



# ASX Announcement

## PanTerra Gold Limited

### Appendix 4E

### Unaudited Preliminary Final Report

**ASX: PGI**

#### REPORTING PERIOD:

Current period: Year ended 31 December 2018

Previous Period: Year ended 31 December 2017

*Expressed in United States dollars unless otherwise stated*

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET:

	Consolidated Year ended 31 Dec 2018 US\$	Consolidated Year ended 31 Dec 2017 US\$	Percentage increase/ (decrease)
Revenues from ordinary activities	55,508,622	54,267,192	2.3%
Loss from ordinary activities after tax attributable to the owners of PanTerra Gold Limited	(8,915,516)	(9,992,539)	(10.8%)
Net Loss for the year attributable to the owners of PanTerra Gold Limited	(8,702,762)	(10,185,201)	(14.6%)
EBITDA	16,465,895	16,445,818	0.1%
<b>NET TANGIBLE ASSETS</b>			
Net tangible assets per ordinary share	(0.004)	0.03	(115%)
<b>EARNINGS PER SHARE</b>			
Basic profit / (loss) cents per share	(6.41)	(7.79)	(17.7%)
Diluted loss cents per share	(6.41)	(7.79)	(17.7%)

**ABN: 48 008 031 034**

*Registered Office:*

55 Kirkham Road  
Bowral NSW 2576 Australia  
PO Box 846  
Bowral NSW 2576 Australia  
T: +61 2 4861 1740  
Email: admin@panterragold.com

*Project Office:*

DOMINICAN REPUBLIC  
Calle Mayaguano No. 2  
Los Cacicazgos,  
Santo Domingo,  
Distrito Nacional  
T: +1 809 482 0876

**ABBREVIATED EXPLANATION OF RESULTS:****PRODUCTION TRENDS**

Gold production at the Las Lagunas Gold tailings project in the Dominican Republic was consistent for Q2, Q3 and Q4 at an average of 11,740 oz Au per Quarter.

The production in Q1 was lower at 8,833 oz Au due to dredges operating in an area of consolidated material at the base of the stored tailings and delivering 20% less feed to the process plant.

The average head grade of reclaimed tailings was also lower in the first Quarter at 3.85 g/t. The average head grade was 4.11 g/t Au for the last three Quarters.

Going forward in 2019, gold production is expected to be 5,274 oz Au in Q1 due to a rupture to one of the Albion reactors on 7 January 2019, which resulted in plant closure for four weeks while the tank was being removed, and reduced throughput thereafter.

Production for Q2 and Q3 is expected to be around 8,200oz Au for each Quarter.

Production in Q4 2019 is not able to be forecast accurately due to the uncertainty as to whether the tailings reprocessing will be completed in October or November 2019.

An unexpected cost of approximately US\$650,000 was incurred during January and February 2019 in removing the ruptured tank and relining and strengthening the remaining five Albion reactors.

**IMPAIRMENT**

The Company has had reasonable expectations in the past that major components of its Albion/CIL process plant at Las Lagunas could be dismantled after the project is completed in late 2019 and relocated to another project.

However, the possibility of this occurring is now less likely and as a consequence, the Company has taken the decision to reduce the carrying value of the Las Lagunas process plant and spares to that nominated by an experienced, qualified and independent valuer for the orderly liquidation of the various items of equipment during 2020.

The total realisable value of the plant and equipment, and spares, has been written down to a total of US\$4,822,000, at liquidation values nominated by the valuer, less allowances for dismantling, sales commissions where applicable, and a possible export tax that may be levied by Dominican tax authorities on sales to foreign entities, which resulted in US\$11,776,780 of accelerated depreciation.

Whereas there are reasonable prospects to increase the end value of the various components of the Las Lagunas plant as referred to in FUTURE ACTIVITIES, it is prudent that at this time such expectations not be taken into account.

The NPV for the Las Lagunas project as at 31 December 2018 of US\$6,373,000 takes into account the above net plant valuations, and forecast income and costs through to 31 December 2020.

