PanTerra Gold Limited

ABN 48 008 031 034

2018
ANNUAL REPORT

ANNUAL REPORT
PANTERRA GOLD LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

CORPORATE DIRECTORY

Directors	Brian Johnson *Chairman & Chief Executive Officer* James Tyers *Executive Director* Ugo Cario *Non Executive Director* Angela Pankhurst *Non Executive Director*
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 Limited GPO Box 2975 Melbourne VIC 3001 Australia Phone: 1300 365 161
Auditor	BDO East Coast Partnership Level 11, 1 Margaret Street Sydney NSW 2000 Australia
Solicitors	Corrs Chambers Westgarth Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia
Bankers	National Australia Bank 93 Main Street Mittagong NSW 2575
Stock exchange listing	PanTerra Gold Limited shares are listed on the Australian Securities Exchange (Code: PGI – ordinary shares)
Website address	www.panterragold.com

PanTerra Gold Limited

ABN: 48 008 031 034

Registered Office:
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CHAIRMAN'S LETTER

Dear Shareholder

This Report covers the activities of PanTerra Gold Limited and its subsidiaries during the 12 month period to 31 December 2018.

Gold production for the year from the Company's Las Lagunas project in the Dominican Republic was 43,243 oz and the Operating Profit from the project was US$20.0 million.

After general overheads, depreciation and amortisation, an allowance of US$2.2 million for the Dominican Republic Government profit share, financing costs, and impairment of US$11.8 million, the Group Consolidated Loss was US$8.9 million

Despite the financial difficulties encountered in reprocessing the metallurgically complex Las Lagunas gold tailings, the Company's senior management remain confident of the potential to successfully apply the Albion process to oxidise concentrate produced from the mining of clean refractory ores.

As a result of its experience with the Las Lagunas project, the Company has gained considerable Intellectual Property in the design, construction and operation of the Albion/CIL process that it may be able to apply to new projects. The Company intends to capitalise on this proven expertise by progressing a number of opportunities it has been pursuing in China and Cuba. On completion of the Las Lagunas project, the surplus plant will either be sold or relocated to these projects if this becomes possible within a reasonable timeframe.

The following Operations Report, which includes notes on finance and future activities, provides Shareholders with an overview of the Group's prospects.

Yours sincerely

Brian Johnson
Chairman & Chief Executive Officer
29 March 2019

OPERATIONS – LAS LAGUNAS

Gold production of 43,243 oz for the period increased by 0.6% from 2017, with sales revenue from gold and silver increasing by 2.3% from US$54.3 million to US$55.5 million.

Las Lagunas Operations	2018	2017	Variance
Plant Feed (tonnes)	623,618	667,910	-6.6%
Avg Head Grade g/t Au	4.08	3.89	4.9%
Production			
oz Au	43,243	42,998	0.6%
oz Ag	132,932	153,713	-13.5%
Sales Revenue US$ million	55.5	54.3	2.3%
Operating Costs US$ million	35.5	34.3	3.5%
Operating Profit US$ million	20.0	18.5	8.1%

ACCELERATED DEPRECIATION OF PLANT AND EQUIPMENT

The Company has had reasonable expectations in the past that 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.

As a consequence, the total realisable value of the plant and equipment, and spares at Las Lagunas, has been written down to a total of US$4,822,040, based on the 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. This has resulted in US$11.8 million of impairment in 2018.

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.

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 ("PGT"), 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 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 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.

PanTerra Gold Limited ("PGL") owes a number of shareholders a total of A$3.2 million which is also 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 project exceeds the Recovery Amount for the first time. 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, PGT.

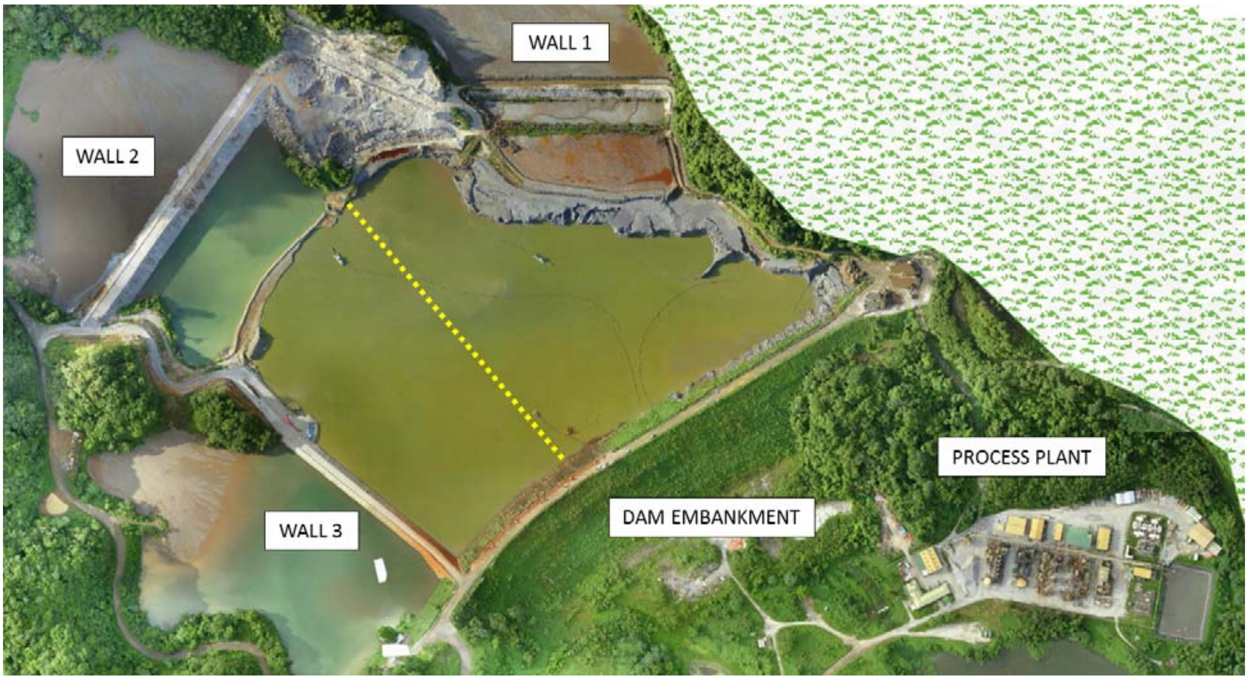
The cumulative cash flows from operations first exceeded the Recovery Amount during 2018. Therefore, a PUN payment of US$2,250,044 has been calculated and accrued for payment as at the reporting date. The payment is due to be made to the Dominican Government on 30 April 2019.

CLAIM AGAINST DOMINICAN GOVERNMENT

The Company has recently submitted a formal claim for damages to the Dominican Government 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, which was prepared by independent consultants, amounted to US$15,220,000 to the end of 2018. The resultant costs will continue through to completion of the project and into the closure phase in 2020, which will result in an amended increased claim. It is anticipated the claim will be disputed by the Government and under the provisions of the Special Contract, will subsequently result in arbitration in Washington DC under the rules of the International Centre for Settlement of Investment Disputes to which the Government is a signatory.



The photograph on the previous page shows the Las Lagunas tailings dam embankment in the foreground and the remaining tailings to be reclaimed for processing in the top left hand.

Internal rock walls built to retain reprocessed tailings are labelled as WALL 1, 2, and 3.

A silt curtain will be draped across the dredged void in the location indicated by the dotted yellow line within the next four to six weeks, and thereafter reprocessed tailings will be deposited behind the curtain to avoid additional loading behind the rock walls.

During the closure phase in 2020, the top level of the rock walls will be lowered to allow the stored reprocessed tailings to slump or be sluiced into the dredged void to improve residual stabilities of materials within the dam.

The cost of these activities will be added to the Claim.

FUTURE ACTIVITIES

CHINA

Following separate invitations from two major listed Chinese gold mining companies, PanTerra Gold Technologies Limited (“PGT”) has presented 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.

PGT has a formal 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. The head grade of tested concentrate samples supplied by the prospective JV partners ranged from 35 g/t Au to 40 g/t Au, and 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, which have been submitted with the 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 supplied by the mining companies, but based on each process plant treating 75,000tpa at the concentrate head grades 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$1,250/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 and advice for the design and construction phase, commissioning of the process plants, and ongoing technical advice on operations and maintenance.

It is intended that PGT will be paid invoiced costs by the joint ventures for providing this service, together with a technology transfer fee based on a percentage of precious metals sales for the life of the projects.

The office in China will probably be managed by the current General Manager of the Las Lagunas project in the Dominican Republic, supported by the Australian technical director of PGT.

Though the PanTerra Gold Group will be an investor in the projects if they proceed, it will not be involved in day-to-day management of the process plants or in the ownership or operation of mining activities in China.

The two prospective partners are highly-regarded, listed public companies with significant gold mining experience, both in China and overseas.

After joint venture arrangements have been formalised, PanTerra Gold will probably sell 30% to 40% of its shareholding in the holding company that it will form to enter into the joint ventures, to a suitable, financially strong Chinese partner to ensure support when entering into the Chinese market and also reduce the Group’s level of investment. A Hong Kong-based Investment Bank is working with PanTerra Gold to introduce such a partner.

PGT has also proposed that it will transfer the oxygen plant, ultrafine grinding mill (IsaMill), cooling tower, and associated spares from Las Lagunas, to one of the projects. This transfer could result in higher realisable values than current written down values, for these items.

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.

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.

The project envisages the construction of an Albion/CIL plant with the capacity to treat 75,000tpa of arsenopyrite concentrate and produce approximately 82,000 oz Au equivalent per year.

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 May or June 2019 and a newly incorporated Joint Venture Company registered within a further three to four months.

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

Following registration of the Joint Venture company, PGT will upgrade the PEA to a Preliminary Feasibility Study ("PFS") for the project, which is expected to be completed around March 2020.

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, and before proceeding with a Definitive Feasibility Study.

DOMINICAN REPUBLIC

Following completion of the Las Lagunas project in November/December 2019, the process plant will be dismantled, with the possibility of high-value, long-lead, items such as the oxygen plant, IsaMill and cooling tower, and their associated spares, being transferred to one of the proposed projects in China. If the possible transfer to China becomes unlikely, these items which are in good condition will be sold through an agency.

If the PFS for the La Demajagua project in Cuba is robust, some mechanical and electrical equipment, spares, steel structures, and mobile equipment could be held for incorporation in the planned 75,000tpa Albion/CIL plant.

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.

LAS LAGUNAS

The Indicated Resource of the Las Lagunas tailings deposit was first disclosed under the JORC Code 2004 and has not been updated since to comply with the JORC Code 2012, on the basis that the information has not changed since reported, other than for the tonnage of tailings that have been mined and delivered to the Las Lagunas process plant for re-treatment.

Residual Mineral Resource Estimate – Las Lagunas

The Residual Resource was calculated as at 31 December 2018, by undertaking a detailed independent survey of the remaining volume able to be reclaimed from the Las Lagunas tailings dam on that date, after deducting quantities that have been sterilised by the internal walls in the dam, as described on page 4.

The following table gives a breakdown of the composition of the Residual Resource:

	m^3	Tonnes	Au g/t	Ag g/t
Insitu[1]	354,000	450,000	3.07	38.00
Stockpile[2]	3,000	5,000	3.50	35.00
Fill[3]	23,000	24,000	3.50	35.00
Total	380,000	479,000	3.09	37.56

[1]The insitu tonnes and grade were determined by cutting the resource model with the survey shell.

