

APPENDIX 4E

PANTERRA GOLD LIMITED (ACN 008 031 034) AND CONTROLLED ENTITIES YEAR END FINANCIAL REPORT For the year ended 31 December 2019

Expressed in **United States dollars** unless otherwise stated

Results for announcement to the market

This information should be read in conjunction with the attached Annual Report of PanTerra Gold Limited (ACN 008 031 034) for the year ended 31 December 2019

	Consolidated Year ended 31 Dec 2019 US\$	Consolidated Year ended 31 Dec 2018 *Restated US\$	Percentage increase/ (decrease)
Revenues from ordinary activities	43,914,603	55,508,622	(20.9%)
Loss from ordinary activities after tax attributable to the owners of PanTerra Gold Limited	5,131,098	(9,146,905)	156.1%
Net Loss for the year attributable to the owners of PanTerra Gold Limited	5,128,679	(8,934,151)	157.4%
EBITDA	12,066,266	13,984,465	(13.7%)
NET TANGIBLE ASSETS			
Net tangible assets per ordinary share	0.012	(0.014)	185.7%
EARNINGS PER SHARE			
Basic profit / (loss) cents per share	2.46	(6.58)	137.4%
Diluted loss cents per share	2.46	(6.58)	137.4%

DIVIDEND INFORMATION

There were no dividends paid, recommended or declared during the current financial period.
There were no dividends paid, recommended or declared during the previous financial period.

Explanation of Results

Please refer to the commentary included in the Directors' Report for an explanation of results.

*Certain amounts shown here do not correspond to the 31 December 2018 financial statements and reflect adjustments made – refer to Note 37 of the 31 December 2019 audited financial statements.

PanTerra Gold
Limited ABN 48 008 031 034

2019
ANNUAL REPORT

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CORPORATE DIRECTORY

Directors	Brian Johnson <i>Chairman & Chief Executive Officer</i> James Tyers <i>Executive Director</i> Ugo Cario <i>Non-executive Director</i> Angela Pankhurst <i>Non-executive Director</i>
Company Secretary	Angela Pankhurst
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	HLB Mann Judd Level 4 130 Stirling Street Perth WA 6000 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
Securities exchange listing	PanTerra Gold Limited shares are listed on the Australian Securities Exchange (Code: PGI – ordinary shares)
Website address	www.panterragold.com

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 2019.

Gold production for the year from the Company's Las Lagunas project in the Dominican Republic was 33,042 oz and the operating profit from the project was US\$17.3 million.

After general overheads, depreciation and amortisation, an allowance of US\$3.2 million for the Dominican Republic Government's share of cash flow and financing costs, the Group profit for the year was US\$5.1 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 experience by focussing on the development of the La Demajagua gold mine in Cuba in a 49%:51% joint venture with the Cuban Government's mining company, Geo Minera S.A.

Following completion of the Las Lagunas project in December 2019, the surplus plant is being dismantled and will either be sold or relocated to Cuba 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
27 March 2020

OPERATIONS REPORT

OPERATIONS – LAS LAGUNAS

Gold production of 33,042 oz for the period decreased by 23.6% from 2018, with sales revenue from gold and silver decreasing by 20.9% from US\$55.5 million to US\$43.9 million.

Las Lagunas Operations	2019	2018	Variance
Plant Feed (tonnes)	574,673	623,618	-7.8%
Avg Head Grade g/t Au	3.50	4.08	-14.2%
Production			
oz Au	33,042	43,243	-23.6%
oz Ag	91,861	132,932	-30.9%
Sales Revenue US\$ million	43.9	55.5	-20.9%
Operating Costs US\$ million	26.6	35.5	-25.1%
Operating Profit US\$ million	17.3	20.0	-13.5%

Production from the project is now complete with final feed being delivered to the plant on 28 December 2019. All of the tailings which could be recovered from the Las Lagunas dam have been processed.

DISMANTLING OF PLANT AND SITE REHABILITATION

Dismantling of the Albion/CIL process commenced in January 2020 with saleable items to be stored on site prior to disposal. The cost of the dismantling, project closure, and ongoing administration in the Dominican Republic for 2020 is estimated to cost approximately US\$2.5 million.

It is expected that these costs and an estimated US\$300,000 to be spent during 2020 on removal of concrete foundations and general site remediation, will be offset by plant and equipment sales.

CONSOLIDATED CASH POSITION

As at 31 December 2019, the Group was debt free. Available Group funds on this date were US\$6.9 million (A\$9.9 million at exchange rates at the time).

US\$5.5 million (A\$7.9 million) of receipts from deferred gold sales was banked in January 2020 and added to available funds and an additional US\$1.0 million (A\$1.4 million) that was on deposit with the project's power supplier as a performance bond was returned to the Company in early February 2020.

DISPUTES WITH DOMINICAN GOVERNMENT

The Company's rights and obligations in relation to the Las Lagunas Project are governed by the "Special Contract" it signed with the Dominican Government in October 2004.

As outlined below, a number of disputes with the Government were submitted for arbitration on 12 March 2020 under the rules of the International Centre for Settlement of Investment Disputes (ICSID) in Washington DC, which is a unit of the World Bank.

The London office of Swiss law firm, Lalive, has been retained to manage the arbitration process. Lalive specialises in, and has extensive experience, handling disputes between investors and State entities.

Tailings Dam Site

The Company 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 depositing of tailings from the Las Lagunas Albion/CIL plant after re-processing. The provision of the dam site was an obligation of the Government under the Special Contract.

OPERATIONS REPORT (CONTINUED)

The Government did not progress the expropriation of the mutually preferred site, and as a consequence of EVGLL's inability to construct a new storage dam the re-processed tailings had to be deposited back into the same storage facility from which they were mined. This 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, which was rejected by the Government, was prepared by independent consultants and has recently been submitted for arbitration.

The Claim for costs to 30 June 2019 amounted to US\$16,551,290. A further US\$400,000 of related costs were incurred to the end of operations in December 2019 and will be added to the Claim.

Additionally, an estimated US\$700,000 will be spent by June 2020 sluicing stacked reprocessed tailings back behind the Las Lagunas dam wall to improve the stability of the internal rock retaining walls that were constructed to allow deposition after processing. This amount will also be added to the Claim which will ultimately total approximately US\$18 million plus costs.

Taxation Matters

Despite very clear documentation in the Special Contract that EVGLL will benefit from an "exemption from any type of tax, fee, duty, national or municipal", the Dominican Government has repeatedly submitted assessments to EVGLL for 'asset tax' and 'income tax', which have had to be defended in the Courts.

As advised to the ASX on 17 December 2019, the Supreme Court of the Dominican Republic has ruled in favour of EVGLL's interpretation of the Special Contract.

The Government has recently decided to challenge the Supreme Court decision in the Constitutional Court. EVGLL's legal counsel has advised that such challenge is highly unlikely to succeed as it was a condition precedent to the validity of the Special Contract providing exemptions on taxation, that such exemptions be approved by Congress in the Dominican Republic within 90 days of the signing of the Special Contract. The exemptions in the Special Contract were approved by the Dominican Congress as required, and officially gazetted on 5 August 2004.

Resolution of this dispute was included as a subject matter in the arbitration application.

EVGLL has also disputed the Governments' interpretation of the Special Contract that its share of cash flow after recovery of the project investment ("PUN") and Royalties payable to the Government are taxes and as such interest and penalties should apply under the Tax Code for any late payments, even in the event of delays in payments occasioned by disagreement and resolution of applicable amounts.

EVGLL is seeking declaratory relief with regards to this matter in its application for arbitration and is also seeking recovery of approximately US\$500,000 of legal costs incurred defending its position against tax assessments, and US\$350,000 levied as penalties and interest for late payments of royalties in 2015 and 2016.

Share of Cash Flow (PUN)

The Dominican Government does not agree with the amount of PUN paid by EVGLL for 2018 and is likely to dispute the provision for 2019. As a consequence, this matter will probably be added to the matters to be arbitrated.

Cost and Timetable for Arbitration

Lalive has presented a detailed plan, timetable, and budget for the conduct of the arbitration which indicates that this cost will be in the order of US\$1.5 million spread over twenty-four months, with a decision six months later.

FUTURE ACTIVITIES

LA DEMAJAGUA PROJECT CUBA

The Company 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.