## FUTURE ACTIVITIES

### China

The Company has been invited separately by two major listed Chinese gold mining companies to present proposals to establish joint ventures for the development and operation of 75,000tpa Albion/CIL plants to treat refractory concentrates supplied by the respective mining companies.

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, from mid-2018.

Metallurgical testwork on concentrates that could be supplied on a long-term basis by the two mining companies has recently been completed by PGT at its laboratory in the Dominican Republic. Head grade of the concentrates tested ranged from 35 g/t Au to 40 g/t Au. The test work has indicated gold recoveries from these concentrates by an Albion/CIL plant can be expected to be approximately 95%.

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

The budgeted capital cost for each of the two Projects has been estimated to be US\$42 million and US\$50 million, including feasibility studies, turnkey design and construction costs, project management, interest during construction, and a 10% contingency. The capital cost and operating costs for the two proposed projects are influenced by the respective feed concentrate’s oxidation requirements.

Annual gold production will be dependent upon the concentrate head grade. Based on each process plant treating 75,000tpa, at the concentrate head grades nominated by the mining companies (and as tested), annual gold production is anticipated to be approximately 83,000 oz and 92,000 oz, respectively.

The Company’s 49% equity investment in each project is anticipated to be approximately US\$6.0 million, with the two projects having NPVs of greater than US\$50 million each (i.e. PanTerra Gold NPVs greater than US\$25 million per project), based on a US\$1250/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 foundation for a 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.

If either of the two projects proceeds, PGT will establish an office in China to provide technical support for the operation(s).

PGT has also proposed that it transfers from Las Lagunas, the oxygen plant, ultrafine grinding mill (IsaMill), cooling tower, and associated spares, to one of the projects.

Because these units have excess capacity to that required for 75,000tpa concentrate throughput, the installed Albion/CIL plant could be doubled in size at a relatively low cost at some time in the future.

## Cuba

PGT 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 arsenopyrite refractory gold deposit on the Isle of Youth in Southwest Cuba.

PGT'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.

A draft Joint Venture Agreement has been received and responded to, and meetings in Havana in early February 2019 resolved the majority of issues arising from GeoMinera's first draft.

It is anticipated the Agreement will be successfully concluded and signed in April or May 2019 and a newly incorporated Joint Venture Company registered within a further three to four months.

Following registration, PGT will manage a Preliminary Feasibility Study for the project which is expected to be completed around March 2020.

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, some mechanical and electrical equipment, spares, steel structures, and mobile equipment from PGT's existing Albion/CIL processing plant in the Dominican Republic could be relocated to La Demajagua after it becomes redundant in Q4 2019, and incorporated in a plant designed to treat 75,000 tpa of concentrate and produce approximately 82,000 oz Au equivalent per year.

These items will be stored in a secure warehouse near Haina port in the Dominican Republic after dismantling in the first half of 2020 and either transferred to La Demajagua around mid-2021 if the project proceeds, or sold. The items that may go to Cuba do not include the oxygen plant, IsaMill, or cooling tower, which are more likely to be transferred to a project in China.

PGT 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.

Under the joint venture agreement, the Cuban Government mining company will only contribute the value of its gold deposit, and PanTerra Gold, as the foreign partner, must provide pro rata equity (49%:51%) but must also arrange or provide substantial unsecured loans to the proposed joint venture for the balance of the development costs.

PanTerra Gold has received an indication of support for a project loan from a Russian Investment Bank which would wish to see involvement by a Russian investor in the project.

As a consequence, it is probable PanTerra Gold will seek to reduce its interest in the La Demajagua project to around 25% and will likely invite the participation of a Russian gold mining company or investor once the PFS has been completed.

**FINANCING**

On 31 December 2018, the final instalment of the secured Las Lagunas project loan was repaid to ALCIP Capital LLC (“ALCIP”). On the same date, the last of the outstanding Redeemable Preference Shares issued to ALCIP’s associate, the Central American Mezzanine Infrastructure Fund (“CAMIF”) in August 2013, were redeemed. A subsidiary, PanTerra Gold Technologies Pty Ltd, has ongoing obligations to ALCIP to pay a quarterly royalty equal to 3% of net precious metals sales from the Las Lagunas project until the end of gold production in October/November 2019. Another subsidiary, EnviroGold (Las Lagunas) Limited (“EVGLL”), has an obligation to pay ALCIP a Price Participation fee equal to approximately 2.75% of net gold sales from the Las Lagunas project until the end of gold production in October/November 2019.