[2]The stockpiles are tailings that were pre-mined from limbs 1, 2 and 3 of the deposit in 2012, 2013 and 2014, and pumped by dredges to ponds constructed on top of the insitu tailings areas to be mined later in the project life, so as to create voids within the Las Lagunas tailings dam for the reprocessed tailings to be deposited. The volume has been determined by survey, and the tonnage estimated by applying a density of 1.28 for the consolidated tailings. The grade has been estimated at 3.5g/t, which is lower than the grade of the limbs from which it was derived.

[3]The fill material is insitu tailings that have slumped or been monitored down from high tailings faces within the dam, and settled into areas that have previously been dredged. The volume has been determined from survey, and an unconsolidated density of 1.1 has been applied to estimate a tonnage. The grade has been estimated at 3.5g/t, which is again lower than the grade of the insitu material from where the material has slumped/washed down.

The Las Lagunas Mineral Resources are estimated by suitably qualified persons in accordance with the applicable JORC Code and using industry standard techniques and internal guidelines for the estimation and reporting of Mineral Resources. All data collected from Las Lagunas is in accordance with the applicable JORC Code requirements and the estimates and supporting data and documentation are reviewed by qualified external Competent Persons (including estimation methodology, sampling, analytical and test data).

COMPETENT PERSON STATEMENT

Las Lagunas, Dominican Republic

The information in this report that relates to the Indicated Resource, and stockpiles and fill, for the Las Lagunas project, is based on information compiled by James Tyers, BAppSci (Mineral Exploration & Mine Geology) WA School of Mines, MBA (UWA), MAusIMM, who has sufficient experience relevant to the style of mineralisation and type of deposits 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 Tyers is a full time employee of PanTerra Gold Limited and consents to the inclusion in this report on insitu resource, and stockpiles and fill, in the form and context in which they appear.

The Directors present their Report together with the financial statements on the consolidated entity being PanTerra Gold Limited ("the Company") and the entities it controlled ("the Consolidated Group") for the year ended 31 December 2018.

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this Report. 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

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

- the operation of a process plant at Las Lagunas in the Dominican Republic to extract gold and silver from Government owned high grade refractory tailings from the Pueblo Viejo mine; and
- evaluation of the potential utilisation of the Las Lagunas Albion/CIL process plant at potential projects in China and Cuba.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Metal sales for the year from the Las Lagunas gold/silver project were US$55,486,648 (2017: US$54,253,960).

Net cash inflow from operations for the Group was US$13,626,292 (2017: US$11,479,526).

Consolidated Group profits before interest, depreciation, amortisation, impairment and government profit share for the year was US$16,465,895 (2017: US$16,445,818). The consolidated net loss for the year was US$8,915,516 (2017: US$9,992,539).

The net assets of the Consolidated Group were US$4,288,177 (2017: US$11,635,022).

Cash and cash equivalents as at the reporting date were US$7,777,792 (2017: US$4,150,990). External borrowings (undiscounted principal) as at the reporting date were:

	2018 US$	**2017 US$**	
ALCIP Capital LLC (assigned from Macquarie Bank Limited on 9 December 2015)	-	3,008,447	Secured Project loan
BanReservas	1,262,500	2,170,000	Unsecured Project loan
BanReservas	2,487,500	4,330,000	Unsecured Credit facility
Shareholders	2,250,304	2,497,568	Unsecured loans
Central American Mezzanine Infrastructure Fund ("CAMIF")	-	5,200,000	Redeemable Preference Shares

Corporate Activities

Completion of small holding share sale facility

The small holding share sale facility announced to the market on 11 August 2017, was completed on 30 January 2018. 330 shareholders holding an aggregate of 1,364,997 shares participated in the sale plan with proceeds distributed by the Company's agent on or about 5 February 2018.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (CONTINUED)

Rights Issue

On 16 October 2018, the Company announced a partially underwritten non-renounceable rights issue to raise up to approximately A$2,164,372 before costs. Under the terms of the offer existing shareholders were entitled to subscribe for two shares for every three shares held at the record date at an issue price of A$0.025 per share. The offer closed on 6 November 2018 with the Company receiving subscriptions for a total of 21,133,157 shares. The Company placed a further 59,905,687 shares under the Shortfall Offer. A total of A$2,025,971 (US$1,458,102) was raised before costs.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Group during the financial year were as detailed above and in the Review of Projects.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Consolidated Group that occurred during the financial year under review not otherwise disclosed in this Report or in the consolidated accounts.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends (2017: Nil).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 7 January 2019, one of the six Albion reactors ruptured. This resulted in a plant closure for four weeks while the tank was removed, and a 15% to 20% reduction in throughput following recommissioning.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely or planned developments and the expected results of operations are detailed in the Operations Report and Future Activities sections of this Annual Report on pages 2 to 7.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company (through a subsidiary) has entered into a contract with the Dominican Government which specifies the environmental regulations applicable to the Las Lagunas gold tailings project. There have been no known breaches of any environmental regulations during the year under review and up until the date of this Report.

INFORMATION ON DIRECTORS

Mr Brian Johnson. *Executive Chairman*
B.Eng Civil (UWA) MIEAust
Appointed 4 October 2005.

Experience and expertise
Mr Johnson is a civil engineer with extensive experience in the construction and mining industries in Australia, South East Asia and North America. Mr Johnson was instrumental in establishing successful companies, Portman Limited and Mount Gibson Iron Limited in the iron ore industry, and South Blackwater Coal Limited and Austral Coal Limited in the coal sector. He has previously been a director of two listed gold producers and of companies with Stock Exchange listings in London, New York and Australia.

Other current directorships of listed entities
None

INFORMATION ON DIRECTORS (CONTINUED)

Former listed company directorships in last 3 years
Cuesta Coal Limited – Non Executive Chairman – resigned 14 June 2016

Interests in shares and options
64,511,454 shares

Mr James Tyers Executive Director
BAppSci (Mineral Exploration & Mine Geology) WA School of Mines, MBA (UWA) MAusIMM
Appointed 24 November 2004.

Experience and expertise
Mr Tyers has over 28 years' experience in the mining industry with the last 17 years involving senior management roles in both gold and iron ore operations. He was the Alternate Manager for the Palm Springs Gold Mine in the Kimberley district of Western Australia, and managed the Cornishman Project, a joint venture between Troy Resources Limited and Sons of Gwalia Limited. Mr Tyers, who has a Western Australian Quarry Manager's Certificate of Competency, also spent three years developing iron ore projects in the mid-west of Western Australia and was the Operations Manager of the Tallering Peak Hematite Project for Mount Gibson Iron Limited. Mr Tyers was responsible for the development of the Las Lagunas Project and is responsible for the evaluation and development of future projects.

Other current directorships of listed entities
None

Former listed company directorships in last 3 years
None

Interests in shares and options
693,514 shares

Mr Ugo Cario Non-Executive Director.
B.Comm (University of Wollongong), CPA
Appointed 25 March 2011.

Experience and expertise
Mr Cario has over 30 years' of experience in the Australian mining industry. He was a Director and Chief Executive Officer of Rocklands Richfield Limited for four years, and Managing Director of Austral Coal Limited for eight years. Prior to Austral Coal, Mr Cario held a number of senior positions with the Conzinc Rio Tinto Australia Group. He is also a former Director of the Port Kembla Coal Terminal, the New South Wales Joint Coal Board, and Interim Chairman of the New South Wales Minerals Council in 2004.

Other current directorships of listed entities
None
Former listed company directorships in last 3 years
None

Interests in shares and options
185,479 shares

INFORMATION ON DIRECTORS (CONTINUED)

Ms Angela Pankhurst *Non-Executive Director and Audit Committee Chairperson.*
B.Bus (Curtin University), MAICD
Appointed 5 April 2012.

Experience and expertise
Ms Pankhurst has over 15 years experience as an executive and non-executive director primarily in the mining industry. She has been a senior executive for companies with projects in Kazakhstan, Nigeria, Vietnam and Australia, including CFO then Finance Director for PanTerra Gold until March 2009. She was Managing Director of Central Asia Resources Limited during the development of its first gold mine and processing facility and is currently the Managing Director of MerGen Biopharma Limited.

Other current directorships of listed entities

Imritec Limited (formerly Luiri Gold) – Director/Company Secretary (Company delisted 3 November 2017)
Consolidated Zinc Limited (appointed 1 August 2018)

Former listed company directorships in last 3 years
None

Interests in shares and options
271,259 shares

COMPANY SECRETARY

Ms Pamela Bardsley. Dip. Law (SAB), LLM (UTS), FGIA, FCIS
Appointed Company Secretary 14 December 2009.

Experience and expertise
Ms Bardsley is a lawyer and chartered secretary with over 25 years' experience in general commerce, banking and finance. She also has over 20 years of experience in company secretary roles and was appointed Company Secretary of PanTerra Gold Limited on 14 December 2009.

MEETINGS OF DIRECTORS

The numbers of meetings Directors were eligible to attend during the reporting period and the number of meetings attended by each Director was as follows:

	Full Board		**Audit Committee**	
	Meetings Held	**Meetings Attended**	**Meetings Held**	**Meetings Attended**
Brian Johnson	8	8	2	2
James Tyers	8	8	*	*
Ugo Cario	8	8	2	1
Angela Pankhurst	8	8	2	2

***** Not a member of the Audit Committee

UNISSUED SHARES UNDER OPTIONS

There were no unissued ordinary shares of the Company under options at the date of this Report.

UNISSUED SHARES UNDER PERFORMANCE RIGHTS

There were no unissued ordinary shares of the Company under performance rights at the date of this Report.

SHARES ISSUED ON VESTING OF PERFORMANCE RIGHTS

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of performance rights as follows (there were no amounts unpaid on the shares issued):

Grant date	Number vested	Issue price of shares (A$)	Number of shares issued upon vesting of performance rights
8 February 2016	1,033,334	-	1,033,334

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of PanTerra Gold Limited support the principles of good corporate governance. The Company's Corporate Governance Statement has been released as a separate document and is located on our website at http://www.panterragold.com/governance&policies.html.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which has been audited, outlines the director and executive arrangements of the Company and the Consolidated Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the Consolidated Group are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company and the Consolidated Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The remuneration report is set out below under the following main headings:

A. Remuneration philosophy
B. Key management personnel
C. Service agreements
D. Details of remuneration
E. Share-based compensation
F. Additional information

A. Remuneration philosophy

The performance of the Company and Consolidated Group depends on the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled management personnel.

To achieve this, the Company and Consolidated Group continue to develop and refine its remuneration policy to ensure that it:

- provides competitive rewards to attract high calibre executives; and
- links executive rewards to shareholder value.

The framework may provide a mix of fixed and variable pay, and a blend of short and long term incentives.

Non-executive Director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Directors' fees are determined within an aggregate Director's fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at A$250,000 for all non-executive Directors.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Director remuneration

The current base remuneration was last reviewed with effect from 1 July 2015 for the Executive Chairman and Executive Director. Details of their respective remuneration packages are set out in section C. Service agreements, and section D. Details of remuneration.