The joint venture company for undertaking the La Demajagua Project, Minera La Victoria SA ("MLV"), is expected to be incorporated in Cuba in April or May 2020 and the formal Joint Venture Agreement signed at the same time.

The first stage of the proposed project is planned as an open pit mining operation for a period of five to six 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 of 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.

MLV will proceed with a Pre-Feasibility Study ("PFS") over the twelve months following establishment of the joint venture which will review the viability of initially developing an open pit mine to produce approximately 60,000tpa of refractory concentrate at a grade of around 45g/t Au for five to six years. The concentrate could then be either treated through an Albion/CIL plant to produce doré containing approximately 80,000oz Au per year, or alternatively, exported to an overseas smelter for processing.

The Albion/CIL plant may be able to utilise major equipment from the Las Lagunas project in the Dominican Republic after refurbishment.

PanTerra Gold Technologies Pty Ltd ("PGT") has completed a detailed Preliminary Economic Assessment ("PEA") for the first stage of the project which has indicated the technical and commercial viability of producing doré.

The PFS will include a 5,000m drilling program to add to and confirm the previous exploration results and assist in the establishment of JORC resources, together with metallurgical test work to confirm applicability of the Albion process for oxidising the La Demajagua arsenopyrite ore.

The US\$1.0 million cost of the PFS will be provided by the PanTerra Gold Group as part of its equity contribution for the Project.

KUNLUN PROJECT, CHINA

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

Following an invitation from the mining company, PGT negotiated the terms of a non-binding Memorandum of Understanding ("MOU") setting out in detail the mutual intent of the parties to conduct a feasibility study prior to the joint construction of a 75,000 tpa Albion/CIL plant near Kunlun in NW China.

The concept established in the MOU was for the plant to 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 a minimum of 15 years. This MOU was signed by both parties in May 2019.

In November 2019, senior technical staff of the mining company visited the Ararat Albion/CIL plant in Armenia in the company of representatives of PGT and Glencore Technology which holds the Albion Oxidation Process patents.

The visit was 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 Kunlun concentrate and achieved a 95% gold recovery.

FUTURE ACTIVITIES (CONTINUED)

Following the successful visit, PGT was requested by the mining company to revise its Preliminary Economic Assessment (PEA) for the proposed Kunlun project to increase plant capacity to 100,000 tpa with a targeted production of 110,000 oz Au per year.

This has been completed and recently submitted to the company for their review prior to them determining if they and PGT should proceed with a Definitive Feasibility Study (DFS) for the project.

PGT has an agreement with Glencore Technology which grants PGT exclusive rights to utilise the Albion technology in China for a minimum period of 10 years from 2017, and the Kunlun project could prove to be the cornerstone for a viable business opportunity in China.

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 could be 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 the potential for +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.

OTHER PROSPECTS

As the Company's only commitment for project expenditure in 2020 is currently the La Demajagua PFS, it is reviewing several investment opportunities in mining prospects, other than refractory gold projects, that could lead to near term operations and cash flows.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

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\$43,846,588 (2018: US\$55,486,648).

Net cash inflow from operations for the Group was US\$4,336,987 (2018: US\$13,626,292).

Consolidated profit before interest, depreciation, amortisation, impairment and government profit share for the year was US\$15,217,377 (2018 restated*: US\$16,828,393). The consolidated net profit for the year was US\$5,131,098 (2018 restated*: net loss US\$9,146,905).

The net assets of the Consolidated Group were US\$7,144,834 (2018 restated*: US\$2,179,953).

Cash and cash equivalents as at the reporting date were US\$6,904,666 (2018: US\$7,777,792). External borrowings (undiscounted principal) as at the reporting date were:

	2019 US\$	2018 US\$	
BanReservas	-	1,262,500	Unsecured Project loan
BanReservas	-	2,487,500	Unsecured Credit facility
Shareholders	-	2,250,304	Unsecured loans

*Certain amounts shown here do not correspond to the 2018 Directors' Report and reflect adjustments made – refer to Note 37 in the notes to the financial statements for further details.

Corporate Activities

Unmarketable Parcel Share Sale

On 9 July 2019 the Company announced its intention to facilitate the sale of fully paid ordinary shares for members who held less than a marketable parcel of shares (Odd-lot Member). The Company's board decided to undertake the sale of unmarketable parcels in order to reduce the Company's administration costs and to assist Odd-lot members in selling their holdings without incurring brokerage fees. The on-market sale of shares of Odd-lot Members holding less than marketable parcels was completed on 26 September 2019. A total of 3,794,727 shares were sold for gross proceeds of A\$100,092 thereby achieving an average sale price of A\$0.02637. The proceeds were forwarded to Odd-lot Members by the Company's share registry within 21 days of the completion date.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

REVIEW OF OPERATIONS AND FINANCIAL RESULTS (CONTINUED)

Selective Share Buy-Back

On 18 July 2019 the Company announced that it had reached agreement with the Central American Mezzanine Infrastructure Fund LP ("CAMIF") and its associate, Argia Investments LLC ("Argia"), pursuant to which the Company could buy-back and then cancel a total of 15,759,677 PGI shares representing 7.47% of those on issue. The purchase price of 1.5 cents per share was announced on 26 July 2019 (total A\$236,395). Resolutions for the buy-back of the two parcels of shares were passed at a General Meeting of Shareholders held on 25 October 2019 and the 15,759,677 shares were bought back by the Company and cancelled on 7 November 2019.

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 (2018: Nil).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

COVID-19 global pandemic

Since early February 2020 the Company has been following the New South Wales Health Department guidelines for the COVID-19 global pandemic and has updated staff and contractors regularly, both in Australia and at the Las Lagunas site in the Dominican Republic, as the situation evolved. At the time of this report no staff or contractors of the Group have tested positive for the COVID-19 virus nor have there been any suspected cases.

Plant dismantling, following completion of the Las Lagunas project, has been suspended and only 4 or 5 security staff from a private firm remain on site.

The financial impact on the Company is currently minimal with all Group employees, other than 1 in the Dominican Republic and 3 in NSW on leave and being paid from accrued entitlements.

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 5.

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.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 other companies with Stock Exchange listings in London, New York and Australia.

Other current directorships of listed entities

None

Former listed company directorships in last 3 years

None

Interests in shares and options

66,672,054 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 30 years experience in the mining industry with the last 18 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 Talling 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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 20 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 and 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.

Other current directorships of listed entities

Imritec Limited (formerly Luri Gold) – Director/Company Secretary (Company delisted 3 November 2017)

Consolidated Zinc Limited

Former listed company directorships in last 3 years

None

Interests in shares and options

271,259 shares

COMPANY SECRETARY

Ms Angela Pankhurst. *B.Bus (Curtin University), MAICD*

Appointed Company Secretary 5 April 2019.

Ms Pamela Bardsley. *Dip. Law (SAB), LL.M (UTS), FGIA, FCIS*

Resigned as Company Secretary 5 April 2019.

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	5	5	2	2
James Tyers	5	5	*	*
Ugo Cario	5	5	2	2
Angela Pankhurst	5	5	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, there were no shares issued as a result of the exercise of performance rights.

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.

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.

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

available 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 can be directly linked to performance of the consolidated entity. A portion of bonus and incentive payments may be 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.

Use of remuneration consultants

During the financial year ended 31 December 2019, 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 - 2019	Employment period - 2018
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:

Brian Johnson – Executive Chairman

- 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). On 30 August 2019 the Agreement was extended for a further period of one year, to 31 December 2020;
- Management fees under current agreement as follows:
 - 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 (extended to 31 December 2020);
- 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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

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. On 30 August 2019 the Agreement was extended for a further period of one year, to 31 December 2020. 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 2020);
- 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 2019	Short Term		Post-employment		Remuneration consisting of share based payments %	Remuneration that is performance based %
	Cash salary and fees US\$	Superannuation US\$	Total US\$			
Name						
Executive Directors						
Brian Johnson	375,592	-	375,592	-	-	-
James Tyers	254,215	17,629	271,844	-	-	-
Non-executive Directors						
Ugo Cario	34,798	-	34,798	-	-	-
Angela Pankhurst	40,950	-	40,950	-	-	-
Total	705,555	17,629	723,184	-	-	-

Year ended December 2018	Short Term		Post-employment		Remuneration consisting of share based payments %	Remuneration that is performance based %
	Cash salary and fees US\$	Superannuation US\$	Total US\$			
Name						
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	-	-	-

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other transactions with Key Management Personnel

During the year interest on shareholder loans totalling US\$46,283 was paid to associated companies of Brian Johnson. Total shareholder loans of US\$701,590 owed to Mr Johnson's related entities were repaid in full in July 2019. In addition, Mr Johnson was reimbursed during the year for out of pocket expenses in relation to the business use of his private motor vehicle (US\$ 12,564) and travel expenses paid with his personal credit card (US\$6,099).