EVGLL has an unsecured loan balance of US\$2.0 million from the Dominican Government-owned Bank, BanReservas, due for repayment in July 2019.

EVGLL also owes a number of shareholders a total of A\$3.2 million which is due for repayment in July 2019.

**GOVERNMENT PROFIT SHARE**

Under the terms of the Special Contract between EnviroGold (Las Lagunas) Limited (“EVGLL”) and the Dominican Republic Government (“Dominican Government”), EVGLL is required to make profit share payments (known as PUN payments) to the Dominican Government, once the cumulative cash flow from the operations at the Las Lagunas Gold Tailings project, for the first time exceeds the Recovery Amount. The Recovery Amount is defined as the total of the amounts invested by EVGLL to execute the Project. These amounts include the disbursements for capital equipment, development costs, and an initial contribution of working capital of \$1,000,000. The amounts invested do not include interest paid or debt services, or engineering, project management and construction management provided by EVGLL’s parent company.

The cumulative cash flows from operations first exceeded the Recovery Amount during 2018. Therefore, a PUN payment of US\$2,250,044 has been calculated and accrued for payment as at the reporting date. The payment is due to be made to the Dominican Government in April 2019.

**CLAIM AGAINST DOMINICAN GOVERNMENT**

The Company will submit a formal claim for damages to the Dominican Government in March or April 2019 resulting from its failure at the commencement of the project to provide a suitable site for construction of 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 in its final stage of preparation by independent consultants, and is expected to be for approximately US\$15 million to the end of 2018. It is anticipated the claim will probably result in a formal dispute with the Government and subsequent arbitration in Washington DC under the rules of the International Centre for Settlement of Investment Disputes to which the Government is a signatory.

**DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE YEAR**

During the year no subsidiaries were liquidated or sold.

A new wholly-owned subsidiary, PanTerra Gold Investments Limited, was incorporated in the Cayman Islands in November 2018 to act as the possible 49% shareholder in the Cuban joint venture company that may be registered in Cuba to undertake the La Demajagua gold project.

**DIVIDENDS**

No dividends were declared or paid for the year ended 31 December 2018 (2017:\$Nil).

**STATUS OF AUDIT**

The financial statements are unaudited and are currently in the process of being audited by BDO East Coast Partnership. It is expected that the audit opinion when completed will contain an emphasis of matter in relation to going concern as the future of the Company will be dependent on establishing new projects following completion of the Las Lagunas operations in October/November 2019, and on the net amount received from the orderly liquidation of various items of plant and equipment from this project, or credited as equity by their transfer to new projects, and the amount that may be received from the Claim against the Dominican Government.

**OTHER INFORMATION REQUIRED BY LISTING RULE 4.3A**

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying Preliminary Financial Statements.