Executive remuneration

The Company is continuing to develop its executive reward framework to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with achievement of strategic objectives and the creation of value for shareholders. The current framework has four components: base pay and benefits; performance-related bonuses; long term incentives through participation in the Performance Rights Plan; and other remuneration such as superannuation. The combination of these comprises the executive's total remuneration.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the consolidated entity. A portion of bonus and incentive payments is dependent on defined earnings per share targets being met. The remaining portion of the bonus and incentive payments is at the discretion of the Board. Refer to section F of the remuneration report for details of the last four years earnings and total shareholders return.

The Board is of the opinion that the improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 31 December 2018, the Consolidated Group did not engage any remuneration consultants.

B. Key Management Personnel

For the purposes of this report Key Management Personnel (or "KMP") of the Consolidated Group are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company and the Consolidated Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Name	Position	Employment period - 2018	Employment period - 2017
Brian Johnson	Executive Chairman	Full year	Full year
James Tyers	Executive Director	Full year	Full year
Ugo Cario	Non Executive Director	Full year	Full year
Angela Pankhurst	Non Executive Director	Full year	Full year

C. Service agreements

Remuneration and other terms of employment for the Directors and the other KMP are formalised in service agreements. The major provisions of these agreements, including termination provisions are set out below:

<u>Brian Johnson – Executive Chairman</u>

- Agreement dated 1 July 2015 for a term of three and a half years from 1 July 2015 to 31 December 2019. (The term was extended by amendment to the Agreement on 14 March 2017). The Agreement may be extended for a further period of one year by mutual consent;
- Management fees under current agreement as follows:

REMUNERATION REPORT (AUDITED) (CONTINUED)

- A$480,000 per annum from 1 July 2015 to 30 June 2016;
- A$510,000 per annum from 1 July 2016 to 30 June 2017;
- A$540,000 per annum from 1 July 2017 to 31 December 2019;

- Eligible to participate in the Company's Performance Rights Plan;
- Termination notice required is three months by the employee, three months by the Company; and
- If the Company terminates the agreement, the Company is required to pay on termination the amount that would have been payable during the following 12 months, had there been no termination.

James Tyers – Executive Director

- Agreement dated 1 July 2015 for a three year period from 1 July 2015 to 30 June 2018. The term was extended to 31 December 2019 by amendment to the Agreement on 10 May 2018. All other terms and conditions remain unchanged;
- Remuneration as follows:
  - A$360,000 per annum to 30 June 2016
  - A$375,000 per annum to 30 June 2017
  - A$390,000 per annum to 30 June 2018 (extended to 31 December 2019);
- The remuneration is to be reviewed annually in December. Each review will have regard to the employee's individual performance as measured against any KPI's set for the employee by the Board of Directors, and the financial performance of the Consolidated Group;
- Bonus payment to be considered by the Board of Directors annually in December;
- Eligible to participate in the Company's Performance Rights Plan;
- Termination notice required is three months by the employee, three months by the Company; and
- No termination benefits are payable unless the Company terminates the agreement without cause or the employee is made redundant, then the Company is required to payout one year's salary.

D. Details of remuneration

Details of the remuneration of the Directors and the other KMP of the Consolidated Group are set out in the following tables:

Year ended December 2018	**Short Term**		**Post-employment**				
Name	**Cash salary and fees US$**	**Bonus US$**	**Super-annuation US$**	**Rights US$**	**Total US$**	**Remuneration consisting of share based payments %**	**Remuneration that is performance based %**
Executive Directors							
Brian Johnson	402,458	-	-	-	402,458	-	-
James Tyers	272,918	-	18,646	-	291,564	-	-
Non-executive Directors							
Ugo Cario	37,287	-	-	-	37,287	-	-
Angela Pankhurst	44,361	-	-	-	44,361	-	-
Total	**757,024**	**-**	**18,646**	**-**	**775,670**	**-**	**-**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Year ended December 2017	Short Term		Post-employment				
Name	Cash salary and fees US$	Bonus US$	Super-annuation US$	Rights US$	Total US$	Remuneration consisting of share based payments %	Remuneration that is performance based %
Executive Directors							
Brian Johnson	404,054	-	-	-	404,054	-	-
James Tyers	279,269	-	15,995	-	295,264	-	-
Non-executive Directors							
Ugo Cario	38,465	-	-	-	38,465	-	-
Angela Pankhurst	38,462	-	-	-	38,462	-	-
Ruoshui Wang	11,676	-	-	-	11,676	-	-
Key Management Personnel							
Dean Young	153,880	-	13,563	-	167,443	-	-
Total	**925,806**	**-**	**29,558**	**-**	**955,364**	**-**	**-**

Shareholdings of Key Management Personnel

The number of shares in the parent entity held during the financial year by each Director and other members of KMP of the Consolidated Group, including their personally related parties, is set out below:

2018 *Ordinary shares*	Held at 1 Jan 2018 / Date of resignation	Received on conversion of performance rights	Additions	Disposals/Share Consolidation	Held at 31 Dec 2018 /Date of resignation
Brian Johnson	13,156,872	-	51,354,582	-	64,511,454
James Tyers	416,108	-	277,406	-	693,514
Ugo Cario	111,287	-	74,192	-	185,479
Angela Pankhurst	162,755	-	108,504	-	271,259

2017 *Ordinary shares*	Held at 1 Jan 2017 / Date of resignation	Received on conversion of performance rights	Additions	Disposals/Share Consolidation	Held at 31 Dec 2017 /Date of resignation
Brian Johnson	12,876,119	-	289,753	-	13,156,872
James Tyers	416,108	-	-	-	416,108
Ugo Cario	111,287	-	-	-	111,287
Angela Pankhurst	162,755	-	-	-	162,755
Ruoshui Wang	20,000,000	-	-	-	20,000,000
Dean Young	-	-	-	-	-

Performance rights of Key Management Personnel

There were no performance rights over ordinary shares in the Company granted as compensation to Directors or KMP during the reporting period.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Consolidated Group would have adopted if dealing at arm's length.

REMUNERATION REPORT (AUDITED) (CONTINUED)

E. Share-based compensation

Employee performance rights plan

The establishment of the employee performance rights plan was approved by shareholders at the 2010 Annual General Meeting and re-approved at the 2016 Annual General Meeting. Under the plan, the Board may from time to time invite a full time employee or executive director of the Company or any wholly owned subsidiary or controlled entity of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of rights in the plan, to participate in the plan and grant the eligible employee a right to acquire fully paid ordinary shares in the Company on conversion of the right as part of the eligible employee's remuneration.

Rights vest in three equal tranches over three years, with the first tranche vesting 12 months following the initial grant date. The number of rights granted to an employee is determined at the discretion of the Board and is generally based on a formula taking into account an employee's base salary, level within the Company and the Company's share price at the time of grant. Rights are granted to employees at no cost but may include non-market-based performance conditions. Rights automatically convert to shares on the vesting dates provided all vesting conditions have been met. Other than a time based service condition, there were no other vesting conditions applicable for rights granted to Key Management Personnel during the current financial year.

Performance rights holdings granted as remuneration

At the date of this Report there were no unvested rights granted as compensation under the employee performance rights plan to Key Management Personnel of the Consolidated Group.

Performance rights exercised during the period

There were no performance rights exercised under the employee performance rights plan by Key Management Personnel of the Consolidated Group during the reporting period.

F. Additional information

Remuneration, Company Performance and Shareholder Wealth

The development of remuneration policies and structures are considered in relation to the effect on company performance and shareholder wealth. They are designed by the Board to align Director and executive behaviours with improving Company performance and, ultimately, shareholder wealth. The table below sets out the Company's share price, earnings per share and dividends at the end of each of the last four financial years.

Financial year ended	Closing share price (USD)	Earnings per share (USD)	Dividends
31 December 2018	0.023	(0.064)	-
31 December 2017	0.031	(0.078)	-
31 December 2016	0.053	(0.055)	-
31 December 2015	0.062	0.205	-

This concludes the Remuneration Report, which has been audited.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors of the Company for costs incurred in their capacity as a Director for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 30 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of BDO East Coast Partnership

There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

AUDITOR

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This Report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Brian Johnson
Executive Chairman
29 March 2019

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Australia

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

As lead auditor of Panterra Gold Limited for the year ended 31 December 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Panterra Gold Limited and the entities it controlled during the year.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 29 March 2019

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	4	55,508,622	54,267,192
Other Income	5	(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		(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	17 & 18	(9,181,274)	(15,377,087)
Finance costs	8	(2,173,316)	(4,510,845)
Impairment	7	(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	9	(2,250,041)	-
Other expenses		(1,847,434)	(1,667,606)
Profit / (Loss) before income tax expense	6	**(8,915,516)**	**(9,992,539)**
Income tax expense	10	-	-
Profit / (Loss) after income tax		**(8,915,516)**	**(9,992,539)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation movement (net of income tax)		212,754	(192,662)
Total other comprehensive income net of tax for the year		**212,754**	**(192,662)**
Total comprehensive income for the year		**(8,702,762)**	**(10,185,201)**
Attributable to:			
Owners of the Parent Entity		(8,702,762)	(10,185,201)
Total comprehensive income for the year		**(8,702,762)**	**(10,185,201)**

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

	Note	2018	2017
Basic earnings / (loss) per share (cents per share)	35	(6.41)	(7.79)
Diluted earnings / (loss) per share (cents per share)	35	(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$
CURRENT ASSETS			
Cash and cash equivalents	11	7,777,792	4,150,990
Trade and other receivables	12	1,355,402	1,393,301
Prepayments and deposits	13	1,392,718	350,654
Inventories	14	1,987,411	4,299,257
TOTAL CURRENT ASSETS		**12,513,323**	**10,194,202**
NON-CURRENT ASSETS			
Other financial assets	16	1,000,000	2,000,000
Property, plant and equipment	17	4,907,515	23,341,000
Intangible assets	18	5,217,501	7,353,031
Investments	20	228,443	481,952
TOTAL NON-CURRENT ASSETS		**11,353,459**	**33,175,983**
TOTAL ASSETS		**23,866,782**	**43,370,185**
CURRENT LIABILITIES			
Trade and other payables	21	9,749,178	6,866,506
Employee benefits and provisions	22	1,581,391	308,138
Borrowings	23	7,676,538	13,547,477
TOTAL CURRENT LIABILITIES		**19,007,107**	**20,722,121**
NON-CURRENT LIABILITIES			
Trade and other payables	21	-	850,000
Employee benefits and provisions	24	571,498	1,649,804
Borrowings	25	-	8,513,238
TOTAL NON-CURRENT LIABILITIES		**571,498**	**11,013,042**
TOTAL LIABILITIES		**19,578,605**	**31,735,163**
NET ASSETS		**4,288,177**	**11,635,022**
EQUITY			
Contributed equity	26	79,754,021	78,406,299
Reserves	27	(2,464,566)	(2,685,515)
Accumulated losses		(73,001,278)	(64,085,762)
TOTAL EQUITY		**4,288,177**	**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 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$
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**
Profit for the year	-	-	-	-	-	(9,992,539)	(9,992,539)
Other comprehensive income	-	-	-	-	(192,662)	-	(192,662)
Total comprehensive income for the year	-	-	-	-	(192,662)	(9,992,539)	(10,185,201)
Transactions with owners in their capacity as owners:							
Shares issued	-	-	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-	-	-
Share based payment	-	-	-	31,868	-	-	31,868
Balance as at 31 December 2017	**78,406,299**	**(11,773,880)**	**3,920,449**	**1,378,768**	**3,789,148**	**(64,085,762)**	**11,635,022**

