24 October 2019

PANTERRA GOLD LIMITED

QUARTERLY REPORT TO 30 SEPTEMBER 2019

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LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

HIGHLIGHTS FOR THE QUARTER

- Gold production – down 2.0% on previous Quarter
- Sales revenue – up 9.7% on previous Quarter
- Operating costs – US$700 per ounce Au equivalent, down 15.5% on previous Quarter
- Doré sales – US$13.6 million
- Operating costs – US$6.5 million
- Operating profit – US$7.1 million

PRODUCTION

	September Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	176,511	149,585	18.0%	420,675
Average head grade (g/t)				
Gold	3.25	3.53	-7.9%	3.53
Silver	34.3	38.9	-11.8%	43.5
Recovery (%)				
Gold	49.4	53.5	-7.7%	52.3
Silver	12.4	16.0	-22.5%	14.0
Production (oz)				
Gold	9,092	9,083	0.1%	25,038
Silver	23,824	29,109	-18.2%	72,542
Sales (oz)				
Gold	8,989	9,169	-2.0%	25,383
Silver	21,398	29,617	-27.7%	73,544
Sales (US$m)	13.6	12.4	9.7%	35.7
Sales (A$m)*	19.9	17.7	12.4%	51.4

* Based on average exchange rate for the Quarter.

Gold production was 0.1% higher than the previous Quarter, and doré sales increased by 9.7% to US$13.6 million.

OPERATING COSTS

	September Quarter		Previous Quarter	
	US$ ('000)	US$/oz (Gold Equiv. Production)	US$ ('000)	US$/oz (Gold Equiv. Production)
Tailings Reclaim	493	53	496	52
Processing Consumables	1,815	196	1,958	205
Salaries	1,158	125	1,166	122
Grid Power	1,718	185	1,764	184
Processing Fuel	144	16	167	17
Spares, Repairs & Maintenance	575	62	769	80
Site & Camp Costs	448	48	381	40
Office Overheads	100	11	192	20
Insurance	40	4	149	16
TOTAL OPERATING COSTS (C1 Cash Costs)	6,491	700	7,042	736

Notes: Gold equivalent production – 9,279 oz, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US$6.5 million down 7.8% on previous Quarter.

Operating Costs of US$700 per ounce Au equivalent production down 4.5% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 13,578 tonnes per week was above the 12,000 tonnes per week target for 2019.

FINANCE

CASH POSITION

Available Group funds as at 30 September 2019 were US$9.3 million (A$13.8 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 in Q1 2020 following completion of the Las Lagunas project.

SALE OF PLANT

Plans are being advanced to commence dismantling the plant in January 2020 with saleable items to be stored on site prior to disposal.

Some components may be retained for use on a potential future project, depending on this likelihood when reviewed in Q1 2020.

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 flotation circuit, 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 30 June 2019 is US$16,551,290 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

A major Chinese gold mining company is showing serious interest in the application of the Albion process for oxidising of refractory concentrate, particularly when sourced from arsenopyrite ore.

Following an invitation from the mining company, PanTerra Gold Technologies Pty Ltd ("PGT") submitted a non-binding Memorandum of Understanding ("MOU") setting out in detail the intent of the parties to conduct a feasibility study prior to the joint construction of a 75,000 tpa Albion/CIL plant in NW China which would process arsenopyrite concentrate with a grade of approximately 36g/t Au purchased from the mining company, with the aim of producing 80,000oz gold per year for 15 years. This MOU has recently been signed by both parties.

In November 2019, prior to commencement of a feasibility study of the proposed project, senior technical staff of the mining company will visit the Ararat Albion/CIL plant in Armenia in the company of representatives of Glencore Technology, which holds the Albion Oxidation process patents.

The visit is aimed at confirming the 95% to 97% recovery of gold from the refractory concentrate being processed at the Armenian plant, and reviewing the neutralisation of arsenic in the plant tailings.

PGT has tested the relevant Chinese concentrate and achieved a 95% gold recovery.

PGT has an agreement with Glencore Technology that grants PGT and its nominated partner's exclusive rights to utilise the Albion technology in China for a minimum period of 10 years from 2018.

CUBA

The PanTerra Gold Group was selected in October 2018 by the Cuban Government's mining company, GeoMinera S.A., as its proposed 49% 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. Drafting of the joint venture agreement has been completed and is currently expected to be approved early next year which will be followed by a PreFeasibility study at a cost to PGT of approximately US$1.5 million.

The first stage of the proposed project is planned as an open pit mining operation for seven years, followed by a second stage underground operation for around 10 years. The deposit has been extensively drilled (>50,000m) but will require further exploration for both the open pit and underground targets to define JORC compliant resources. Both stages will require successful Definitive Feasibility Studies to be undertaken prior to development.

If the project proceeds, PGT will design and construct an 80,000 tpa Albion/CIL processing plant for the joint venture on a turnkey basis aimed at producing approximately 70,000 oz Au per year from the arsenopyrite concentrate that would be produced by the mine during the period of open pit operations.

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 agreed 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 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 as is occurring at the Ararat project in Armenia.

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 precious metals from refractory ores.