**End**

# **PANTERRA GOLD LIMITED**

ABN: 48 008 031 034

## **UNAUDITED PRELIMINARY FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 US\$	Year ended 31 December 2017 US\$
Revenue	2	55,508,622	54,267,192
Other Income	3	(726,994)	278,514
Changes in inventories		(484,193)	108,744
Mining and mill feed costs		(1,628,759)	(1,480,686)
Consumables		(8,840,527)	(8,969,275)
Grid power		(7,620,093)	(6,724,780)
Equipment spares and maintenance		(4,097,118)	(4,681,563)
Written off spares		(1,523,427)	(992,856)
Direct labour costs		(5,382,055)	(5,659,005)
Site and camp costs		(1,619,733)	(2,130,673)
Royalties		(1,991,053)	(1,733,361)
Employee benefits – other than direct	4	(1,170,693)	(1,452,981)
Insurance costs		(803,967)	(986,723)
Occupancy costs		(124,290)	(102,389)
Legal and professional costs		(410,747)	(473,277)
Exploration and evaluation activities		(450,556)	(26,671)
Depreciation and amortisation expense	15 & 16	(9,181,274)	(15,377,087)
Finance costs	6	(2,173,316)	(4,510,845)
Impairment	5	(11,776,780)	(6,351,911)
Foreign exchange loss		(100,884)	(54,340)
Written off exploration costs		-	(144,174)
Loss on scrapped assets		-	(820,099)
Loss on Investments		(220,204)	(306,687)
Government profit share	7	(2,250,041)	-
Other expenses		(1,847,434)	(1,667,606)
<b>Profit / (Loss) before income tax expense</b>		<b>(8,915,516)</b>	<b>(9,992,539)</b>
Income tax expense	8	-	-
<b>Profit / (Loss) after income tax</b>		<b>(8,915,516)</b>	<b>(9,992,539)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation movement (net of income tax)		212,754	(192,662)
<b>Total other comprehensive income net of tax for the year</b>		<b>212,754</b>	<b>(192,662)</b>
<b>Total comprehensive income for the year</b>		<b>(8,702,762)</b>	<b>(10,185,201)</b>
Attributable to:			
Owners of the Parent Entity		(8,702,762)	(10,185,201)
<b>Total comprehensive income for the year</b>		<b>(8,702,762)</b>	<b>(10,185,201)</b>

## Earnings / (Loss) per share for the year attributable to the members of PanTerra Gold Ltd

Basic earnings / (loss) per share (cents per share)	(6.41)	(7.79)
Diluted earnings / (loss) per share (cents per share)	(6.41)	(7.79)

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

AT 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	7,777,792	4,150,990
Trade and other receivables	10	1,355,402	1,393,301
Prepayments and deposits	11	1,392,718	350,654
Inventories	12	1,987,411	4,299,257
<b>TOTAL CURRENT ASSETS</b>		<b>12,513,323</b>	<b>10,194,202</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	14	1,000,000	2,000,000
Property, plant and equipment	15	4,907,515	23,341,000
Intangible assets	16	5,217,501	7,353,031
Investments	17	228,443	481,952
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,353,459</b>	<b>33,175,983</b>
<b>TOTAL ASSETS</b>		<b>23,866,782</b>	<b>43,370,185</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	9,749,178	6,866,506
Employee benefits and provisions	19	1,581,391	308,138
Borrowings	20	7,676,538	13,547,477
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,007,107</b>	<b>20,722,121</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		-	850,000
Employee benefits and provisions	21	571,498	1,649,804
Borrowings	22	-	8,513,238
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>571,498</b>	<b>11,013,042</b>
<b>TOTAL LIABILITIES</b>		<b>19,578,605</b>	<b>31,735,163</b>
<b>NET ASSETS</b>		<b>4,288,177</b>	<b>11,635,022</b>
<b>EQUITY</b>			
Contributed equity	23	79,754,021	78,406,299
Reserves		(2,464,566)	(2,685,515)
Accumulated losses		(73,001,278)	(64,085,762)
<b>TOTAL EQUITY</b>		<b>4,288,177</b>	<b>11,635,022</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Ordinary Shares US\$	Equity Reserve US\$	Options Reserve US\$	Performance Rights Reserve US\$	Foreign Currency Translation Reserve US\$	Accumulated Losses US\$	Total US\$
<b>Balance as at 1 January 2017</b>	<b>78,406,299</b>	<b>(11,773,880)</b>	<b>3,920,449</b>	<b>1,346,900</b>	<b>3,981,810</b>	<b>(54,093,223)</b>	<b>21,788,355</b>
Loss for the year	-	-	-	-	-	(9,992,539)	(9,992,539)
Other comprehensive income	-	-	-	-	(192,662)	-	(192,662)
<b>Total comprehensive income for the year</b>	-	-	-	-	(192,662)	(9,992,539)	(10,185,201)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued	-	-	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-	-	-
Share based payment	-	-	-	31,868	-	-	31,868
<b>Balance as at 31 December 2017</b>	<b>78,406,299</b>	<b>(11,773,880)</b>	<b>3,920,449</b>	<b>1,378,768</b>	<b>3,789,148</b>	<b>(64,085,762)</b>	<b>11,635,022</b>