	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**
Loss for the year	-	-	-	-	-	(8,915,516)	(8,915,516)
Other comprehensive income	-	-	-	-	212,754	-	212,754
Total comprehensive income for the year	-	-	-	-	212,754	(8,915,516)	(8,702,762)
Transactions with owners in their capacity as owners:							
Shares issued	1,458,102	-	-	-	-	-	1,458,102
Transaction costs on share issue	(110,380)	-	-	-	-	-	(110,380)
Share based payment	-	-	-	8,195	-	-	8,195
Balance as at 31 December 2018	**79,754,021**	**(11,773,880)**	**3,920,449**	**1,386,963**	**4,001,902**	**(73,001,278)**	**4,288,177**

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

	Note	Year ended 31 December 2018 US$	Year ended 31 December 2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		55,406,279	53,092,329
Receipts from insurance claims		230,993	-
Payments to suppliers and employees		(36,907,141)	(35,271,541)
Payments for Projects, exploration and evaluation activities		(450,556)	(808,957)
Interest received		21,974	13,233
Interest paid		(4,675,257)	(5,545,538)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34	**13,626,292**	**11,479,526**
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
NET CASH USED IN INVESTING ACTIVITIES		**(388,765)**	**(5,248,825)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,458,102	-
Payment of share issue costs		(110,380)	-
Repayment of borrowings		(10,958,447)	(7,536,989)
NET CASH USED IN FINANCING ACTIVITIES		**(9,610,725)**	**(7,536,989)**
NET INCREASE / (DECREASE) IN CASH HELD		**3,626,802**	**(1,306,288)**
Cash at the beginning of the financial year		4,150,990	5,457,278
CASH AT THE END OF FINANCIAL YEAR		**7,777,792**	**4,150,990**

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

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.

The financial statements were approved by the Board of Directors on 29 March 2019. The Directors have the power to amend and reissue the financial statements.

(b) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities.

(i) Statement of Compliance

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

(ii) Parent Disclosures

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 38.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Changes in significant accounting policies

Except as described below, the accounting policies applied in these 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 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).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 financial statements for the period ended 31 December 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 4 displays the disaggregation of revenue and reconciles to the external revenue figure as disclosed in note 3 - 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amortised written down value of the Albion/CIL processing plant design costs asset as 30 June 2018, being the date of the change of accounting estimate, is US$5,398,993. 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.

(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) Foreign currency translation

(i) Functional and presentation currency

All items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in United States dollars, unless otherwise stated, which is PanTerra Gold Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Companies in the Consolidated Group

The results and financial position of all the companies in the Consolidated Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentational currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the day of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at an average exchange rate (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the foreign exchange reserve in the Statement of Profit or Loss and Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to foreign exchange reserve in equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Going concern

The Consolidated Group incurred a loss of US$8,915,516 (2017: US$9,992,539) and had net cash inflows from operations of US$13,626,292 (2017: US$11,479,526). As at 31 December 2018, the Consolidated Group's current liabilities exceeded its current assets by US$6,493,784 (2017: US$10,527,919), due to scheduled loan repayments during the next 12 months. Of the current liabilities as at 31 December 2018, US$3.7 million of loan repayments and accrued finance charges were paid during January 2019.

If the Consolidated Group is to continue in business and progress new projects in China or Cuba, it will either need to raise additional capital or sell down its joint venture interests in the event the joint ventures are formalised, as is the Group's intention. These conditions indicate a material uncertainty that may cast significant doubt about the Consolidated Group's ability to continue as a going concern.

The Directors have confidence that the Company will be able to either sell an interest in the proposed joint ventures in China and Cuba if they are formalised, or raise additional capital based on the NPVs expected to be generated, in order to progress the projects.

In the event none of the prospective joint ventures are formalised, the Company will probably be unable to continue as a going concern and may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Consolidated Group tests impairment of non-financial assets (other than goodwill and other indefinite life intangible assets) at each reporting date by evaluating conditions specific to the Consolidated Group and to the particular asset that may lead to impairment, in accordance with the accounting policy stated in Note 19.

Site restoration and rehabilitation provision

A provision has been made for the present value of anticipated costs for future restoration and rehabilitation of the Las Lagunas gold tailings mine site. The provision includes future cost estimates associated with the decommissioning of the mine and restoration of the site. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the Statement of Financial Position by adjusting both the expense or asset, if applicable, and provision.

Loan at fair value using the effective interest rate method

The Consolidated Group determines the fair value of the loan facility with ALCIP Capital, which includes liabilities for a price participation payment and a gold royalty agreement as detailed in Note 25(a). The calculations of the fair values of these components requires judgements, estimates and assumptions by management about the inputs to the discounted cash flow model for the Las Lagunas gold tailings project.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The judgements, estimates and assumptions required include variables such as gold production volumes, gold grades and gold prices across the remaining life of the project. The projected cash flows in the discounted cash flow model are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as a gain/loss and as a corresponding decrease/increase to the loan facility.

Deferred tax assets

The Consolidated Group has made a judgement to not recognise carried forward tax losses (revenue and capital losses) in the accounts as there is uncertainty that future profits will be available against which the losses can be utilised. Refer to Note 10 for further information.

Estimates on share based payment expenses

As discussed in Note 36, expenses are recorded by the Group for share based payments. Fair value of options granted is independently determined using the Black Scholes option valuation methodology which takes into account the risk free interest rate and share price volatility. Expected volatility is estimated by considering historic average share price volatility. The risk-free interest rate is based on government bonds.

Fair value of performance rights is determined using the market price of shares of the Company as at the close of trading on the date the rights are granted.

3. 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.

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 table presents revenue and profit information for business segments for the years ended 31 December 2018 and 31 December 2017.

Information about reportable segments

	Las Lagunas Project		Others		Consolidated	
	2018 US$	2017 US$	2018 US$	2017 US$	2018 US$	2017 US$
External revenue	55,486,648	54,253,960	-	-	55,486,648	54,253,960
Inter-segment revenue	-	-	-	-	-	-
Interest revenue	3,745	2,870	18,229	10,362	21,974	13,232
Interest expense	(704,050)	(1,532,375)	(1,469,266)	(2,978,470)	(2,173,316)	(4,510,845)
Depreciation and amortisation	(7,043,972)	(9,844,017)	(2,137,302)	(5,533,070)	(9,181,274)	(15,377,087)
Other income	(651,283)	(779,576)	(75,711)	1,058,089	(726,994)	278,514
Reportable segment Profit / (Loss) before income tax	(2,377,705)	2,686,640	(6,537,811)	(12,679,179)	(8,915,516)	(9,992,539)

3. SEGMENT REPORTING (CONTINUED)

	Las Lagunas Project		Others		Consolidated	
	2018 US$	2017 US$	2018 US$	2017 US$	2018 US$	2017 US$
Other material non-cash items:						
Foreign exchange gain/(loss)	(38,920)	(64,677)	(61,964)	10,337	(100,884)	(54,340)
Plant & equipment revaluation	(11,776,780)	-	-	-	(11,776,780)	-
Segment assets	15,281,273	21,279,529	34,788,620	54,498,622	50,069,893	75,778,151
Capital expenditure	387,188	2,672,625	1,915	3,872	389,103	2,676,497
Segment liabilities	15,662,529	19,283,082	34,820,346	49,637,825	50,482,872	68,920,907

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2018 US$	2017 US$
Revenues		
Total revenue for reportable segments	55,486,648	54,253,960
Consolidated revenue	55,486,648	54,253,960

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

	2018 US$	2017 US$
Assets		
Total assets for reportable segments	50,069,893	75,778,151
Elimination of investments in subsidiaries	(17,869,962)	(18,068,449)
Elimination of intercompany loans and interest	(30,904,267)	(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	771,118	1,046,227
Consolidated total assets	23,866,782	43,370,185
Liabilities		
Total liabilities for reportable segments	50,482,872	68,920,907
Elimination of intercompany loans and interest	(30,904,267)	(37,185,744)
Consolidated total liabilities	19,578,605	31,735,163

Geographical information

Geographical non-current assets	2018 US$	2017 US$
Dominican Republic	6,676,684	25,385,357
Australia	4,676,775	7,790,626
	11,353,459	33,175,983

Accounting Policies

Segment reporting

The Consolidated Group applies AASB 8 *Operating Segments* and determines its operating segments to be based on its projects as this is how the business is organised and reported internally. Operating segments are subject to risks and returns that are different to those of segments operating in other economic environments.

4. REVENUE

	2018 US$	2017 US$
Revenue from continuing operations		
Sales revenue		
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)
	55,486,648	54,253,960
Other revenue		
Interest received	21,974	13,232
	55,508,622	**54,267,192**

Accounting Policies

Revenue recognition

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset, and when there is control of the right to receive the interest payment.

Gold and silver sales revenue

Revenue is recognised when the risk and reward of ownership has passed from the Group to an external party and selling price can be determined with reasonable accuracy. Sales revenue represents gross proceeds recoverable from the customer. Certain sales are initially recognised at estimated sales value when the gold and silver are dispatched.

5. OTHER INCOME

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

i. PanTerra Gold Limited's wholly owned subsidiary, EnviroGold (Las Lagunas) Limited has 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 139 Financial Instruments: Recognition and Measurement ("AASB 139")*. 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 project has been assessed as at the date of this Report. The change in forecast future cash flows resulting from a change in estimated gold and silver prices, together with revised production estimates has resulted in a (loss) /gain of US$(840,012) (2017: US$(124,982)). This (loss)/gain has been recognised as other income in the Statement of Profit or Loss and Other Comprehensive Income in accordance with AASB 9.

6. 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
	1,170,693	**1,452,981**

Accounting Policies

Employee benefits

(i) Wages, salaries, annual and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when they are due.

(iii) Share based payments

Share based compensation benefits are provided to employees via the PanTerra Gold Performance Rights Plan. Information relating to this scheme is set out in Note 36 and in the Directors' Report.

The fair value of rights granted under the Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares (the "vesting period").

The fair value at grant date for performance rights is based on the closing price of PanTerra Gold Limited shares on that day.

7. IMPAIRMENT OF ASSETS

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

Refer to Note 17 for further details.

Accounting Policies

Impairment of assets

The carrying amounts of the Consolidated Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

7. IMPAIRMENT OF ASSETS (CONTINUED)

The recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination. The fair value of an asset is determined by reference to independent valuations performed by expert valuers.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of a financial asset not measured at amortised cost is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

8. FINANCE COSTS

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

i. Included in interest on loan borrowings is a fair value gain of $3,006,034 (2017: $1,691,336) relating to the effective interest rate adjustments.
ii. Other borrowing costs include the dividends paid, in relation to the Redeemable Preference Shares Agreement as described in Note 25(d). Included in this figure is a fair value gain of $1,012,444 (2017: loss ($398,664)).

9. 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. 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 has been calculated and accrued for payment as at the reporting date. The payment is due to be made to the DR Government at the end of 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%	**2,250,041**	**-**

10. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable

	2018 US$	2017 US$
Profit/(loss) before income tax	(8,915,516)	(7,680,042)
Tax at the Australian tax rate of 30% (2017 - 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	**-**	-

The Consolidated Group is of the opinion that tax losses from prior periods will continue to be available to the tax group.