Amounts payable to KMP (including GST) as at the date of this report are set out in the following table:

	2019 US\$	2018 US\$
Current Payables:		
Brian Johnson – Management fees	34,620	34,809
Brian Johnson – Expense reimbursement	1,115	1,016
Ugo Cario – Non-executive Directors' fees	2,914	2,930
Angela Pankhurst – Non-executive Directors' fees	3,206	3,223
Angela Pankhurst – Company Secretary fees	909	-
Angela Pankhurst – Consulting fees	-	7,736
	42,764	49,714

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:

2019	Held at 1 Jan 2019	Additions	Disposals	Held at 31 Dec 2019/ Date of resignation
<i>Ordinary shares</i>				
Brian Johnson	64,511,454	2,160,600	-	66,672,054
James Tyers	693,514	-	-	693,514
Ugo Cario	185,479	-	-	185,479
Angela Pankhurst	271,259	-	-	271,259
<hr/>				
2018	Held at 1 Jan 2018	Additions	Disposals	Held at 31 Dec 2018/ Date of resignation
<i>Ordinary shares</i>				
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

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.

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 the current year and each of the previous four financial years.

Financial year ended	Closing share price (USD)	Earnings per share (USD)	Dividends
31 December 2019	0.042	0.025	-
31 December 2018 *restated	0.023	(0.066)	-
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.

2019 Annual General Meeting

The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

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.

In February 2019, the contract to insure the Directors of the Company against a liability to the extent permitted by the Corporations Act 2001, expired. The Company was unable to renew the policy with its insurer due to the potential project in Cuba, and was unable to find an alternate provider to provide similar cover at a reasonable cost, so has not insured its Directors since then.

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 HLB Mann Judd

There are no officers of the Company who are former audit partners of HLB Mann Judd.

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 17.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITOR

HLB Mann Judd 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.

A handwritten signature in black ink, appearing to read 'Brian Johnson', with a stylized flourish above the name.

Brian Johnson
Executive Chairman
27 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of PanTerra Gold Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
27 March 2020

M R Ohm
Partner

hl**b.com.au**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019	Year ended 31 December 2018 *Restated
	Note	US\$	US\$
Revenue	4	43,914,603	55,508,622
Other income	5	13,952	(726,994)
Changes in inventories		1,864,773	(484,193)
Mining and mill feed costs		(1,744,026)	(1,623,799)
Consumables		(7,550,556)	(8,599,294)
Grid power		(6,660,291)	(7,620,093)
Equipment spares and maintenance		(3,343,669)	(3,980,594)
Spares written off to net realisable value		202,526	(1,523,427)
Direct labour costs		(5,138,288)	(5,382,055)
Site and camp costs		(1,625,531)	(1,689,090)
Royalties		(1,459,810)	(1,991,053)
Employee benefits – other than direct		(835,696)	(1,170,693)
Insurance costs		(426,197)	(803,967)
Occupancy costs		(76,135)	(118,090)
Legal and professional costs		(354,708)	(347,952)
Exploration and evaluation activities		(395,303)	(450,556)
Depreciation and amortisation expense	17, 18, 19	(5,304,492)	(9,181,274)
Finance costs	8	(1,630,677)	(2,173,316)
Impairment	7	-	(11,776,780)
Foreign exchange gain / (loss)		39,452	(100,884)
Loss on Investments		(19,921)	(220,204)
Government share of cash flow (PUN)	9	(3,151,110)	(2,843,928)
Other expenses		(1,187,798)	(1,847,291)
Profit / (Loss) before income tax expense	6	5,131,098	(9,146,905)
Income tax expense	10	-	-
Profit / (Loss) after income tax		5,131,098	(9,146,905)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation movement (net of income tax)		(2,419)	212,754
Total other comprehensive income net of tax for the year		(2,419)	212,754
Total comprehensive income for the year		5,128,679	(8,934,151)
Attributable to:			
Owners of the Parent Entity		5,128,679	(8,934,151)
Total comprehensive income for the year		5,128,679	(8,934,151)

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

Basic earnings / (loss) per share (cents per share)	34	2.46	(6.58)
Diluted earnings / (loss) per share (cents per share)	34	2.46	(6.58)

*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made – refer to Note 37.

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 2019

		2019	2018
	Note	US\$	*Restated US\$
CURRENT ASSETS			
Cash and cash equivalents	11	6,904,666	7,777,792
Trade and other receivables	12	119,186	1,355,402
Prepayments and deposits	13	1,195,726	1,392,718
Inventories	14	2,543,305	1,987,411
TOTAL CURRENT ASSETS		10,762,883	12,513,323
NON-CURRENT ASSETS			
Other financial assets	16	-	1,000,000
Property, plant and equipment	17	12,148	4,907,515
Right-of-use assets	18	47,383	-
Intangible assets	19	4,856,746	5,217,501
Investments	21	205,154	228,443
TOTAL NON-CURRENT ASSETS		5,121,431	11,353,459
TOTAL ASSETS		15,884,314	23,866,782
CURRENT LIABILITIES			
Trade and other payables	22	1,373,729	6,705,680
Provisions	23	7,316,008	4,425,319
Borrowings	24	-	7,676,538
Lease liabilities	18	35,102	-
TOTAL CURRENT LIABILITIES		8,724,839	18,807,537
NON-CURRENT LIABILITIES			
Provisions	25	-	2,879,292
Lease liabilities	18	14,641	-
TOTAL NON-CURRENT LIABILITIES		14,641	2,879,292
TOTAL LIABILITIES		8,739,480	21,686,829
NET ASSETS		7,144,834	2,179,953
EQUITY			
Contributed equity	26	79,590,223	79,754,021
Reserves	27	(2,466,985)	(2,464,566)
Accumulated losses		(69,978,404)	(75,109,502)
TOTAL EQUITY		7,144,834	2,179,953

*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made – refer to Note 37.

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 2019

	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
Adjustments on correction of errors (Note 37)	-	-	-	-	-	(1,876,835)	(1,876,835)
At 1 January 2018 (restated*)	78,406,299	(11,773,880)	3,920,449	1,378,768	3,789,148	(65,962,597)	9,758,187
Loss for the year	-	-	-	-	-	(8,915,516)	(8,915,516)
Adjustments on correction of errors (Note 37)	-	-	-	-	-	(231,389)	(231,389)
Restated loss for the year	-	-	-	-	-	(9,146,905)	(9,146,905)
Other comprehensive income	-	-	-	-	212,754	-	212,754
Total comprehensive income for the year (restated*)	-	-	-	-	212,754	(9,146,905)	(8,934,151)
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 (restated*)	79,754,021	(11,773,880)	3,920,449	1,386,963	4,001,902	(75,109,502)	2,179,953

*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made – refer to Note 37.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2019	79,754,021	(11,773,880)	3,920,449	1,386,963	4,001,902	(73,001,278)	4,288,177
Adjustments on correction of errors (Note 37)	-	-	-	-	-	(2,108,224)	(2,108,224)
Balance as at 1 January 2019 (restated*)	79,754,021	(11,773,880)	3,920,449	1,386,963	4,001,902	(75,109,502)	2,179,953
Profit for the year	-	-	-	-	-	5,131,098	5,131,098
Other comprehensive income	-	-	-	-	(2,419)	-	(2,419)
Total comprehensive income for the year	-	-	-	-	(2,419)	5,131,098	5,128,679
Transactions with owners in their capacity as owners:							
Shares cancelled	(163,798)	-	-	-	-	-	(163,798)
Balance as at 31 December 2019	79,590,223	(11,773,880)	3,920,449	1,386,963	3,999,483	(69,978,404)	7,144,834

*Certain amounts shown here do not correspond to the 2018 financial statements and reflect adjustments made – refer to Note 37.