	Ordinary Shares US\$	Equity Reserve US\$	Options Reserve US\$	Performance Rights Reserve US\$	Foreign Currency Translation Reserve US\$	Accumulated Losses US\$	Total US\$
<b>Balance as at 1 January 2018</b>	<b>78,406,299</b>	<b>(11,773,880)</b>	<b>3,920,449</b>	<b>1,378,768</b>	<b>3,789,148</b>	<b>(64,085,762)</b>	<b>11,635,022</b>
Loss for the year	-	-	-	-	-	(8,915,516)	(8,915,516)
Other comprehensive income	-	-	-	-	212,754	-	212,754
<b>Total comprehensive income for the year</b>	-	-	-	-	212,754	(8,915,516)	(8,702,762)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued	1,458,102	-	-	-	-	-	1,458,102
Transaction costs on share issue	(110,380)	-	-	-	-	-	(110,380)
Share based payment	-	-	-	8,195	-	-	8,195
<b>Balance as at 31 December 2018</b>	<b>79,754,021</b>	<b>(11,773,880)</b>	<b>3,920,449</b>	<b>1,386,963</b>	<b>4,001,902</b>	<b>(73,001,278)</b>	<b>4,288,177</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018	Year ended 31 December 2017
Note	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	55,406,279	53,092,329
Receipts from insurance claims	230,993	-
Payments to suppliers and employees	(36,884,971)	(35,271,541)
Payments for Projects, exploration and evaluation activities	(450,556)	(808,957)
Interest received	21,974	13,233
Interest paid	(4,584,467)	(5,545,538)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,739,252</b>	<b>11,479,526</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(389,039)	(2,460,186)
Proceeds from sale of property, plant and equipment	274	-
Other financial assets	-	(2,000,000)
Purchase of investments	-	(788,639)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(388,765)</b>	<b>(5,248,825)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,458,102	-
Payment of share issue costs	(110,380)	-
Repayment of borrowings	(11,071,407)	(7,536,989)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9,723,685)</b>	<b>(7,536,989)</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>3,626,802</b>	<b>(1,306,288)</b>
Cash at the beginning of the financial year	4,150,990	5,457,278
<b>CASH AT THE END OF FINANCIAL YEAR</b>	<b>7,777,792</b>	<b>4,150,990</b>

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

# NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements for the Consolidated Group consisting of PanTerra Gold Limited and its subsidiaries for the year ended 31 December 2018.

#### (a) Reporting Entity

PanTerra Gold Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity. The address of the Company's registered office is 55 Kirkham Road, Bowral, NSW, Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Group" and individually as "Group Entities"). The financial report is presented in US dollars, which is the Consolidated Group's functional and presentational currency.

### 2. REVENUE

	2018 US\$	2017 US\$
<b>Revenue from continuing operations</b>		
<i>Sales revenue</i>		
Sales of gold	53,838,113	51,989,971
Sales of silver	2,054,766	2,580,903
Less: Refinery and freight costs	(406,231)	(316,914)
	<u>55,486,648</u>	<u>54,253,960</u>
<i>Other revenue</i>		
Interest received	21,974	13,232
	<u>55,508,622</u>	<u>54,267,192</u>

### 3. OTHER INCOME

	2018 US\$	2017 US\$
Net gain / (loss) on adjustment to carrying amount of financial liability	(840,012)	(124,982)
Other	1,432	37,181
Proceeds from sales of assets	274	-
Insurance claim received	111,312	366,315
	<u>(726,994)</u>	<u>278,514</u>

### 4. PROFIT / (LOSS) BEFORE TAX

Profit / (Loss) includes:

	2018 US\$	2017 US\$
Employee costs - salaries	1,043,551	1,245,792
Employee costs – superannuation	68,722	83,232
Employee costs – other	38,079	72,844
Payroll tax	12,146	19,245
Equity settled share-based payments	8,195	31,868
	<u>1,170,693</u>	<u>1,452,981</u>

