Available Group funds as at 31 December 2018 were US\$7.7 million (A\$11.0 million).

An additional US\$1.0 million is on deposit with the project’s power supplier as a performance bond and will be returned to the Company on completion of the Las Lagunas project.

US\$1.0 million held in an escrow account with CAMIF as at 31 December 2018 was returned to the Company in January 2019, and used to discharge the Company’s final obligations to CAMIF.

SALE OF PLANT

Plans are being advanced to commence dismantling the plant in January 2020 with major saleable items to be stored in a warehouse at Rio Haina Port in the Dominican Republic.

Some components could be retained for use in future projects, with the balance of the plant and equipment marketed through an experienced North American company which specialises in the sale of mining plants.

A decision on the future of various elements of the plant, and an estimate of realisable values, will be made later this year.

CLAIM AGAINST DOMINICAN GOVERNMENT

The Company will soon submit a formal claim to the Dominican Government for its failure at the commencement of the project, to provide a suitable site for constructing a dam for the storage of tailings from the Las Lagunas Albion/CIL plant after processing. The provision of the dam site was an obligation of the Government under the Special Contract with the company's subsidiary, EnviroGold (Las Lagunas) Limited ("EVGLL").

The inability to construct a new storage dam resulted in the processed tailings having to be re-deposited into the same storage facility from which they were mined, and also prohibited blending of the feed to the process plant, which resulted in additional direct costs and inefficiencies in the operation of the plant.

The claim is being prepared with the assistance of independent consultants as it will probably result in a formal dispute with the Government and subsequent arbitration in Washington DC under the rules of the ICSID.

The claim is expected to be for approximately US\$12 million, and to be submitted in February/March 2019.

This is approximately half of the amount previously advised to the ASX on 24 May 2018, and to the Government around the same time.

DISRUPTION

On 8 January 2019, the Company advised the ASX that one of six Albion reactors (tanks) had ruptured and was being dismantled and removed from site.

Following inspections of the remaining tanks by structural engineers, the Company has reinforced several tanks with vertical support columns and horizontal bands to ensure their integrity through to completion of the project, now scheduled for end of October 2019.

As a consequence, doré shipments to the gold refinery in Switzerland will be suspended for three weeks.

The impact on operating with five reactors is expected to be minimal, so the ruptured tank will not be replaced.

BUSINESS DEVELOPMENT

CHINA

The Company has broadened its discussions with suitable potential partners in China that are showing serious interest in jointly constructing a 70,000 tpa Albion/CIL processing plant based on supply of refractory concentrate from the prospective partner.

Metallurgical testwork on concentrates that could be supplied on a long-term basis by two, separate, major gold mining companies has recently been completed by PanTerra Gold at its laboratory in the Dominican Republic. Head grade of the concentrates tested ranged from 35 g/t Au to 40 g/t Au with resultant gold recoveries from an Albion/CIL plant expected to be approximately 95%.

The Company has completed Preliminary Economic Assessments for the two potential projects with similar robust results and submitted formal joint venture proposals to the two Chinese groups.

Meetings in February/March 2019 are expected to advance negotiations.

The Company's proposed 49% equity investment in each project is expected to be approximately US\$6.0 million if they proceed, with both projects having an NPV of approximately US\$45 million (NPV to PanTerra Gold– US\$22 million) based on a US\$1200/oz gold price, a 10% discount rate, and a minimum project life of 10 years.

These are relatively small projects but are intended to become the foundations for a serious and profitable business in China where the opportunities to treat refractory concentrate are significant, particularly those with high arsenic content which can be neutralised by the Albion process.

PanTerra Gold Technologies Pty Ltd ("PGT") has an agreement with Glencore Technology, the holder of patents for the Albion oxidation process, which grants PGT and its nominated partners, exclusive rights to utilise the technology in China for a minimum period of 10 years.

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 of the proposed joint venture agreement by the Cuban Government's Committee for Foreign Investment. 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 (>50,000m) 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.

If the project proceeds, major components of PanTerra Gold Group's existing 200,000 tpa Albion/CIL processing plant in the Dominican Republic may be able to be relocated to La Demajagua after it becomes redundant in Q4 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. Relocation of the equipment will only be a viable proposition if the predevelopment activities for the La Demajagua project can proceed expeditiously.

A draft Joint Venture Agreement has been received and responded to, and meetings in Havana in early February 2019 are aimed at resolving a number of issues arising from GeoMinera's first draft.

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

Despite the positive PEA the project will be difficult to structure, with US sanctions limiting the availability of project financing and the equity contribution by GeoMinera being limited to the value of the ore body.

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 has been 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 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 accumulated significant intellectual property in relation to the utilisation of the Albion oxidation process and will continue with its objective of establishing a profitable business based on extraction of gold from refractory ores.