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 2019

		Year ended 31 December 2019	Year ended 31 December 2018
	Note	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,146,176	55,406,279
Receipts from insurance claims		-	230,993
Payments to suppliers and employees		(31,898,909)	(36,907,141)
Payments for projects, exploration and evaluation activities		(395,303)	(450,556)
Interest received		18,611	21,974
Interest paid		(5,689,660)	(4,675,257)
Payments of Government share of cash flow (PUN)		(2,843,928)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	33	4,336,987	13,626,292
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(389,039)
Proceeds from sale of property, plant and equipment		-	274
Receipts from redeemed term deposits		1,000,000	-
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		1,000,000	(388,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,458,102
Payment of share issue costs		-	(110,380)
Payment for cancelled shares		(163,798)	-
Repayment of borrowings	24	(6,000,304)	(10,958,447)
Lease payments	18	(46,011)	-
NET CASH USED IN FINANCING ACTIVITIES		(6,210,113)	(9,610,725)
NET (DECREASE) / INCREASE IN CASH HELD		(873,126)	3,626,802
Cash at the beginning of the financial year		7,777,792	4,150,990
CASH AT THE END OF FINANCIAL YEAR		6,904,666	7,777,792

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

(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 2019 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 26 March 2020. 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 2018. The Group applied AASB 16 *Leases* with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. A number of other new standards and amendments are effective from 1 January 2019 but they do not have a material effect on the Group’s financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16 Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and IFRIC 4. The details of the changes in accounting policies are disclosed below.

Policy applicable from 1 January 2019

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under AASB 16, the Group assesses whether a contract is or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 January 2019.

B. Recognition of right-of-use assets and lease liabilities

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases – ie. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases (expiring less than 12 months from initial application of AASB 16). For leases of other assets, which were classified as operating under AASB 117, the Group recognised right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as separate line items in the relevant sections of the Statement of Financial Position and additional information is shown in note 18.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Under AASB 117

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(d) New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts.*

(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.

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 earned a profit of US\$5,131,098 (2018 restated*: loss of US\$9,146,905) and had net cash inflows from operations of US\$4,336,987 (2018: US\$13,626,292). As at 31 December 2019, the Consolidated Group's current assets exceeded its current liabilities by US\$2,038,044 (2018 restated*: current liabilities exceeded current assets by US\$6,294,214).

*Certain amounts shown here do not correspond to the 2018 Consolidated Financial Statements and reflect adjustments made – refer to Note 37 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's sole project, the Las Lagunas Gold Tailings Project, finished production on 28 December 2019. The Group is in the process of entering into a new project in Cuba, however, has yet to formalise the joint venture agreement for the project. Upon formalising the joint venture agreement, the Group will be required to raise additional capital through the issue of equity, borrowings or other means to bring this project into production.

The Company's rights and obligations in relation to the Las Lagunas Project are governed by the "Special Contract" entered into with the Dominican Government. As outlined in Note 31, a number of disputes with the Government will be submitted for arbitration in the near future under the rules of the International Centre for Settlement of Investment Disputes (ICSID) in Washington DC.

In addition to the above, included within the working capital deficit is a rehabilitation provision of \$2,863,180 relating to the end of project rehabilitation requirements associated with the Las Lagunas project.

The Directors have confidence of successfully completing the joint venture agreement in Cuba and obtaining the necessary capital to fund the development and of a favourable outcome from the arbitration process. Notwithstanding this, the above conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts 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 20.

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 retained earnings/(accumulated losses), the expense or asset, if applicable, and provision.

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 35, expenses are recorded by the Group for share based payments. True 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 and its Albion/CIL plant design as the group's main operating segments. 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 2019 and 31 December 2018.

Information about reportable segments

	Las Lagunas Project		Albion/CIL Plant Design		Others		Consolidated	
	2019 US\$	2018 US\$ (Restated)	2019 US\$	2018 US\$	2019 US\$	2018 US\$	2019 US\$	2018 US\$ (Restated)
External revenue	43,846,588	55,486,648	-	-	-	-	43,846,588	55,486,648
Inter-segment revenue	-	-	-	-	-	-	-	-
Interest revenue	50,973	3,745	-	-	17,042	18,229	68,015	21,974
Interest expense	(920,158)	(704,050)	-	-	(710,519)	(1,469,266)	(1,630,677)	(2,173,316)
Depreciation and amortisation	(4,921,331)	(7,043,972)	(360,755)	(2,135,530)	(22,406)	(1,772)	(5,304,492)	(9,181,274)
Other income	13,952	(651,283)	-	-	-	(75,711)	13,952	(726,994)
Reportable segment profit / (loss) before income tax	8,290,385	(2,609,093)	(360,755)	(2,135,530)	(2,798,532)	(4,402,282)	5,131,098	(9,146,905)
Other material non-cash items:								
Foreign exchange gain/(loss)	6,049	(38,920)	-	-	33,403	(61,964)	39,452	(100,884)
Plant & equipment impairment revaluation	-	(11,776,780)	-	-	-	-	-	(11,776,780)
Segment assets	8,331,172	15,281,273	4,856,746	5,217,501	22,686,009	29,571,119	35,873,927	50,069,893
Capital expenditure	-	387,188	-	-	-	1,915	-	389,103
Segment liabilities	9,019,269	17,770,750	-	-	26,623,830	34,820,346	35,643,099	52,591,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SEGMENT REPORTING (CONTINUED)

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

	2019 US\$	2018 US\$
Revenues		
Total revenue for reportable segments	43,846,588	55,486,648
Consolidated revenue	43,846,588	55,486,648

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

	2019 US\$	2018 US\$
Assets		
Total assets for reportable segments	35,873,927	50,069,893
Elimination of investments in subsidiaries	(17,344,731)	(17,869,962)
Elimination of intercompany loans and interest	(26,903,619)	(30,904,267)
Elimination of provision for intercompany loans	23,541,815	21,800,000
Elimination of head office expenses charged to Las Lagunas project	716,922	771,118
Consolidated total assets	15,884,314	23,866,782

	2019 US\$	2018 US\$ (Restated)
Liabilities		
Total liabilities for reportable segments	35,643,099	52,591,096
Elimination of intercompany loans and interest	(26,903,619)	(30,904,267)
Consolidated total liabilities	8,739,480	21,686,829

Geographical information

Geographical non-current assets	2019 US\$	2018 US\$
Dominican Republic	25,148	6,676,684
Australia	5,096,283	4,676,775
	5,121,431	11,353,459

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE

	2019 US\$	2018 US\$
Revenue from continuing operations		
<i>Sales revenue</i>		
Sales of gold	42,966,651	53,838,113
Sales of silver	1,403,929	2,054,766
Less: Refinery and freight costs	(523,992)	(406,231)
	43,846,588	55,486,648
<i>Other revenue</i>		
Interest received	68,015	21,974
	43,914,603	55,508,622

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 customer obtains control of the product 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

	2019 US\$	2018 US\$
Net gain / (loss) on adjustment to carrying amount of financial liability	-	(840,012)
Proceeds from sale of scrap	13,952	1,432
Proceeds from sales of assets	-	274
Insurance claim received	-	111,312
	13,952	(726,994)

- i. In 2018 PanTerra Gold Limited's wholly owned subsidiary, EnviroGold (Las Lagunas) Limited had a loan facility in place with ALCIP Capital LLC ("ALCIP loan facility"). Under the loan agreement there were several elements which were grouped together on inception 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 was assessed as at 31 December 2018. The change in forecast future cash flows resulting from a change in estimated gold and silver prices, together with revised production estimates resulted in a loss of US\$840,012. This loss was recognised as other income in the Statement of Profit or Loss and Other Comprehensive Income in accordance with AASB 9. As the project was finalised as at 31 December 2019 there were no future royalty and PPP elements to be valued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

6. PROFIT / (LOSS) BEFORE TAX

Profit / (Loss) includes:

	2019 US\$	2018 US\$
Employee costs - salaries	771,272	1,043,551
Employee costs – superannuation	53,815	68,722
Employee costs – other	5,786	38,079
Payroll tax	4,823	12,146
Equity settled share-based payments	-	8,195
	835,696	1,170,693

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 35 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

	2019 US\$	2018 US\$
Impairment		
Mine, buildings and plant	-	11,776,780
	-	11,776,780

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

		2019 US\$	2018 US\$
Interest on loan borrowings	i.	1,624,199	1,261,481
Other borrowing costs		3,029	911,835
Lease interest		3,449	
		1,630,677	2,173,316

i. Included in interest on loan borrowings is a fair value gain of \$1,676,234 (2018: \$3,006,034) relating to the effective interest rate adjustments as described in note 5.