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. IMPAIRMENT OF ASSETS**

	2018 US\$	2017 US\$
<b>Impairment</b>		
Intangibles	-	2,025,588
Mine, buildings and plant	11,776,780	4,326,323
	<b>11,776,780</b>	<b>6,351,911</b>

**6. FINANCE COSTS**

	2018 US\$	2017 US\$
Interest on loan borrowings	1,261,481	2,889,511
Interest on letter of credit facility	-	31,079
Other borrowing costs	911,835	1,590,180
Finance lease costs	-	76
	<b>2,173,316</b>	<b>4,510,845</b>

**7. GOVERNMENT PROFIT SHARE**

Under the terms of the Special Contract between EnviroGold (Las Lagunas) Limited ("EVGLL") and the Dominican Republic Government ("DR Government"), EVGLL is required to make profit share payments (known as PUN payments) to the DR Government, once the cumulative cash flow from the operations at the Las Lagunas Gold Tailings project, for the first time exceeds the Recovery Amount. The Recovery Amount is defined as the total of the amounts invested by EVGLL to execute the Project until the beginning of the Operations Period. These amounts include the disbursements for capital equipment, development costs, payment of benefits and an initial contribution of working capital of \$1,000,000. The amounts invested do not include interest paid or debt services, or engineering, project management and construction management provided by EVGLL's parent company.

The cumulative cash flows from operations first exceeded the Recovery Amount during 2018. Therefore, a PUN payment has been calculated and accrued for payment as at the reporting date. The payment is due to be made to the DR Government in April 2019.

Details of the DR Government profit share PUN payment are as follows:

	2018 US\$	2017 US\$
Recovery Amount	63,164,274	-
Cumulative cash flow as at 31 December 2018	72,164,437	-
Net cumulative cash flow subject to PUN	9,000,163	-
PUN Payment @ 25%	<b>2,250,041</b>	-

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. INCOME TAX**

Numerical reconciliation of income tax expense to prima facie tax payable

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Profit/(loss) before income tax	(8,915,516)	(7,680,042)
Tax at the Australian tax rate of 30% (2016 - 30%)	(2,674,655)	(2,304,013)
Tax effect of amounts which are not deductible in calculating taxable income	-	-
Tax losses not brought to account	2,674,655	2,304,013
Income tax expense	-	-

**9. CASH AND CASH EQUIVALENTS**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank and on hand	7,739,115	4,105,080
Cash on deposit	38,677	45,910
	<b>7,777,792</b>	<b>4,150,990</b>

**10. TRADE AND OTHER RECEIVABLES (CURRENT)**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Trade receivables	1,355,402	1,393,301
Other receivables	-	-
	<b>1,355,402</b>	<b>1,393,301</b>

**11. PREPAYMENTS AND DEPOSITS (CURRENT)**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Prepayments and bonds	392,718	350,654
Term deposit	1,000,000	-
	<b>1,392,718</b>	<b>350,654</b>

**12. INVENTORIES**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Metal on hand and in circuit	620,389	1,104,582
Processing consumables	1,255,022	1,505,555
Maintenance spares	112,000	1,689,120
	<b>1,987,411</b>	<b>4,299,257</b>

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
FOR THE YEAR ENDED 31 DECEMBER 2018

**13. SUBSIDIARIES**

Name	Country of Incorporation	Percentage of equity interest held by the Consolidated Group	
		2018 %	2017 %
PanTerra Gold Technologies Pty Ltd	Australia	100	100
EnviroGold (Las Lagunas) Limited <sup>(1)</sup>	Vanuatu	100	100
PanTerra Gold Investments Limited <sup>(1)</sup>	Cayman Islands	100	-
PanTerra Mining Finance Inc.	BVI	100	100
PanTerra Gold Inc.	BVI	100	100
PanTerra Gold Investments Limited <sup>(2) &amp; (4)</sup>	BVI	100	100
PanTerra Gold (Dominicana) S.A. <sup>50% (2) &amp; 50% (3)</sup>	Dominican Republic	100	100
PanTerra Gold (Peru) S.A. <sup>(3)</sup>	Peru	100	100

(1) Investment held by PanTerra Gold Technologies Pty Ltd

(2) Investment held by PanTerra Gold Inc.