The Consolidated Group and the Company have for 2017: US$32,783,648 (2016: US$29,773,506) in carried forward revenue losses and 2017: US$3,184,018 (2016: US$3,184,018) in carried forward capital losses which have not been recognised as a deferred tax asset as there is uncertainty that future taxable profits will be available against which the losses can be utilised. In addition to the above tax losses for the Group, amounts for 2018 are still to be advised.

The future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be applied with; and

(c) no changes in tax legislation adversely affect the Consolidated Group in realising the benefit.

10. INCOME TAX (CONTINUED)

Accounting Policies

Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributed to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

PanTerra Gold Limited and its wholly-owned Australian subsidiary, PanTerra Gold Technologies Pty Ltd (formerly EnviroGold Technologies Pty Ltd), implemented the tax consolidation legislation from 14 November 2005. PanTerra Gold Limited is the head entity in the tax Consolidated Group. On adoption of the tax consolidation legislation, the entities in the tax Consolidated Group did not enter into a tax sharing agreement.

11. CASH AND CASH EQUIVALENTS

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

Accounting Policies

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of any outstanding bank overdrafts. For sensitivity on cash amounts refer to Note 28 on interest rate risk and foreign exchange sensitivity.

12. TRADE AND OTHER RECEIVABLES (CURRENT)

	2018 US$	2017 US$
Trade receivables	1,355,402	1,393,301
	1,355,402	**1,393,301**

Last shipment in 2018 was paid in 2019 due to date of dispatch.

12. TRADE AND OTHER RECEIVABLES (CURRENT) (CONTINUED)

Past due but not impaired

There were no past due but not impaired receivables at 31 December 2018 or 31 December 2017.

Accounting Policies

Trade and other receivables

All debtors are recognised at the amounts receivable as they are due for settlement.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment of receivables is raised when some doubt as to collection exists.

13. PREPAYMENTS AND DEPOSITS (CURRENT)

	2018 US$	2017 US$
Prepayments and bonds	392,718	350,654
Term deposit	1,000,000	-
	1,392,718	**350,654**

14. INVENTORIES

		2018 US$	2017 US$
Metal on hand and in circuit		620,389	1,104,582
Processing consumables		1,255,022	1,505,555
Maintenance spares	(i)	112,000	1,689,120
		1,987,411	**4,299,257**

(i) The carrying value of maintenance spares was written down by US$1,523,427 at 31 December 2018, based upon an independent valuation report from expert valuer, Black Canoe Consulting Services.

Accounting Policies

Inventory

Inventory values for processing consumables, maintenance spares and metal work in progress are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Gold and other metals on hand are valued on an average total production cost method.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated future selling price in the ordinary course of business, based on prevailing metal prices, less the estimated costs of completion and the estimated costs necessary to make the sale.

15. 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 [(1)]	Vanuatu	100	100
PanTerra Gold Investments Limited [(1)]	Cayman Islands	100	-
PanTerra Mining Finance Inc.	BVI	100	100
PanTerra Gold Inc.	BVI	100	100
PanTerra Gold Investments Limited [(2) & (4)]	BVI	100	100
PanTerra Gold (Dominicana) S.A. [50% (2) & 50% (3)]	Dominican Republic	100	100
PanTerra Gold (Peru) S.A.[(3) (5)]	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 (Latin America) Inc.
(4) Name changed from PanTerra Gold (Latin America) Inc. to PanTerra Gold Investments Limited (BVI)
(5) PanTerra Gold (Peru) S.A. liquidated on 4 February 2019

Accounting Policies

Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PanTerra Gold Limited ("Company" or "PanTerra Gold") as at the 31 December 2018 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

15. SUBSIDIARIES (CONTINUED)

(ii) Acquisition of additional shares in a subsidiary

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

Transactions with non-controlling interests that increase or decrease the Group's ownership interest in a subsidiary, but which do not result in a change of control, are accounted for as transactions with equity owners of the Group. An adjustment is made between the carrying amount of the Group's controlling interest and the carrying amount of the non-controlling interests to reflect their relative values in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of PanTerra Gold Limited.

16. DEPOSITS (NON-CURRENT)

		2018 US$	2017 US$
Term Deposits		-	1,000,000
Utility Deposit	(i)	1,000,000	1,000,000
		1,000,000	2,000,000

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

17. PROPERTY, PLANT & EQUIPMENT

2018	Mine Buildings and Plant US$	Leasehold Improvements US$	Plant & Equipment US$	Total US$
Cost				
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)
Balance 31 December 2018	67,512,011	-	9,864,041	77,376,052
Accumulated Depreciation				
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
Balance 31 December 2018	(42,974,056)	-	(9,636,150)	(52,610,206)
Impairment				
Balance 31 December 2017	(8,081,551)	-	-	(8,081,551)
Impairment	(11,776,780)	-	-	(11,776,780)
Balance 31 December 2018	(19,858,331)	-	-	(19,858,331)
Carrying Value 31 December 2018	**4,679,624**	**-**	**227,891**	**4,907,515**

17. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

2017	Mine Buildings and Plant US$	Leasehold Improvements US$	Plant & Equipment US$	Total US$
Cost				
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
Accumulated Depreciation				
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)
Impairment				
Balance 31 December 2016	(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**

Security

At 31 December 2018 ALCIP Capital LLC held security in the form of a fixed and floating charge over all the assets and the undertaking (i.e., Las Lagunas gold tailings project) of the borrower (EnviroGold Las Lagunas Limited) located in, or relating to, the Dominican Republic.

Accounting Policies

Property, plant and equipment

All classes of property, plant and equipment are initially measured at cost and are assessed at each reporting date to ensure that the carrying value is not in excess of its recoverable amount. Depreciation is provided on all property, plant and equipment using either the straight-line method or the units of production method to write-off the net cost amount of each item of property, plant and equipment over its expected useful life to the Consolidated Group.

Assets within operations where the useful life is not dependent on the quantities of gold and silver produced are generally depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Mine buildings and plant	2 – 7 years
Leasehold Improvements	2 – 7 years
Plant and Equipment	2 – 7 years

Units of production method

Where the useful life of an asset is directly linked to the extraction of gold and silver from the tailings dam, the asset is depreciated using the units of production method. The units of production method is an amortised charge proportional to the depletion of the estimated proven and probable reserves. The cost of construction of the process plant and mine buildings is depreciated using the units of production method.

Revaluation of process plant and equipment

During November 2018, the Company had an independent valuer, Black Canoe Consulting Services ("BCCS"), undertake a review of probable salvage values of the Albion/CIL process plant at the Las Lagunas mine in the Dominican Republic. Following a detailed site inspection of the process plant by BCCS a report was submitted to the Company, setting out the value of the equipment based on a comparison of other similar items in the used equipment market or equipment recently sold. The report also considers such factors as economic obsolescence,

17. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

functional obsolescence and physical deterioration. Additionally, the report includes the value and costs associated with components to be scrapped. This includes non-salvageable fixed equipment, structural steel, plate, pipe and related materials.

The report determined the Fair Market Value ("FMV") of the assets in two scenarios, defined as Orderly Liquidation Values ("OLV") and Forced Liquidation Values ("FLV"), as defined below. It also differentiated and classified the various components of the Albion/CIL processing plant into High Value Items ("HVI"), Low Value Items ("LVI") and Obsolete Equipment.

Orderly Liquidation is the anticipated value recovered during a period of time which would allow for the orderly disposition of the assets. The period determined should allow for a disposal of a reasonable portion of the assets. The period should be long enough to allow advertising and promotion to a broad market and also allow for a more orderly and considered negotiation of sales.

Forced Liquidation Values is an opinion of the gross amount, expressed in terms of money, that typically could be realised from a properly advertised and conducted auction, with the seller being compelled to sell with a sense of immediacy on an as-is-where-is basis as of a certain date. For Forced Liquidation Values, the following usually applies: limited time to dispose of assets (less than six months), auction sale, scrap disposal, lowering of selling prices expressed as "best offer".

The estimated costs of marketing, selling, dismantling and shipping the various items of plant and equipment are deducted from the valuation amounts to arrive at the net FMV. These costs have been determined by the Company, based on a combination of estimates included in the BCCS report and its own projections of anticipated outgoings.

The following table provides a summary of the valuations under the two scenarios:

	OLV (US$)	**FLV (US$)**
High value items	4,550,000	1,524,000
Low value items	1,114,700	170,955
Obsolete equipment	-	-
	5,664,700	1,694,955
Less: Estimated costs of marketing, selling, dismantling and shipping	(954,660)	(954,660)
Fair market value	4,710,040	740,295

As a result of, and on the basis of, the independent valuation report by BCCS, the Company has revalued its Albion/CIL processing plant using the OLV figure of US$4,710,040 as at 31 December 2018.

It should be noted that mine site buildings and facilities, motor vehicles and mobile plant have not been revalued and continue to be carried under the cost model (US$197,475 WDV as at 31 December 2018).

18. INTANGIBLE ASSETS

	2018 US$	2017 US$
(a) Development costs		
Albion/CIL processing plant design costs		
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) Exploration and evaluation costs		
Balance at the beginning of the year	-	133,471
Current year costs	-	10,703
impairment	-	(144,174)
Closing balance	-	-
Total intangible assets	**5,217,501**	**7,353,031**

Accounting Policies

Intangibles

Development assets

When the technical and commercial feasibility of an undeveloped mining project has been demonstrated the project enters its development phase. The cost of the project assets are transferred from exploration and evaluation expenditure and reclassified into development phase and include past exploration and evaluation costs, development drilling, feasibility studies and other subsurface expenditure. Once commercial operation commences capitalised development costs are amortised in proportion to the amount of the resource that has been depleted during the relevant period.

Amortisation of mine development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commenced. The amortisation is calculated on the basis of volume of material mined from recoverable proven and probable reserves on a monthly basis and is included in the depreciation and amortisation expense line in the Statement of Profit or Loss and Other Comprehensive Income.

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 30 June 2018, being the date of the change of accounting estimate, was US$5,398,993. 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.

18. INTANGIBLE ASSETS (CONTINUED)

Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is carried forward in the Statement of Financial Position where:

(i) rights to tenure of the area of interest are either current or pending, with a high expectation of final grant of rights to be imminent; and

(ii) one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or
- exploration and/or evaluation activities in the area of interest have not, at reporting date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas are continuing.

Expenditure relating to pre-exploration activities is written off to the Statement of Profit or Loss and Other Comprehensive Income during the period in which the expenditure is incurred. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

19. VALUATION OF GROUP ASSETS

In accordance with the Accounting Policy, a comprehensive impairment review was conducted at 31 December 2018. The recoverable amount of each cash-generating unit ("CGU") was reviewed.

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated – 2018	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Assets				
Investments	228,443	-	-	228,443
Property plant and equipment	-	-	4,907,515	4,907,515
Intangible assets	-	-	5,217,501	5,217,501
Total assets	228,443	-	10,125,016	10,353,459

19. VALUATION OF GROUP ASSETS (CONTINUED)

Consolidated – 2017	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Assets				
Investments	481,952	-	-	481,952
Property plant and equipment	-	-	23,341,000	23,341,000
Intangible assets	-	-	7,353,031	7,353,031
Total assets	481,952	-	30,694,031	31,175,983

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. The Consolidated Group has calculated the recoverable amount of the Las Lagunas property, plant and equipment, being the smallest identifiable CGU. The recoverable amount of the CGU has been calculated on fair market value, as detailed in note 17 and is a more conservative valuation, taking into account the remaining life of the project and uncertainties relating to the likely sale values of the mining assets.