9. GOVERNMENT SHARE OF CASH FLOW (PUN)

	Note	2019 US\$	2018 US\$ (Restated)
Net cumulative cash flow subject to PUN		12,604,439	11,375,711
PUN Payment @ 25%	23	3,151,110	2,843,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable

	2019 US\$	2018 US\$ (Restated)
Profit/(loss) before income tax	5,131,098	(9,146,905)
Tax at the Australian tax rate of 30% (2018 - 30%)	1,539,329	(2,744,072)
Tax effect of Dominican Republic (profits)/losses exempt from tax ⁽ⁱ⁾	(2,487,116)	782,728
Tax losses not brought to account	947,787	1,961,344
Income tax expense	-	-

(i) Subsidiary company, EnviroGold (Las Lagunas) Limited (“EVGLL”) and the Dominican Republic Government are parties to a Special Contract which exempts EVGLL from income tax in return for the Government receiving a 25% share of excess cash flows (PUN), as defined by the Special Contract. Refer to Notes 9 and 23 for further details.

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 2018: US\$36,431,700 (2017: US\$32,783,648) in carried forward revenue losses and 2018: US\$3,172,370 (2017: 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 2019 are still to be advised.

The future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be applied with; and
- no changes in tax legislation adversely affect the Consolidated Group in realising the benefit.

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11. CASH AND CASH EQUIVALENTS

	2019 US\$	2018 US\$
Cash at bank and on hand	6,866,199	7,739,115
Cash on deposit	38,467	38,677
	6,904,666	7,777,792

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)

	2019 US\$	2018 US\$
Trade receivables	69,781	1,355,402
Other receivables	49,405	-
	119,186	1,355,402

Past due but not impaired

There were no past due but not impaired receivables at 31 December 2019 or 31 December 2018.

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)

	2019 US\$	2018 US\$
Prepayments and bonds	195,726	392,718
Term deposit	1,000,000	1,000,000
	1,195,726	1,392,718

14. INVENTORIES

	2019 US\$	2018 US\$
Metal on hand and in circuit at cost	2,485,162	620,389
Processing consumables	58,143	1,255,022
Maintenance spares	-	112,000
	2,543,305	1,987,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVENTORIES (CONTINUED)

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.

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	
		2019 %	2018 %
PanTerra Gold Technologies Pty Ltd	Australia	100	100
EnviroGold (Las Lagunas) Limited ⁽¹⁾	Vanuatu	100	100
PanTerra Gold Investments Limited ⁽¹⁾	Cayman Islands	100	100
PanTerra Mining Finance Inc.	BVI	100	100
PanTerra Gold Inc.	BVI	100	100
PanTerra Gold Investments Inc. ⁽²⁾	BVI	100	100
PanTerra Gold (Dominicana) S.A. ^{50% (2) & 50% (3)}	Dominican Republic	100	100
PanTerra Gold (Peru) S.A. (Liquidated 4 Feb 2019)	Peru	-	100

⁽¹⁾ Investment held by PanTerra Gold Technologies Pty Ltd

⁽²⁾ Investment held by PanTerra Gold Inc. (BVI)

⁽³⁾ Investment held by PanTerra Gold Investments Inc. (BVI)

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

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 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15. SUBSIDIARIES (CONTINUED)

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.

(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)

		2019 US\$	2018 US\$
Utility deposit	(i)	-	1,000,000
		-	1,000,000

(i) Deposit with Dominican Republic electricity provider.

17. PROPERTY, PLANT & EQUIPMENT

2019	Mine Buildings and Plant US\$	Plant & Equipment US\$	Total US\$
Cost			
Balance 31 December 2018	67,512,011	9,864,041	77,376,052
Additions	-	-	-
Balance 31 December 2019	67,512,011	9,864,041	77,376,052
Accumulated Depreciation			
Balance 31 December 2018	(42,974,056)	(9,636,150)	(52,610,206)
Depreciation expense	(4,679,624)	(215,743)	(4,895,367)
Balance 31 December 2019	(47,653,680)	(9,851,893)	(57,505,573)
Impairment			
Balance 31 December 2018	(19,858,331)	-	(19,858,331)
Impairment	-	-	-
Balance 31 December 2019	(19,858,331)	-	(19,858,331)
Carrying Value 31 December 2019	-	12,148	12,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

17. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

2018	Mine Buildings and Plant 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

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.

The mining operation at the Las Lagunas gold tailings project came to an end in December 2019 and as a consequence the mine buildings and process plant were fully depreciated at year end. The written down value carried forward at year end represents the remaining useful life of a number of motor vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

18. LEASE ASSETS AND LIABILITIES

The Group leases office premises in Bowral (Australia) and residential premises in Santo Domingo (Dominican Republic) for expatriate manager housing. Information about leases for which the Group is a lessee is presented below.

Right-of-use lease assets

	Office Premises US\$	Residential Premises US\$	Total US\$
2019			
Balance at 1 January 2019	34,782	40,914	75,696
Additions – exercise of option to extend lease	20,057	-	20,057
Depreciation charge for the year	(21,094)	(27,276)	(48,370)
Balance at 31 December 2019	33,745	13,638	47,383

Lease liabilities

	2019 US\$
Maturity analysis – contractual undiscounted cash flows	
Less than one year	36,382
One to five years	14,826
More than five years	-
Total undiscounted lease liabilities at 31 December 2019	51,208
Lease liabilities included in the statement of financial position at 31 December 2019	49,743
Current	35,102
Non-current	14,641

Amounts recognised in profit or loss

	2019 US\$
Interest on lease liabilities	3,449
Expenses relating to short-term leases	107,471

Amounts recognised in the statement of cash flows

	2019 US\$
Total cash outflow for leases	46,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19. INTANGIBLE ASSETS

	2019 US\$	2018 US\$
Development costs		
Albion/CIL processing plant design costs		
Balance at the beginning of the year	5,217,501	7,353,031
Amortisation expense	(360,755)	(2,135,530)
Closing balance	4,856,746	5,217,501
Total intangible assets	4,856,746	5,217,501

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 had 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 is being amortised on a straight line basis over the re-assessed useful life of 15 years.

Impairment

The intangible asset, "Albion/CIL processing plant design costs" was originally established for development of the Las Lagunas project in the Dominican Republic and that project came to an end in December 2019, therefore the Directors have determined that this represents an impairment indicator.

The Group is in advanced negotiations to utilise the Albion process in a proposed joint venture with the Cuban Government's mining company, GeoMinera SA, to develop the La Demajagua gold mine. Under the terms of the draft Joint Venture Agreement, the Group will charge the JV Company a fee for the transfer of technology equal to 1.5% of the JV's sales proceeds from gold and silver. The cash-generating unit (CGU) has been determined as being the Albion/CIL processing plant design costs and the recoverable amount of the CGU was determined based on a value in use calculation using cash flow projections based on the Preliminary Economic Assessment (PEA) for stage one of the project. At a 10% discount rate the NPV for the technology transfer fee at 31 December 2019 was in excess of the carrying amount. Based on the value in use assessment, an impairment charge was not required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20. VALUATION OF GROUP ASSETS

In accordance with the Accounting Policy, a comprehensive impairment review was conducted at 31 December 2019. 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 – 2019	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Assets				
Investments	205,154	-	-	205,154
Property plant and equipment	-	-	12,148	12,148
Right-of-use lease assets	-	47,383	-	47,383
Intangible assets	-	-	4,856,746	4,856,746
Total assets	205,154	47,383	4,868,894	5,121,431

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

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

21. INVESTMENTS

	2019 US\$	2018 US\$
Shares Black Dragon Gold Corp	205,154	228,443
	205,154	228,443

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 profit or loss. Unlisted warrants attached to the shares have been valued and determined to be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21. INVESTMENTS (CONTINUED)

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.

22. TRADE & OTHER PAYABLES

	Note	2019 US\$	2018 US\$ (Restated)
Current			
Trade creditors			
Other corporations		403,422	2,934,796
Director related entities	32	42,764	49,714
Accruals		927,543	3,721,170
		1,373,729	6,705,680

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.