(3) Investment held by PanTerra Gold Investments Limited (BVI)

(4) Name changed from PanTerra Gold (Latin America) Inc. to PanTerra Gold Investments Limited (BVI)

**14. DEPOSITS (NON-CURRENT)**

		2018 US\$	2017 US\$
Term Deposits		-	1,000,000
Utility Deposit	(i)	1,000,000	1,000,000
		<b>1,000,000</b>	<b>2,000,000</b>

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

**15. PROPERTY, PLANT & EQUIPMENT**

2018	Mine Buildings and Plant US\$	Leasehold Improvements US\$	Plant & Equipment US\$	Total US\$
<b>Cost</b>				
Balance 31 December 2017	67,124,823	-	9,864,189	76,989,012
Additions	387,188	-	1,915	389,103
Sale or Disposal	-	-	(2,063)	(2,063)
Revaluation adjustment	(61,181,745)	-	(8,607,991)	(69,789,736)
Balance 31 December 2018	6,330,266	-	1,256,050	7,586,316
<b>Accumulated Depreciation</b>				
Balance 31 December 2017	(37,430,701)	-	(8,135,760)	(45,566,461)
Depreciation expense	(5,543,355)	-	(1,502,389)	(7,045,744)
Sale or Disposal	-	-	1,999	1,999
Revaluation adjustment	41,327,679	-	8,603,726	49,931,405
Balance 31 December 2018	(1,646,377)	-	(1,032,424)	(2,678,801)
<b>Impairment</b>				
Balance 31 December 2017	(8,081,551)	-	-	(8,081,551)
Revaluation adjustment	8,081,551	-	-	8,081,551
Balance 31 December 2018	-	-	-	-
<b>Carrying Value 31 December 2018</b>	<b>4,683,889</b>	<b>-</b>	<b>223,626</b>	<b>4,907,515</b>

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
FOR THE YEAR ENDED 31 DECEMBER 2018

**15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)**

2017	Mine Buildings and Plant US\$	Leasehold Improvements US\$	Plant & Equipment US\$	Total US\$
<b>Cost</b>				
Balance 31 December 2016	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
<b>Accumulated Depreciation</b>				
Balance 31 December 2016	(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)
<b>Impairment</b>				
Balance 31 December 2016	(3,755,228)	-	-	(3,755,228)
Impairment	18 (4,326,323)	-	-	(4,326,323)
Balance 31 December 2017	(8,081,551)	-	-	(8,081,551)
<b>Carrying Value 31 December 2017</b>	<b>21,612,571</b>	<b>-</b>	<b>1,728,429</b>	<b>23,341,000</b>

**16. INTANGIBLE ASSETS**

	2018 US\$	2017 US\$
<b>(a) Development costs</b>		
<b>Las Lagunas project (Dominican Republic)</b>		
Balance at the beginning of the year	7,353,031	14,904,851
Amortisation expense	(2,135,530)	(5,526,233)
Impairment	-	(2,025,588)
Closing balance	5,217,501	7,353,031
<b>(b) Exploration and evaluation costs</b>		
Balance at the beginning of the year	-	133,471
Current year costs	-	10,703
impairment	-	(144,174)
Closing balance	-	-
<b>Total intangible assets</b>	<b>5,217,501</b>	<b>7,353,031</b>

**17. INVESTMENTS**

	2018 US\$	2017 US\$
Shares Black Dragon Gold Corp	228,443	481,952
	<b>228,443</b>	<b>481,952</b>

The Group subscribed for 11,000,000 shares in TSX Listed Black Dragon Gold Corp to assist in funding exploration of a Spanish gold prospect of interest to the company. The shares are shown at fair value through the profit or loss. Unlisted warrants attached to the shares have been valued and determined to be immaterial.