20. INVESTMENTS

	2018 **US$**	**2017** **US$**
Shares Black Dragon Gold Corp	228,443	481,952
	228,443	481,952

The Group subscribed for 11,000,000 shares in TSX Listed Black Dragon Gold Corp ("BDG") to assist in funding exploration of a Spanish gold prospect of interest to the company. In May 2018 BDG completed a consolidation of its issued and outstanding common shares on the basis of three (3) pre-consolidation common shares, options and warrants to one (1) post consolidation common share, option or warrant. BDG was listed on the ASX on 29 August 2018 (ASX: BDG) and de-listed from the TSX on 28 February 2019. The 3,666,666 post consolidation 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.

Accounting Policies

Investments in shares are initially recognised at cost and subsequently carried at fair value. Fair value is determined at each reporting date, based on the prevailing market price of the shares. Changes in fair values are recognised in profit or loss.

21. TRADE & OTHER PAYABLES

	Note	**2018** **US$**	**2017** **US$**
Current			
Trade creditors			
Other corporations		2,934,796	3,609,659
Director related entities	33	49,714	46,591
Accruals	(i)	6,764,668	3,210,256
		9,749,178	**6,866,506**

(i) 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

21. TRADE & OTHER PAYABLES (CONTINUED)

Accounting Policies

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

22. EMPLOYEE BENEFITS AND PROVISIONS (CURRENT)

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

Accounting Policies

Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks that are specific to the liability most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

23. BORROWINGS (CURRENT)

	Note	2018 US$	2017 US$
ALCIP Capital facility loan	25(a)	1,676,234	5,658,457
BanReservas	25(b)	3,750,000	2,750,000
CAMIF redeemable preference shares	25(d)	-	5,139,020
Shareholder loans	25(c)	2,250,304	-
		7,676,538	**13,547,477**

Refer to Notes 25 and 28 for detailed information on financial liabilities.

Accounting Policies

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using effective interest method. Borrowings are classified as current liabilities unless the Consolidated Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a modification to the loan occurs (terms, rates, repayments, etc.), the Consolidated Group assesses whether there is a new loan or merely a modification to the existing loan by comparing the present value of the discounted future cash flows on the original loan and the discounted future cash flows of the modified loan using the original effective interest rate as the discount factor. If the difference is greater than 10%, then it is deemed to be a new loan and the original loan is derecognised and a new loan recognised with any resulting profit or loss being recorded in the Statement of Profit or Loss and Other Comprehensive Income. If the difference is less than 10%, then any difference is recognised through profit or loss in future periods through the revised effective interest rate.

23. BORROWINGS (CURRENT) (CONTINUED)

The fair value of a liability portion of a compound financial instrument is determined using a market rate of interest for an equivalent instrument without the conversion feature and stated on an amortised cost basis until conversion/exercise or maturity occurs. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in expenses in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in expenses in the period in which they are incurred.

24. EMPLOYEE BENEFITS AND PROVISIONS (NON-CURRENT)

	2018 US$	2017 US$
Site restoration and rehabilitation	297,830	277,290
Employee benefits	273,668	1,372,514
	571,498	1,649,804
Movements of restoration provision:		
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	**297,830**	**277,290**

Site restoration and rehabilitation

The non-current site restoration and rehabilitation provision allows for the decommissioning and restoration of the Las Lagunas gold tailings mine site on cessation of all activity at that site. The provision represents the present value of the estimated costs of site restoration and rehabilitation. The following assumptions were used in the calculation of the provision:

Undiscounted cost of restoration	US$200,000
Rate of inflation	6%
Term of provision	7 years
Discount rate	10%

25. BORROWINGS (NON-CURRENT)

	Note	2018 US$	2017 US$
ALCIP Capital facility loan	25(a)	-	1,192,246
BanReservas project loan	25(b)	-	3,750,000
Shareholder Loans (due 15 July 2019)	25(c)	-	2,497,568
CAMIF redeemable preference shares	25(d)	-	1,073,424
		-	8,513,238

Refer to Note 28 for detailed information on financial instruments.

25. BORROWINGS (NON-CURRENT) (CONTINUED)

(a) ALCIP Capital loan facility

The Consolidated Group entered in a Facility Agreement ("Agreement") with Macquarie Bank Limited ("MBL") on 12 March 2010 for the purpose of financing the construction and development of the Las Lagunas gold tailings project ("Project"). The Agreement and supporting transaction documents were assigned to ALCIP Capital LLC ("ALCIP") on 9 December 2015. The key terms and conditions of the Agreement with ALCIP were re-negotiated during 2016 and are as follows:

- A secured loan of US$37.5 million which at the time of assignment to ALCIP had been reduced to US$9.662 million, is subject to an interest rate of 7.0% pa plus LIBOR and repaid in quarterly instalments commencing 31 December 2016. The final instalment was paid on 31 December 2018.
- The Agreement also includes a Gross Smelter Royalty Agreement ("GSR") which provides for an advance of US$7.5 million against a future stream of royalties payable at 3% on all gold produced from the Project.
- A Price Participation Agreement ("PP") whereby the Consolidated Group shall pay to ALCIP Capital a PP during the life of the Project which is to be calculated in accordance with a formula as set out in the Agreement, as follows:
    - *Price Participation Payment = (A – B) x G x 5.0%*[1]

      where:
      A is the average quarterly gold spot price on the calculation date
      B is the applicable base case gold price on the calculation date
      G is the number of ounces of gold product produced from the project during the 3 month period immediately preceding the calculation date

  [1]Subsequent to and in consideration of the rescheduling by MBL of the repayment schedule in March 2013 the percentage applicable to the Price Participation Payment calculation increased by 0.5% to 5.5% from 1 April 2013

  The fair value of the PP is also calculated in the discounted cash flow model for the Project.
- MBL received two tranches of options over the shares in PanTerra Gold Limited of 17,500,000 each. The exercise price of Tranche A options, which expired on 15 October 2012, was 10 cents and Tranche B options[2], which expired on 18 October 2013, was 15 cents.
- [2]In addition to the increase of the PP percentage outlined in [1] above, MBL also required the Company to cancel their existing 17.5 million Company share options (Tranche B), and replace them with 17.5 million share options exercisable at 10.5 cents each. These share options expired on 30 September 2015 (Tranche C).

  The value of the Tranche A and Tranche B options was determined by fair valuing the loan and the value of the options was the residual value. The calculated cost base of US$1.7 million was applied against the loan and recognised over the life of the loan.

  The fair value of the Tranche C options at grant date was determined using a Black Scholes option pricing model. The calculated cost base of US$0.41 million was taken to account in finance expenses in 2013.
- The Consolidated Group was required to pay loan rescheduling fees of US$937,500 to MBL. These fees have also been applied against the loan and amortised over the life of the loan.

The NPV amount of the remaining GSR and PP was estimated at 31 December 2018 as US$1,676,234 (2017: US$7,597,208, remaining loan and royalties) using the effective interest rate method. The annual effective interest rate is calculated at 23.1% (2017: 23.1%) after all of the components of the loan as described above have been fair valued.

(b) BanReservas facilities

A US$2.5 million project loan and US$5 million amortising loan have been provided by BanReservas, the Dominican State-owned Bank at an interest rate of 8.49% per annum for each loan.

These unsecured project loans are subordinated to ALCIP which will permit repayment in accordance with the following schedule, subject to the Group not being in default:

25. BORROWINGS (NON-CURRENT) (CONTINUED)

Payment Date	Amount (USD)
20 January 2018	1,250,000
20 July 2018	1,500,000
20 January 2019	1,750,000
15 July 2019	2,000,000
Total	6,500,000

BanReservas has agreed to repayment of its loans on these terms. The repayments due on 20 January 2018, 20 July 2018 and 20 January 2019 were paid in full by the due dates.

(c) Shareholder Loans

During 2012 and 2013 the Company entered into a series of unsecured Australian dollar denominated loans with a number of its shareholders totalling A$3.4 million at an interest rate of 10% per annum. In December 2014 the repayment date for all loans was extended to 31 December 2016 and the interest rate was increased to 12% per annum. In addition to the interest payable, the Company agreed to issue free attaching share options to each of the lenders that entitled the holder to convert the options to ordinary fully paid shares of the Company at 17.5 cents each. These options expired on 31 December 2014. Subsequent to the assignment of the project loan to ALCIP, prepayment of the Shareholder Loans is not now permitted prior to 15 July 2019 other than from AU$1.5 million of share issues by the Company.

Due to the restrictions placed on the repayment of these loans, the Company offered to convert all or part of any Shareholder Loan based on the 2015 Rights Issue of 10 cents per share plus one free attaching option (exercisable @ 15 cents by 31 December 2018), for every share issued. The offer expired on 30 June 2017 with Shareholder Lenders electing to convert a total of AU$200,000 of their loans. A further offer was made in May 2017 with an expiry date of 30 June 2019. The offer is for conversion of all or part of any Shareholder Loan at 8 cents per share plus one free attaching option (exercisable @ 15 cents by 31 December 2018), for every share issued.

(d) CAMIF redeemable preference shares

In August 2013 the Company entered into an agreement for the issue of 50 million Redeemable Preference Shares (“RPS”) at US$0.20 each to Central American Mezzanine Infrastructure Fund (“CAMIF”). CAMIF is a private investment fund whose participants include a number of leading institutional investors and is an associate of ALCIP.

Pursuant to the agreed restructuring of payments of the ALCIP project loan signed on 31 August 2016, the terms of the RPS Agreement with CAMIF were amended as follows:

- Five quarterly redemption payments of US$700,000 commencing on 31 December 2016, and five quarterly redemption payments of US$1.3 million commencing 31 December 2017 finishing on 31 December 2018.
- The Consolidated Group incurred costs totalling US$504,603 in connection with the establishment of the RPS facility and a further US$500,000 refinancing fee in October 2016. These costs have also been applied against the facility and recognised over the life of the facility.

The final redemption payment due to CAMIF was paid on the due date of 31 December 2018, therefore the carrying value of the RPS facility for the year ended 31 December 2018 was zero.

26. CONTRIBUTED EQUITY

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

26. CONTRIBUTED EQUITY (CONTINUED)

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)
Balance 31 December 2018	**210,901,326**	**79,754,018**

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	-
Balance 31 December 2017	**128,829,011**	**78,406,296**

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.

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

Options issued

Listed options

Between 30 September 2015 and 6 October 2015, the Company issued 35,096,068 listed options to participants in the 3 for 5 non-renounceable rights issue ("Offer") announced on 31 August 2015. Under the terms and conditions of the Offer, every participating shareholder, underwriter and investor in shortfall shares received one free attaching option for every share issued. The options were exercisable at A$0.15 each on or before 31 December 2018.

Under the Shareholder Loan agreement, Shareholder Lenders have the right to convert their loan to equity as per the terms of Offer above. During 2016, two holders converted A$200,000 to equity and received 2,000,000 options exercisable at A$0.15 each on or before 31 December 2018.

As part of the loan restructure agreement with ALCIP, on 24 November 2016 shareholders approved the issue to ALCIP of 40,000,000 listed options exercisable at A$0.15 each on or before 31 December 2018.

All of the above mentioned listed options expired on 31 December 2018.