23. PROVISIONS (CURRENT)

	Note	2019 US\$	2018 US\$ (Restated)
Site restoration and rehabilitation		2,863,180	-
Employee benefits (expected to be settled within 12 months)		1,301,718	1,581,391
Government share of cash flow (PUN)	9	3,151,110	2,843,928
		7,316,008	4,425,319

Movements of restoration provision:

Carrying amount at the start of the year		-	-
Reclassified from non-current provisions		2,605,624	-
Provisions recognised during the year		257,556	-
Carrying amount at the end of the year		2,863,180	-

Movements of employee benefits provision:

Carrying amount at the start of the year		1,581,391	308,138
Reclassified from non-current provisions		273,668	1,098,846
Provisions recognised during the year		(553,341)	174,407
Carrying amount at the end of the year		1,301,718	1,581,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23. PROVISIONS (CURRENT) (CONTINUED)

	2019 US\$	2018 US\$
Movements of Government share of cash flow (PUN) provision:		
Carrying amount at the start of the year	2,843,928	-
Amounts paid during the year	(2,843,928)	-
Provisions recognised during the year	3,151,110	2,843,928
Carrying amount at the end of the year	3,151,110	2,843,928

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.

Site restoration and rehabilitation

The 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.

Government share of excess cash flow (PUN)

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 payments (known as PUN payments) to the DR Government at the rate of 25% of the excess cash generated by the Las Lagunas gold tailings project once the cumulative cash flow from operations, for the first time exceeds the initial capital investment in the project. This first occurred during 2018, therefore an annual provision representing the estimated PUN payment is calculated and recognised at balance date. Refer to Note 9 for further details.

24. BORROWINGS (CURRENT)

	2019 US\$	2018 US\$
ALCIP Capital facility loan	-	1,676,234
BanReservas	-	3,750,000
Shareholder loans	-	2,250,304
	-	7,676,538

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24. BORROWINGS (CURRENT) (CONTINUED)

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.

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.

Changes in borrowings from financing activities:

	ALCIP	BanReservas	Shareholder	Total
	Capital		Loans	
2019	facility loan	US\$	US\$	US\$
Carrying value at start of year	1,676,234	3,750,000	2,250,304	7,676,538
Financing cash flows	-	(3,750,000)	(2,250,304)	(6,000,304)
Net movement in fair value gain on borrowings	(1,676,234)	-	-	(1,676,234)
Carrying value at end of year	-	-	-	-

	CAMIF	ALCIP	BanReservas	Shareholder	Total
	redeemable	Capital		Loans	
2018	preference	facility loan	US\$	US\$	US\$
	shares	US\$	US\$	US\$	US\$
Carrying value at start of year	6,212,444	6,850,703	6,500,000	2,497,568	22,060,715
Financing cash flows	(5,200,000)	(3,008,447)	(2,750,000)	-	(10,958,447)
Foreign currency gains	-	-	-	(247,264)	(247,264)
Net movement in fair value gain on borrowings	(1,012,444)	(2,166,022)	-	-	(3,178,466)
Carrying value at end of year	-	1,676,234	3,750,000	2,250,304	7,676,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

25. PROVISIONS (NON-CURRENT)

	2019 US\$	2018 US\$ (Restated)
Site restoration and rehabilitation	-	2,605,624
Employee benefits	-	273,668
	-	2,879,292
Movements of restoration provision:		
Carrying amount at the start of the year	2,605,624	2,447,405
Reclassification to current provisions	(2,605,624)	-
Provisions recognised during the year	-	158,219
Carrying amount at the end of the year	-	2,605,624
Movements of employee benefits provision:		
Carrying amount at the start of the year	273,668	1,372,514
Reclassification to current provisions	(273,668)	(1,098,846)
Carrying amount at the end of the year	-	273,668

26. CONTRIBUTED EQUITY

	2019 US\$	2018 US\$
Issued and paid up capital		
Ordinary shares fully paid	79,590,220	79,754,018
Preference shares fully paid	3	3
	79,590,223	79,754,021
Movements in ordinary shares on issue		
	2019	
	Number	US\$
Balance 31 December 2018	210,901,326	79,754,018
Cancellation of shares from share buy-back approved by shareholders 23 October 2019	(15,759,677)	(163,798)
Balance 31 December 2019	195,141,649	79,590,220
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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26. CONTRIBUTED EQUITY (CONTINUED)

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

Options issued

Listed options

There were no listed options issued or exercisable during the year or at year end.

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 (e).

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 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

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	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
AU Dollars	1,827,663	1,608,161	143,222	2,609,885
Dominican Pesos	551,259	123,066	198,544	2,151,532
Vanuatu Vatu	909	5,453	-	-
CA Dollars	-	-	-	177
Euro	-	-	-	318
	<u>2,379,831</u>	<u>1,736,680</u>	<u>341,766</u>	<u>4,761,912</u>

Foreign exchange sensitivity

The Consolidated Group had net assets/(liabilities) denominated in foreign currencies of US\$2,038,065 (assets US\$2,379,831 less liabilities US\$341,766) as at 31 December 2019 (2018: (US\$3,025,232) (assets US\$1,736,680 less liabilities US\$4,761,912).

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:

2019	AUD	DOP	TOTAL
USD Weakened %	-5%	-2%	
Increase in post-tax profit for the year (USD)	84,251	8,227	92,478
USD Strengthened %	4%	4%	
Decrease in post-tax profit for the year (USD)	(67,400)	(16,453)	(83,853)
2018	AUD	DOP	TOTAL
USD Weakened %	-6%	-2%	
Increase in post-tax profit for the year (USD)	58,040	38,005	96,045
USD Strengthened %	8%	3%	
Decrease in post-tax profit for the year (USD)	(77,387)	(57,008)	(134,395)

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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The main exposure of the Consolidated Group to interest rate risk arises from the interest received on cash surpluses invested with banks.

Interest rate sensitivity

Based on the financial asset instruments held at 31 December 2019, had the AUD cash on deposit interest rate increased/decreased by 0.5% during the year (2018: 0.5%) and the USD cash on deposit interest rate increased/decreased by 0.85% (2018: 0.75%), with all other variables held constant, the Consolidated Group's post-tax profit for the year would have been US\$19,110 higher/lower (2018: US\$11,910 higher/lower), mainly as a result of cash and cash equivalents.

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 2019. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONTINUED)

2019	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						
<i>Non-interest bearing</i>						
Trade & other payables		1,373,729	-	-	-	1,373,729
<i>Interest-bearing</i>						
Bank loans		-	-	-	-	-
Shareholder Loans		-	-	-	-	-
Total non-derivatives		1,373,729	-	-	-	1,373,729

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						
<i>Non-interest bearing</i>						
Trade & other payables	-	9,749,178	-	-	-	9,749,178
<i>Interest-bearing</i>						
Bank loans	8.7%	5,785,536	-	-	-	5,785,536
Shareholder Loans	12%	2,409,138	-	-	-	2,409,138
Total non-derivatives		17,943,852	-	-	-	17,943,852

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 2019.

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:

	2019 US\$	2018 US\$
Capital employed	79,590,223	79,754,021
Cash and cash equivalents	6,904,666	7,777,792
Total equity - funds	86,494,889	87,531,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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:

	2019 US\$	2018 US\$
Short-term employee benefits	705,555	727,024
Post-employment benefits	17,629	18,646
	723,184	775,670

Related party transactions

Related party transactions are set out in Note 32.

30. REMUNERATION OF AUDITORS

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

	2019 US\$	2018 US\$
<i>Audit services – HLB Mann Judd</i>		
Audit or review of the financial report	33,616	-
	33,616	-
<i>Other services – HLB Mann Judd</i>		
Preparation of an independent expert's report in relation to the selective buy-back of shares	13,166	-
	13,166	-
Total Services – HLB Mann Judd	46,782	-
<i>Audit services – BDO East Coast Partnership</i>		
Audit or review of the financial report	52,096	111,226
	52,096	111,226
<i>Other services – BDO East Coast Partnership</i>		
Preparation of the tax return	9,685	15,421
Tax consulting services	-	10,382
	9,685	25,803
Total Services – BDO East Coast Partnership	61,781	137,029
<i>Audit services – BDO Dominican Republic</i>		
Audit or review of the financial report	23,738	23,025
	23,738	25,025
<i>Other services – BDO Dominican Republic</i>		
Preparation of the tax return	2,477	2,477
Translation of the financial statements	6,397	7,110
Restatement of prior year financial statements	7,202	-
	16,076	9,587
Total Services – BDO Dominican Republic	39,814	32,612

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.

