26 April 2019

PANTERRA GOLD LIMITED

QUARTERLY REPORT TO 31 MARCH 2019

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LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

HIGHLIGHTS FOR THE QUARTER

Production for the Quarter has been impacted by the rupture and subsequent demolition of one of the six Albion reactors, which was reported on 8 January 2019 and resulted in a four week plant closure while the remaining reactors were structurally reinforced, followed by a ramp up in throughput.

- Gold production – down 41.6% on previous Quarter
- Sales revenue – down 34.3% on previous Quarter
- Operating costs – US$870 per ounce Au equivalent, up 40.1% on previous Quarter
- Doré sales – US$9.7 million
- Operating costs – US$6.6 million
- Operating profit for the project – US$3.1 million

PRODUCTION

	March Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	94,579	163,744	-42.2%	94,579
Average head grade (g/t)				
Gold	4.05	4.14	-2.2%	4.05
Silver	67.9	41.2	64.9%	67.9
Recovery (%)				
Gold	55.8	54.0	3.4%	55.8
Silver	14.0	23.5	-40.6%	14.0
Production (oz)				
Gold	6,863	11,754	-41.6%	6,863
Silver	19,609	50,731	-61.3%	19,609
Sales (oz)				
Gold	7,225	11,525	-37.3%	7,225
Silver	22,529	47,651	-52.7%	22,529
Sales (US$m)	9.7	14.7	-34.3%	9.7
Sales (A$m)*	13.6	20.5	-33.8%	13.6

* Based on average exchange rate for the Quarter.

Gold production was 41.6% lower than the previous Quarter, and doré sales decreased by 34.3% to US$9.7 million.

OPERATING COSTS

	March Quarter		Previous Quarter	
	US$ ('000)	US$/oz (Gold Equiv. Production)	US$ ('000)	US$/oz (Gold Equiv. Production)
Tailings Reclaim	375	50	252	21
Processing Consumables	1,263	168	2,026	167
Salaries	1,256	167	1,375	113
Grid Power	1,513	201	2,083	171
Processing Fuel	79	10	239	20
Spares, Repairs & Maintenance	1,441	191	779	64
Site & Camp Costs	348	46	360	30
Office Overheads	129	17	142	12
Insurance	149	20	284	23
TOTAL OPERATING COSTS (C1 Cash Costs)	6,553	870	7,540	621

Notes: Gold equivalent production – 7,529 oz, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US$6.6 million down 13% on previous Quarter.

Operating Costs of US$870 per ounce Au equivalent production up 40.1% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 7,275 tonnes per week was below the 12,000 tonnes per week target for 2019, due to the four week interruption to production.

FINANCE

BANRESERVAS

Dominican Government-owned BanReservas provided US$7.5 million of unsecured loans to the Las Lagunas project. The remaining loan balance as at 31 March 2019 will be repaid in accordance with the following schedule:

	US$
15 July 2019	2,000,000

SHAREHOLDER LOANS

Certain Shareholders have provided loans totalling A$3.2 million to PanTerra Gold Limited. These unsecured loans were subordinated to the Las Lagunas project loan from ALCIP which prohibited repayment before 15 July 2019.

CASH POSITION

Available Group funds as at 31 March 2019 were US$7.1 million (A$10.0 million).

An additional US$1.0 million is on deposit with the project's power supplier as a performance bond and will be returned to the Company on completion of the Las Lagunas project in December 2019.

SALE OF PLANT

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

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

A decision on the future of various elements of the plant will be made later this year.

CLAIM AGAINST DOMINICAN GOVERNMENT

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

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

The claim was prepared by independent consultants and will probably result in a formal dispute with the Government and subsequent arbitration in Washington DC under the rules of the ICSID.

The claim for costs to 31 December 2018 is for US$15.22 million, and claimable costs will continue to be incurred to the end of operations in December 2019 and during project closure in 2020.

BUSINESS DEVELOPMENT

CHINA

During the Quarter, meetings were held with one of the two gold mining companies showing serious interest in the application of the Albion process to oxidising refractory concentrate.

The outcome of these meetings is that PanTerra Gold Technologies Pty Ltd (“PGT”) has submitted a revised proposal whereby it will seek to register a wholly foreign owned subsidiary in China to construct and operate a 50,000tpa Albion/CIL plant, with the mining company supplying 50% of the refractory concentrate at a grade between 35g/t Au and 40g/t Au, for a minimum period of 15 years at an agreed price based on a percentage of the value of gold contained in the arsenopyrite concentrate.

Based on discussions, the mining company would also assist in the procurement of the balance of the plant feed from other mines in the region.

The Company is waiting on the response to the proposed Co-Operation Agreement which was submitted on 15 April 2019.

Meetings will be held in the second week of May 2019 with the second mining company.

At this stage, the second mining company is considering a 51:49 joint venture to develop a 75,000tpa Albion/CIL plant, based on this tonnage of refractory concentrate being supplied to the proposed plant by the Chinese partner.

These are relatively small projects but if either or both proceed, are intended to become the foundations for a profitable and scalable 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.

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

CUBA

The PanTerra Gold Group was selected in October 2018 by the Cuban Government's mining company, GeoMinera S.A., as its proposed joint venture partner for the development of their La Demajagua refractory gold deposit on the Isle of Youth in Southwest Cuba.

PanTerra Gold's involvement in the project is dependent on approval of the proposed joint venture agreement by the Cuban Government's Committee for Foreign Investment. GeoMinera has indicated drafting of the joint venture agreement and the approval process could take up to six months from when negotiations on the terms of the agreement commenced in February 2019.

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.

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

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

POTENTIAL OF ALBION/CIL PROCESS

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

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

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