26. CONTRIBUTED EQUITY (CONTINUED)

Accounting Policies

Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

27. 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 (formerly EnviroGold Technologies Pty Ltd)) are taken to the foreign currency translation reserve, as described in Note 1 (d).

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 Group;
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;
v) Options granted to CAMIF under the terms of its Option Subscription agreement with the Company.

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.

28. FINANCIAL INSTRUMENTS

The Consolidated Group is focused on the development of projects which will allow for extraction of gold and silver from refractory ore with the current focus on projects in China and Cuba. As such, the Consolidated Group is exposed to market risk (both commodity and foreign exchange), credit risk, interest rate risk and liquidity risk.

The Consolidated Group does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The use of financial instruments and the overall risk management strategy of the Consolidated Group are governed by the Board of Directors and is primarily focused on ensuring that the Consolidated Group is able to finance its business plans.

Market risk

Commodity price risk management

The account balances that would be impacted by a change in commodity price at 31 December 2018 are the ALCIP Capital loan facility liabilities and the impairment testing of Intangible Assets. This is because the fair value of the loan facility and the impairment testing of the Intangible Asset are affected by the gold price as per the base case model, as discussed in Note 19.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Commodity price sensitivity

The Consolidated Group had loan liabilities totalling US$7,676,538 as at 31 December 2018 (2017: US$22,060,715). Based on this exposure, had the gold spot price weakened by 7%/strengthened by 6.5% (2017: weakened by 7%/strengthened by 8%) against the average gold spot price used in the discounted cash flow model (US$1,250; 2017: US$1,325) with all other variables held constant, the Consolidated Group's loan facility liabilities and finance costs at year end would have been fair valued at US$172,745 lower/US$160,406 higher (2017: US$405,085 lower/US$462,954 higher). The percentage change is the expected overall volatility of the gold spot price, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate used in the discounted cash flow model at each reporting date.

Foreign exchange risk

The major foreign exchange exposure of the Consolidated Group is to the AUD, with the corporate overheads and administration costs incurred in Australian Dollars and to the DOP, with the majority of project overheads and administration costs incurred in Dominican Pesos.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and using sensitivity analysis and cash flow forecasting.

The carrying amount of the Consolidated Group's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2018 US$	**2017 US$**	**2018 US$**	**2017 US$**
AU Dollars	1,608,161	446,112	2,609,885	151,076
Dominican Pesos	123,066	3,495	2,151,532	477,297
Vanuatu Vatu	5,453	248	-	-
CA Dollars	-	-	177	-
Euro	-	-	318	-
	1,736,680	449,855	4,761,912	628,373

Foreign exchange sensitivity

The Consolidated Group had net assets/(liabilities) denominated in foreign currencies of (US$(3,025,232) (assets US$1,736,680 less liabilities US$4,761,912) as at 31 December 2018 (2017: (US$178,518) (assets US$449,855 less liabilities US$628,373).

The following table sets out the estimated impact on the Consolidated Group's post-tax profit as a result of fluctuations in the exchange rates for the major foreign currency exposures with all other variables held constant:

	2018			
	AUD	**DOP**	**EUR**	**TOTAL**
USD Weakened %	-6%	-2%	-5%	
Increase in post-tax profit for the year (USD)	58,040	38,005	178	96,223
USD Strengthened %	8%	3%	6%	
Decrease in post-tax profit for the year (USD)	-77,387	-57,008	-213	-134,608

28. FINANCIAL INSTRUMENTS (CONTINUED)

	2017			
	AUD	DOP	EUR	TOTAL
USD Weakened %	-3%	-1.5%	-3%	
Increase in post-tax profit for the year (USD)	65,812	109,112	7,156	182,080
USD Strengthened %	3%	3%	1%	
Decrease in post-tax profit for the year (USD)	-65,812	-218,223	-2,385	-286,420

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date.

Interest rate risk

The main exposure of the Consolidated Group to interest rate risk arises from long-term borrowings and the interest received on cash surpluses invested with banks. The Consolidated Group's fixed borrowings from ALCIP Capital and the redeemable preference share facility with CAMIF both carry a variable interest rate component in the form of fluctuations in the LIBOR rate. Both of these facilities were finalised on 31 December 2018, therefore, interest rate risk is no longer applicable to these facilities. The Consolidated Group's facility with BanReservas and Shareholder Loans are provided on a fixed interest rate basis and therefore there is minimal exposure to interest rate risk associated with those facilities.

Interest rate sensitivity

Based on the financial asset instruments held at 31 December 2018, had the AUD cash on deposit interest rate increased/decreased by 0.5% during the year (2017: 0.5%) and the USD cash on deposit interest rate increased/decreased by 0.75% (2017: 0.75%), with all other variables held constant, the Consolidated Group's post-tax profit for the year would have been US$11,910 higher/lower (2017: US$29,430 higher/lower), mainly as a result of cash and cash equivalents.

Financial liability instruments with a LIBOR component were fully paid at 31 December 2018, therefore, interest rate sensitivity is not applicable for the current year. For 2017, had the LIBOR rate increased/decreased by 0.5% with all other variables held constant, the Consolidated Group's post-tax profit for that year would have been US$25,117 higher/lower as a result of the increase/decrease in the effective interest rate.

The percentage change is based on the expected volatility of interest rates taking into consideration movements over the last 12 months.

Credit risk

The Consolidated Group is exposed to credit risk if a counterparty to a financial instrument fails to meet its contractual obligation. Such a risk arises principally in relation to trade receivables, receivables due from related parties in regards to the parent and cash deposits with banks or other financial institutions.

Credit risk is managed on a Consolidated Group basis. Credit risk arises from trade receivables, cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Trade receivables are held with one party, being MKS (Switzerland) SA. All trade receivables are collected within 14 days from date of invoice. The Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements. There are no material amounts of collateral held as security at 31 December 2018. Credit risk is reviewed regularly. The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the Statement of Financial Position date.

28. FINANCIAL INSTRUMENTS (CONTINUED)

All financial assets held at the date of the Statement of Financial Position in respect of the Consolidated Group and the Parent were neither past due nor impaired.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Consolidated Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Statement of Financial Position.

2018	**Weighted average interest rate %**	**1 year or less US$**	**Between 1 and 2 years US$**	**Between 2 and 5 years US$**	**Over 5 years US$**	**Remaining contractual maturities US$**
Non-derivatives						
Non-interest bearing						
Trade & other payables	-	9,749,178	-	-	-	9,749,178
Interest-bearing						
Bank loans	8.7%	5,785,536	-	-	-	5,785,536
Non-bank loans (CAMIF RPS)	-	-	-	-	-	-
Shareholder Loans	12%	2,409,138	-	-	-	2,409,138
Total non-derivatives		17,943,852	-	-	-	17,943,852

2017	**Weighted average interest rate %**	**1 year or less US$**	**Between 1 and 2 years US$**	**Between 2 and 5 years US$**	**Over 5 years US$**	**Remaining contractual maturities US$**
Non-derivatives						
Non-interest bearing						
Trade & other payables	-	6,986,506	850,000	-	-	7,836,506
Interest-bearing						
Bank loans	12.9%	8,408,457	4,942,246	-	-	13,350,703
Non-bank loans (CAMIF RPS)	9.2%	5,139,020	1,073,424	-	-	6,212,444
Shareholder Loans	12%	-	2,497,568	-	-	2,497,568
Total non-derivatives		20,533,983	9,363,238	-	-	29,897,221

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Techniques such as estimated discounted cash flows, are used to determine fair value of the financial instruments. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Group for similar financial instruments.

The Consolidated Group 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. No significant differences were identified for any of the financial instruments at 31 December 2018.

Capital risk management

The Consolidated Group's and parent entity's objectives when managing capital is to safeguard their ability to continue as a going concern, maximise returns for shareholders and to reduce the cost of capital. To ensure that all financial obligations are met when required, the Consolidated Group maintains a rolling cash forecast for the Consolidated Group as part of its capital risk management strategy. The Consolidated Group monitors capital using financial and non-financial indicators.

The Consolidated Group's capital structure is as follows:

	2018 US$	2017 US$
Capital employed	79,754,021	78,406,299
Cash and cash equivalents	7,777,792	4,150,990
Total equity - funds	87,531,813	82,557,289

29. KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel

The aggregate compensation made to Directors and other members of Key Management Personnel of the Consolidated Group is set out below:

	2018 US$	2017 US$
Short-term employee benefits	727,024	925,806
Post-employment benefits	18,646	29,558
	775,670	**955,364**

Related party transactions

Related party transactions are set out in Note 33.

30. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership:

	2018 US$	2017 US$
Audit services – BDO East Coast Partnership		
Audit or review of the financial report	111,226	78,734
	111,226	78,734
Other services – BDO East Coast Partnership		
Preparation of the tax return	15,421	44,067
Tax consulting services	10,382	-
	25,803	44,067
Total Services – BDO East Coast Partnership	**137,029**	**122,801**
Audit services – BDO Dominican Republic		
Audit or review of the financial report	23,025	25,495
	25,025	25,495
Other services – BDO Dominican Republic		
Preparation of the tax return	2,477	3,557
Translation of the financial statements	7,110	7,194
	9,587	10,751
Total Services – BDO Dominican Republic	**32,612**	**36,246**

31. LITIGATION AND CONTINGENCIES

EnviroGold (Las Lagunas) Limited ("EVGLL") v Gruas Liriano
EVGLL filed a lawsuit in the Dominican Republic for damages against crane operator, Gruas Liriano, for damage caused to one of its dredges. The amount being claimed by EVGLL is approximately US$1.9 million being the out of pocket costs of recovering the damaged dredge, the cost of replacement of the 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 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.

32. COMMITMENTS FOR EXPENDITURE

	2018 US$	2017 US$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	55,800	96,612
One to five years	15,840	-
Total lease commitments	**71,640**	**96,612**

Operating lease commitments relate to one leased office in Australia which is used by the Parent Entity as its head office and administrative office, one leased office in the Dominican Republic and three leased residences in the Dominican Republic which are used by expatriate managers.

33. RELATED PARTY TRANSACTIONS

Parent entity

PanTerra Gold Limited is the parent entity.

The balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Subsidiaries

Interests in subsidiaries are set out in Note 15.

Key Management Personnel

Disclosures relating to Directors and specified executives are set out in Note 29 and the Directors' Report.

Transactions with related parties

Payments were made during the year to Tristar Holdings Pty Ltd ("THPL") for reimbursement of expenditures incurred by THPL on behalf of PanTerra Gold and for management fees charged by Brian Johnson. Mr Johnson's wife is a director and shareholder of THPL. Services provided by THPL were on the same basis as that provided to other entities.

Fees were charged during the year by Cario Family Trust ("CFT") for directors fees of Ugo Cario. Mr Cario and his wife are the trustees of CFT. Services provided by CFT were on the same basis as that provided to other entities.

Fees were charged during the year by Western Ventures Consulting Pty Ltd ("WVCPL") for directors fees of Angela Pankhurst. Mrs Pankhurst is a shareholder and director of WVCPL. Services provided by WVCPL were on the same basis as that provided to other entities.

Rent totalling US$17,724 was charged during the year by Zephyr Holdings Ltd ("ZHL") for accommodation in Vanuatu for Brian Johnson while on Company business in that country. Zephyr Holdings is an associated company of Mr Johnson.