Disputes with Dominican Government

The Company’s rights and obligations in relation to the Las Lagunas Project are governed by the “Special Contract” it signed with the Dominican Government. As outlined below, a number of disputes with the Government will be submitted in the near future for arbitration under the rules of the International Centre for Settlement of Investment Disputes (ICSID) in Washington DC.

i. Tailings Dam Site

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 depositing of tailings from the Las Lagunas Albion/CIL plant after re-processing. The provision of the dam site was an obligation of the Government under the Special Contract.

The inability of EVGLL to construct a new storage dam resulted in the re-processed tailings having to be deposited back 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, which has been rejected by the Government, was prepared by independent consultants and will be submitted for arbitration.

The Claim for costs to 30 June 2019 amounted to US\$16,551,290. A further US\$400,000 of related costs were incurred to the end of operations in December 2019 and will be added to the Claim.

Additionally, an estimated US\$700,000 will be spent by June 2020 sluicing stacked reprocessed tailings back behind the Las Lagunas dam wall to improve the stability of the internal rock retaining walls that were constructed to allow deposition after processing. This amount will be also added to the Claim which will ultimately total approximately US\$18 million plus costs.

ii. Taxation Matters

Despite very clear documentation in the Special Contract that EVGLL will benefit from an “exemption from any type of tax, fee, duty, national or municipal”, the Dominican Government has repeatedly submitted assessments to EVGLL for ‘asset tax’ and ‘income tax’, which have had to be defended in the Courts.

As advised to the ASX on 17 December 2019 the Supreme Court of the Dominican Republic has ruled in favour of EVGLL’s interpretation of the Special Contract.

The Government has recently decided to challenge the Supreme Court decision in the Constitutional Court. EVGLL’s legal counsel has advised that such challenge is highly unlikely to succeed as it was a condition precedent to the validity of the Special Contract providing exemptions on taxation, that such exemptions be approved by Congress in the Dominican Republic within 90 days of the signing of the Special Contract. The Special Contract was approved by the Dominican Congress as required, and officially gazetted on 5 August 2004.

Resolution of this dispute will be included as a subject matter for arbitration.

EVGLL also disputes the Governments’ interpretation of the Special Contract that its share of cash flow after recovery of the project investment (“PUN”) and Royalties payable to the Government are taxes and as such interest and penalties should apply under the Tax Code for any late payments even in the event of delays in payments occasioned by disagreement and resolution of applicable amounts.

EVGLL will seek declaratory relief with regards to this matter in the application for arbitration and will also seek to recover approximately US\$500,000 of legal costs incurred defending its position against tax assessments, and US\$350,000 levied as penalties and interest for late payments of royalties in 2015 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

31. LITIGATION AND CONTINGENCIES (CONTINUED)

iii. Share of Cash Flow (PUN)

The Dominican Government does not agree with the amount of PUN paid by EVGLL for 2018 and is likely to dispute the provision for 2019. As a consequence, this matter will probably be added to the matters to be arbitrated. The provision represents management's best estimate of the probable outflow.

32. 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 totalling US\$18,663 incurred by THPL on behalf of PanTerra Gold and for management fees charged by Brian Johnson. Mr Johnson is a director and his 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 and company secretarial 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.

During the year interest totalling US\$46,283 on Shareholder Loans was paid to associated companies of Brian Johnson. Total shareholder loans of US\$701,590 owed to Mr Johnson's related entities were repaid in July 2019.

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

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

	2019 US\$	2018 US\$
Charges for services provided by:		
Tristar Holdings – Management fees	375,592	402,458
Cario Family Trust – Directors fees	34,798	37,287
Western Ventures Consulting – Directors fees	34,830	37,329
Western Ventures Consulting – Company Secretarial/ Consulting fees	6,120	7,032
	451,340	484,106

At the end of the reporting period the following invoiced amounts (including GST) were outstanding:

	2019 US\$	2018 US\$
Current Payables:		
Tristar Holdings	35,735	35,825
Cario Family Trust	2,914	2,930
Western Ventures Consulting	4,115	10,959
	42,764	49,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Note	2019 US\$	2018 US\$ (Restated)
Profit / (Loss) after income tax		5,131,098	(9,146,905)
Add/(Less) Non-cash Items			
Depreciation and amortisation		5,304,492	9,181,274
Unrealised foreign exchange loss		946	(1,204)
Employee Performance Rights		-	8,195
Site restoration allowance		257,556	20,540
Impairment		-	11,776,780
Net movement in fair value gain on borrowings	5, 8, 24	(1,676,234)	(3,178,466)
Work in progress movement		(1,864,773)	484,193
Spares written to net realisable value		(202,526)	1,523,427
Investment movement		19,921	220,204
Gain on sale of plant and equipment		-	(274)
Changes in operating assets and liabilities			
Decrease in receivables		1,236,216	37,899
Decrease in inventory		1,511,406	304,225
Decrease / (Increase) in other assets		196,992	(42,064)
(Decrease) / Increase in payables		(5,578,107)	2,438,468
Net cash flows generated from operating activities		4,336,987	13,626,292

34. EARNINGS PER SHARE ("EPS")

	2019 US\$	2018 US\$ (Restated)
Numerator used for basic and diluted EPS:		
Profit / (Loss) after tax attributable to the owners of PanTerra Gold Limited	5,131,098	(9,146,905)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares outstanding during the year used in calculating the basic EPS.	208,569,757	139,095,317
Weighted average of diluted holdings used in calculating the diluted EPS (*)	208,569,757	139,095,317

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

35. 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.

No performance rights vested and converted during the year and there were no new performance rights granted during the year.

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. No expense (2018: US\$8,195) has been recognised during the year for rights granted under the Performance Rights Plan.

36. SUBSEQUENT EVENTS

COVID-19 global pandemic

Since early February 2020 the Company has been following the New South Wales Health Department guidelines for the COVID-19 global pandemic and has updated staff and contractors regularly, both in Australia and at the Las Lagunas site in the Dominican Republic, as the situation evolved. At the time of this report no staff or contractors of the Group have tested positive for the COVID-19 virus nor have there been any suspected cases.

Plant dismantling, following completion of the Las Lagunas project, has been suspended and only 4 or 5 security staff from a private firm remain on site.

The financial impact on the Company is currently minimal with all Group employees, other than 1 in the Dominican Republic and 3 in NSW on leave and being paid from accrued entitlements.

37. CORRECTION OF ERRORS

During the course of the 2019 financial year, the Group identified the following errors which have had a material impact on its prior year reported results:

1. *Understatement of the rehabilitation provision for the Las Lagunas Gold Tailings Project.*

The project came to an end on 28 December 2019 and as a consequence, a detailed analysis has been conducted to estimate the projected costs likely to be incurred for closure of the mining operation and rehabilitation and restoration of the mine site. As a result, the Group has identified that the rehabilitation provision that was calculated at the commencement of the project in 2012 is significantly lower than the projected costs. Therefore an adjustment has been processed to increase the cumulative value of the provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

37. CORRECTION OF ERRORS (CONTINUED)

2. *Overstatement of accrued expenses.* During the period between 2016 and 2018 a number of large accruals were made, pending receipt of invoices for closed purchase orders and for estimated costs that were based on prior period charges. These accruals have been carried forward as a liability of the Group. Management has conducted a complete review of these accruals and has ascertained that the costs were overstated during the prior periods. Therefore an adjustment has been processed to decrease the carrying value of the accruals liability as at the reporting date.
3. *Understatement of Dominican Government share of cash flow (PUN).* Following a review by the Dominican Government of the Group's calculation of the 2018 Government's share of excess cash flow (PUN), it was discovered that a number of errors had been made in the calculation resulting in an understatement of the expense and corresponding provision.