**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
FOR THE YEAR ENDED 31 DECEMBER 2018

**18. TRADE & OTHER PAYABLES**

	Note	2018 US\$	2017 US\$
Current			
Trade creditors			
Other corporations		2,934,796	3,609,659
Director related entities		49,714	46,591
Accruals	(i)	6,764,668	3,210,256
		<b>9,749,178</b>	<b>6,866,506</b>
(i) Current Accruals includes US\$2,250,041 for accrued DR Government profit share (PUN) which is payable in April 2019.			
Non-Current			
Accrued Royalty		-	850,000

**19. PROVISIONS (CURRENT)**

	2018 US\$	2017 US\$
Employee benefits (expected to be settled within 12 months)	1,581,391	308,138

**20. BORROWINGS (CURRENT)**

	Note	2018 US\$	2017 US\$
ALCIP Capital facility loan	(i)	1,676,234	5,658,457
BanReservas	(ii)	3,750,000	2,750,000
CAMIF redeemable preference shares		-	5,139,020
Shareholder Loans (due 15 July 2019)		2,250,304	-
		<b>7,676,538</b>	<b>13,547,477</b>

- (i) The final instalment of the ALCIP Capital loan facility was paid on 31 December 2018. The remaining liability of US\$1,676,234 represents the estimated NPV amount of the remaining royalties and Price Participation, payable to ALCIP until the end of the Las Lagunas project.
- (ii) A repayment of US\$1,750,000 was paid to BanReservas on 15 January 2019, leaving a balance payable as at the date of this report of US\$2,000,000.

**21. PROVISIONS (NON-CURRENT)**

	2018 US\$	2017 US\$
Site restoration and rehabilitation	297,830	277,290
Employee benefits	273,668	1,372,514
	<b>571,498</b>	<b>1,649,804</b>
<b>Movements of restoration provision:</b>		
Carrying amount at the start of the year	277,290	256,750
Provisions recognised during the year	20,540	20,540
Carrying amount at the end of the year	<b>297,830</b>	<b>277,290</b>

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
FOR THE YEAR ENDED 31 DECEMBER 2018

**22. BORROWINGS (NON-CURRENT)**

	Note	2018 US\$	2017 US\$
ALCIP Capital facility loan		-	1,192,246
BanReservas project loan		-	3,750,000
Shareholder Loans (due 15 July 2019)		-	2,497,568
CAMIF redeemable preference shares		-	1,073,424
		-	<b>8,513,238</b>

**23. CONTRIBUTED EQUITY**

	Note	2018 US\$	2017 US\$
<b>Issued and paid up capital</b>			
Ordinary shares fully paid		79,754,018	78,406,296
Preference shares fully paid		3	3
		<b>79,754,021</b>	<b>78,406,299</b>

Movements in ordinary shares on issue	2018	
	Number	US\$
Balance 31 December 2017	128,829,011	78,406,296
Vesting of performance share rights approved by shareholders 30 November 2010	1,033,334	-
Rights issue allotments	81,038,844	1,458,087
Exercise listed Options at AUD 15 cents	137	15
Capital raising costs	-	(110,380)
<b>Balance 31 December 2018</b>	<b>210,901,326</b>	<b>79,754,018</b>

Movements in ordinary shares on issue	2017	
	Number	US\$
Balance 31 December 2016	127,755,677	78,406,296
Vesting of performance share rights approved by shareholders 30 November 2010	1,073,334	-
<b>Balance 31 December 2017</b>	<b>128,829,011</b>	<b>78,406,296</b>

*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 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.

The five non-redeemable preference shares were issued to Balmoral Corporation Limited following approval by the members of an ultimately failed merger proposal. The dividend on these shares is 5% per annum and is cumulative.

**NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>Movements in options</b>	<b>Listed Options</b>	<b>Unlisted Options</b>	<b>Total</b>	<b>Weighted Average Exercise Price</b>	<b>Range of Exercise Price (A\$)</b>	<b>Weighted Average Days to Maturity</b>
Balance at the beginning of the year	77,092,133	1,500,000	78,592,133	<b>0.1595</b>	<b>0.15</b>	<b>358</b>
Options exercised	(137)		(137)	0.15		
Options expired	(77,091,996)	(1,500,000)	(78,591,996)			
<b>Balance at end of year</b>	-	-	-			

All listed and unlisted options were expired at the end of the reporting period.