During the year interest totalling US$90,969 on Shareholder Loans was paid to associated companies of Brian Johnson. Total shareholder loans owed to Mr Johnson and related entities at the year-end were US$703,220 (2017: US$780,490). The terms and conditions are disclosed in Note 25(c).

A sub-underwriting fee, pursuant to agreement between the underwriter of the 2018 Non-Renounceable Rights Issue and an associated company of Mr Johnson, of US$28,968 was paid during the year.

There were no loans to Directors or KMP during the period.

There are no other related party transactions other than those shown in the table below:

	2018 US$	2017 US$
Charges for services provided by:		
Tristar Holdings – Management fees	402,458	404,054
Cario Family Trust – Directors fees	37,287	38,465
Western Ventures Consulting – Directors fees	37,329	38,462
Western Ventures Consulting – Consulting fees	7,032	-
Ruoshui Wang – Directors fees	-	11,676
	484,106	492,657

33. RELATED PARTY TRANSACTIONS (CONTINUED)

At the end of the reporting period the following invoiced amounts were outstanding:

	2018 US$	2017 US$
Current Payables:		
Tristar Holdings	35,825	39,762
Cario Family Trust	2,930	3,252
Western Ventures Consulting	10,959	3,577
	49,714	46,591

34. RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES:

	Note	2018 US$	2017 US$
Profit / (Loss) after income tax		(8,915,516)	(9,992,539)
Add/(Less) Non-cash Items			
Depreciation and amortisation		9,181,274	15,377,087
Unrealised foreign exchange loss		(1,204)	(192,663)
Employee Performance Rights		8,195	31,869
Site restoration allowance		20,540	20,540
Impairment		11,776,780	6,351,911
Net movement in fair value gain on borrowings	5 & 8	(3,178,466)	(1,167,688)
Exploration and evaluation impairment		-	26,670
Work in progress movement		484,193	(108,744)
Spares written to net realisable value		1,523,427	992,856
Investment movement		220,204	306,687
Scrapped assets		-	820,099
Gain on sale of plant and equipment		(274)	-
Changes in operating assets and liabilities			
(Increase)/Decrease in receivables		37,899	(1,318,492)
Decrease in inventory		304,225	108,861
Decrease / (Increase) in other assets		(42,064)	163,226
Increase in payables		2,207,079	59,846
Net cash flows generated from operating activities		13,626,292	11,479,526

35. EARNINGS PER SHARE ("EPS")

	2018 US$	2017 US$
Numerator used for basic and diluted EPS:		
Profit / (Loss) after tax attributable to the owners of PanTerra Gold Limited	(8,915,516)	(10,185,201)

	Number of Shares	Number of Shares
Weighted average number of ordinary shares outstanding during the year used in calculating the basic EPS.	139,095,317	128,316,371
Weighted average of diluted holdings used in calculating the diluted EPS (*)	139,095,317	128,316,371

* A Loss cannot be diluted and therefore diluted EPS equals basic EPS.

35. EARNINGS PER SHARE ("EPS") (CONTINUED)

Accounting Policies

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net Profit / (Loss) attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

36. SHARE-BASED PAYMENTS

Employee Performance Rights Plan

Approval was obtained from shareholders at the 2010 Annual General Meeting for the establishment of the Employee Performance Rights Plan. The Plan was re-approved by shareholders at the 2016 Annual General Meeting. The object of the plan is to:

- provide participants with an incentive plan which recognises ongoing contribution to the achievement by the Company of long term strategic goals;
- establish an employee incentive scheme within the meaning of the Tax Act and an employee share scheme within the meaning of Class Order 03/184 issued by the Australian Securities and Investments Commission;
- align the interests of participants with security holders through the sharing of a personal interest in the future growth and development of the Company as represented in the price of its securities; and
- provide a means of attracting and retaining skilled and experienced employees.

Under the plan, eligible employees of the Company (and its subsidiaries) are provided with performance rights over the Company's ordinary shares. These performance rights will vest and convert into shares, subject to the fulfilment of certain conditions which are determined by the Board.

An employee's eligibility to participate in the plan is subject to the discretion of the Board of Directors of the Company. The Board may from time to time invite an eligible employee to participate in the plan and grant rights to an eligible employee, as part of their remuneration.

Set out below is a summary of performance rights vested and converted during the year. There were no new performance rights granted during the year.

Financial year of grant	Financial year of vesting date	Balance at start of year	Granted	Vested and converted	Consolidated or Forfeited	Balance at end of year
		Number	Number	Number	Number	Number
31 Dec 2016	31 December 2019	1,033,334	-	(1,033,334)	-	-
		1,033,334	-	(1,033,334)	-	-

The fair value at grant date is determined using the market price of shares of the Company as at the close of trading on the date the rights are granted. An expense of US$8,195 (2017: US$31,868) has been recognised during the year for rights granted under the Performance Rights Plan.

37. SUBSEQUENT EVENTS

On 7 January 2019, one of the six Albion reactors ruptured. This resulted in a plant closure for four weeks while the tank was removed, and a 15% to 20% reduction in throughput following recommissioning.

38. PARENT ENTITY DISCLOSURES

As at and throughout the financial year 31 December 2018, the parent entity of the Group was PanTerra Gold Limited.

Result of parent entity	2018 US$	2017 US$
Loss for the period	(8,832,446)	(8,758,140)
Other comprehensive income/(loss)	212,754	(201,643)
Total comprehensive income/(loss)	**(8,619,692)**	**(8,958,783)**
Financial position of parent entity at year end		
Current assets	2,917,335	262,369
Total assets	**8,108,150**	**20,774,637**
Current liabilities	3,760,345	5,599,241
Total liabilities	**3,820,882**	**9,223,594**
Total equity of the parent entity comprising of:		
Share capital	79,754,021	78,406,299
Foreign currency translation reserve	6,197,053	5,984,300
Option reserve	3,920,449	3,920,449
Performance rights reserve	1,386,964	1,378,768
Accumulated losses	(86,971,219)	(78,138,773)
Total equity	**4,287,268**	**11,551,043**

Guarantees entered into by the parent entity in relation to debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee to ALCIP Capital LLC under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2018 and 31 December 2017.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2018 and 31 December 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Group, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity;
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

The parent entity has reviewed the carrying value of its assets. A provision has been made against intercompany loans and investments in subsidiaries totalling US$28,245,000, based on the fair market value of the Las Lagunas project.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Brian Johnson
Executive Chairman
29 March 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Panterra Gold Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Panterra Gold Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1f in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverable value of plant and equipment

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 17 - Property plant and equipment, during the period the directors obtained an independent valuation of the carrying value of plant and equipment at Las Lagunas. The independent valuation included a number of key assumptions including the Group's ability to sell key items of plant and equipment at the end of the project life. As such the carrying value of the plant and equipment was a key focus of the audit and a key audit matter.	Our audit procedures included, amongst others; • Evaluating the competence, capabilities and objectivity of the external valuer • Reviewing the valuers consideration of the residual value of the plant and equipment • Reviewing the adequacy of disclosure within the financial report

Carrying Value of Intangible Assets

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 18 - Intangible Assets, the Directors have re-assessed and changed the classification of intangibles during the year from "development asset" to "Albion/CIL Processing Plant Costs" This has resulted in a consideration number of judgements and estimates including the useful life and	Our audit procedures included amongst others: • A critical assessment of Management's classification of the costs to be carried forward under the reclassified Albion/CIL Processing Plant Costs

likely success of the application of the IP to future projects in Cuba and China, making it a key audit matter.	• Assessment of the evidence of likelihood of future projects proceeding including review of proposals and confirmations • Held discussions with Management on expected useful life of the intangible • Recalculated the amortisation from the date of restatement • Reviewed the disclosure in the financial statements for adequacy

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2018

In our opinion, the Remuneration Report of Panterra Gold Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 29 March 2019

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this Report is set out below. The information is current as at 22 March 2019 unless stated otherwise.

DISTRIBUTION OF EQUITY SECURITIES

The number of equitable security holders by size of holding as at 28 February 2019 is:

Holding			Ordinary Shares		Listed Options	
			Number of Holders	Number of Ordinary Shares	Number of Holders	Number of Listed Options
1	-	1,000	122	40,071	-	-
1,001	-	5,000	147	411,668	-	-
5,001	-	10,000	156	1,416,956	-	-
10,001	-	100,000	523	16,522,153	-	-
100,001		and over	135	192,510,478	-	-
Number of holders			**1,083**	**210,901,326**	**-**	**-**

Unquoted equity securities

As at 22 March 2019, there is one holder of five non-redeemable preference shares. A total of 1,033,334 performance share rights have been issued to four employees during the year.

VOTING RIGHTS

Ordinary shares

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative is entitled to one vote, and upon a poll each share shall have one vote.

Non-redeemable preference shares
One vote for each share, but limited to matters affecting the rights of such shares.

Options (Listed and Unlisted)
No voting rights.

Performance Rights
No voting rights.

UNMARKETABLE PARCELS

As at 28 February 2019, the number of shareholders holding less than a marketable parcel of ordinary shares was 531 (3,145,245 ordinary shares).

ON-MARKET BUY BACK

There is no on-market buy-back currently in place.

SUBSTANTIAL SHAREHOLDERS

The names of Substantial Shareholders listed on the Company's register are:

Substantial Shareholder	Number of Shares	Percentage of total Shares issued
MOONSTAR INVESTMENTS PTY LTD <THE PEMBERLEY A/C>	54,511,454	25.85
MERCURY CONNECTION INTERNATIONAL CO LIMITED	20,000,000	9.48
CENTRAL AMERICAN MEZZANINE INFRASTRUCTURE FUND LP	11,745,036	5.57

TWENTY LARGEST SHAREHOLDERS

	Listed Ordinary Shares	
	Number of Shares	Percentage of total Shares issued
MOONSTAR INVESTMENTS PTY LTD <THE PEMBERLEY A/C>	54,511,454	25.85
MERCURY CONNECTION INTERNATIONAL CO LIMITED	20,000,000	9.48
CENTRAL AMERICAN MEZZANINE INFRASTRUCTURE FUND LP	11,745,036	5.57
HAWTHORNE PTY LTD <BGJ SUPER FUND A/C>	10,000,000	4.74
MR ERLE EDWINSON	7,405,938	3.51
MR ERLE RYAN EDWINSON	6,132,228	2.91
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,432,691	2.58
ARGIA INVESTMENTS LLC	4,014,641	1.90
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,787,839	1.80
ARMCO BARRIERS PTY LTD	3,000,000	1.42
MRS ELISABETH INGENETTA BONKER <PANTERRA A/C>	3,000,000	1.42
MR ROBERT NEIL CATTERALL	2,985,000	1.42
MR YUNG WING HO + MRS KATHERINE KAM LING HO <VIC & KATHY SUPER FUND A/C>	2,840,008	1.35
TOD JAMES MCELROY	2,800,000	1.33
CITICORP NOMINEES PTY LIMITED	2,752,504	1.31
MRS ANNA VORONTSOVA	2,745,709	1.30
CHRISTEN BRUCE MCELROY	2,400,000	1.14
ZERRIN INVESTMENTS PTY LTD	2,360,169	1.12
MR CHRISTOPHER EDWARD GITTENS	1,697,071	0.80
MR ALLAN DOUGLAS BOWIE	1,600,000	0.76
Total	**152,210,288**	**71.70%**