As a consequence of these errors, certain line items have been amended in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and the related notes to the financial statements. The following table summarises the impacts on the Group's financial statements for prior periods.

i. Statement of profit or loss and other comprehensive income

For the comparative period ended 31 December 2018 In US Dollars	Impact of correction of error		
	As previously reported	Adjustments	As restated
Mining and mill feed costs	(1,628,759)	4,960	(1,623,799)
Consumables	(8,840,527)	241,233	(8,599,294)
Equipment spares and maintenance	(4,097,118)	116,524	(3,980,594)
Site and camp costs	(1,619,733)	(69,357)	(1,689,090)
Occupancy costs	(124,290)	6,200	(118,090)
Legal and professional expenses	(410,747)	62,795	(347,952)
DR Government share of cash flow (PUN)	(2,250,041)	(593,887)	(2,843,928)
Other expenses	(1,847,434)	143	(1,847,291)
Profit/(Loss) from continuing operations	(8,915,516)	(231,389)	(9,146,905)
Total comprehensive income	(8,702,762)	(231,389)	(8,934,151)

ii. Statement of financial position

For the comparative year ended 31 December 2018 In US Dollars	Impact of correction of error		
	As previously reported	Adjustments	As restated
Trade and other payables	9,749,178	(3,043,498)	6,705,680
Provisions (current)	1,581,391	2,843,928	4,425,319
Total current liabilities	19,007,107	(199,570)	18,807,537
Provisions (non-current)	571,498	2,307,794	2,879,292
Total non-current liabilities	571,498	2,307,794	2,879,292
Total liabilities	19,578,605	2,108,224	21,686,829
Net assets	4,288,177	(2,108,224)	2,179,953
Accumulated losses	(73,001,278)	(2,108,224)	(75,109,502)
TOTAL EQUITY	4,288,177	(2,108,224)	2,179,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 31 DECEMBER 2019

37. CORRECTION OF ERRORS (CONTINUED)

iii. Statement of changes in equity

For the comparative period ended 31 December 2018 In US Dollars	Impact of correction of error		
	As previously reported	Adjustments	As restated
Accumulated losses as at 1 January 2018	(64,085,762)	(1,876,835)	(65,962,597)
Total equity as at 1 January 2018	11,635,022	(1,876,835)	9,758,187
Loss for the period as reported in the 31 December 2018 financial statements	(8,915,516)	(231,389)	(9,146,905)
Total comprehensive income for the period to 31 December 2018	(8,702,762)	(231,389)	(8,934,151)
Accumulated losses as at 31 December 2018	(73,001,278)	(2,108,224)	(75,109,502)
Total equity as at 31 December 2018	4,288,177	(2,108,224)	2,179,953

iv. Earnings per share

For the comparative period ended 31 December 2018 In US Dollars	Impact of correction of error		
	As previously reported Cents	Adjustments Cents	As restated Cents
Basic earnings / (loss) per share (cents per share)	(6.41)	(0.17)	(6.58)
Diluted earnings / (loss) per share (cents per share)	(6.41)	(0.17)	(6.58)

The changes did not have an impact on the Group's operating, investing and financing cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

38. PARENT ENTITY DISCLOSURES

As at and throughout the financial year 31 December 2019, the parent entity of the Group was PanTerra Gold Limited.

Result of parent entity	2019 US\$	2018 US\$
Loss for the period	3,023,785	(8,832,446)
Other comprehensive income/(loss)	(2,419)	212,754
Total comprehensive income/(loss)	3,021,366	(8,619,692)
Financial position of parent entity at year end		
Current assets	1,571,710	2,917,335
Non-current assets	5,810,902	5,190,815
Total assets	7,382,612	8,108,150
Current liabilities	237,777	3,760,345
Non-current liabilities	-	60,537
Total liabilities	237,777	3,820,882
Total equity of the parent entity comprising of:		
Share capital	79,590,223	79,754,021
Foreign currency translation reserve	6,194,634	6,197,053
Option reserve	3,920,449	3,920,449
Performance rights reserve	1,386,963	1,386,964
Accumulated losses	(83,947,434)	(86,971,219)
Total equity	7,144,835	4,287,268

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 2019 and 31 December 2018.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019 and 31 December 2018.

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\$24,251,491, based on the fair market value of the Las Lagunas project.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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

A handwritten signature in black ink, appearing to read 'Brian Johnson', with a large, stylized initial 'B'.

Brian Johnson
Executive Chairman
27 March 2020

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 controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, 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 statements, 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:

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- b) 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 auditor independence requirements of 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 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 1(f) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. 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* we have determined the matter described below to be the key audit matter to be communicated in our report.

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Key Audit Matter	How our audit addressed the key audit matter
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<p>Carrying Value of Intangible Assets Note 19</p>	
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An impairment assessment was conducted by management during the year in relation to the Albion/CIL intangible asset of \$4,856,746 due to the existence of impairment indicators following the completion of the Las Lagunas project in December 2019.

The impairment assessment conducted under AASB 136 *Impairment of Assets* involved a comparison of the recoverable amount of the intangible asset with its carrying amount in the financial statements. Recoverable amount is based upon the higher of fair value less costs of disposal and value-in-use.

The evaluation of the recoverable amount of the intangible asset is considered a key audit matter as it was based upon a value-in-use calculation which requires significant judgement. In addition, the balance is material to the users of the financial statements and involved the most communication with management.

Our procedures included but were not limited to:

- Critically evaluating management's methodology in the value-in-use model and the basis for key assumptions;
- Reviewing the mathematical accuracy of the value-in-use model;
- Performing sensitivity analyses around the key inputs used in the cash flow forecasts that would be required for assets to be impaired;
- Considering the appropriateness of the discount rate used;
- Comparing value-in-use to the carrying amount of the cash-generating unit; and
- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 have 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of PanTerra Gold Limited for the year ended 31 December 2019 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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
27 March 2020



M R Ohm
Partner

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 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 23 March 2020 unless stated otherwise.

DISTRIBUTION OF EQUITY SECURITIES

The number of equitable security holders by size of holding as at 23 March 2020 is:

Holding	Ordinary Shares		Listed Options	
	Number of Holders	Number of Ordinary Shares	Number of Holders	Number of Listed Options
1 - 1,000	57	22,722	-	-
1,001 - 5,000	73	194,143	-	-
5,001 - 10,000	45	366,981	-	-
10,001 - 100,000	318	12,756,805	-	-
100,001 and over	133	181,800,998	-	-
Number of holders	626	195,141,649	-	-

Unquoted equity securities

As at 23 March 2020, there is one holder of five non-redeemable preference shares.

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 31 December 2019, the number of shareholders holding less than a marketable parcel of ordinary shares was 192 (773,747 ordinary shares).

ON-MARKET BUY BACK

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

ASX ADDITIONAL INFORMATION (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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>	55,672,054	28.53
MERCURY CONNECTION INTERNATIONAL CO LIMITED	20,000,000	10.25
HAWTHORNE PTY LTD <BGJ SUPER FUND A/C>	10,000,000	5.12

TWENTY LARGEST SHAREHOLDERS

	Listed Ordinary Shares	
	Number of Shares	Percentage of total Shares issued
MOONSTAR INVESTMENTS PTY LTD <THE PEMBERLEY A/C>	55,672,054	28.53
MERCURY CONNECTION INTERNATIONAL CO LIMITED	20,000,000	10.25
HAWTHORNE PTY LTD <BGJ SUPER FUND A/C>	10,000,000	5.12
MR ERLE EDWINSON	9,703,440	4.97
MR ERLE RYAN EDWINSON	6,053,290	3.10
MRS ELISABETH INGENETTA BONKER <PANTERRA A/C>	6,000,000	3.07
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,321,518	2.73
MRS ANNA VORONTSOVA	4,335,593	2.22
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,682,694	1.89
MR YUNG WING HO + MRS KATHERINE KAM LING HO <VIC & KATHY SUPER FUND A/C>	3,274,008	1.68
ARMCO BARRIERS PTY LTD	3,100,000	1.59
CITICORP NOMINEES PTY LIMITED	2,935,463	1.50
EXPLORER CORPORATION PTY LTD	1,996,241	1.02
MR CHRISTOPHER EDWARD GITTENS	1,626,759	0.83
MR ALLAN DOUGLAS BOWIE	1,600,000	0.82
BRYAN WELCH PTY LTD <BRYAN WELCH S/F A/C>	1,600,000	0.82
TOD MCELROY FAMILY PTY LTD <MCELROY SUPER FUND A/C>	1,592,159	0.82
VISION PTY LTD <PHILIP GARRATT FAMILY A/C>	1,583,334	0.81
CRATE RECOVERY SERVICES PTY LTD <TERPET MARKETING S/FUND A/C>	1,500,000	0.77
CHRISTEN BRUCE MCELROY	1,359,999	0.70
Total	142,936,552	73.25%