



ASX Announcement

PanTerra Gold Limited

ASX: PGI

PROPOSED FINANCING STRATEGY

PanTerra Gold Limited (ASX: PGI) (PanTerra Gold or the “Company”), advises that it is planning a number of measures including a share consolidation, capital raising, and refinancing, to better enable it to move to the pre-development stage of a project aimed at extending the life of its Las Lagunas project in the Dominican Republic

With several of the Company’s largest shareholders currently reducing their holdings, the Company’s share price has been under pressure for the past several months. This has prevented a proposed share placement to a potential strategic shareholder at a price that would reflect the underlying value of the Company.

SHARE CONSOLIDATION

PanTerra Gold will call a Meeting of Shareholders around 30 January 2015 seeking approval to consolidate the number of shares on issue from 846,215,609 to approximately 84,621,561 (one for ten)

If approved, the consolidation will make it easier to deal with the North American market which has an aversion to small companies with an excessive number of shares on issue.

This market is important to PanTerra Gold as it generally has a greater appreciation of why the Company has persevered with the proving of the Albion oxidation process for refractory deposits hosting gold and silver, which are known by investors to be prevalent in North and South America, and of the potential for PanTerra Gold’s business model going forward.

CAPITAL RAISING

The Company will also seek Shareholders’ approval at the same Meeting to raise A\$10 million of additional capital within three months of the date of the Meeting, by the issue of shares at not more than a 15% discount to the VWAP over the last five trading days prior to their issue. Previous approvals to issue 150 million shares by 23 January 2015 will not be utilised.

Of the funds to be raised, US\$5 million will be applied to reduction of Macquarie Bank’s US\$22.7 million loan to the Las Lagunas project, on 31 March 2015. The balance will be applied to general working capital.

A North American Investment Bank which has expressed interest in the Company’s operations and objectives, will be engaged to effect the proposed capital raising in association with an Australian Stockbroker.

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Current production trends at Las Lagunas should be reinforced by an additional two months of production which will permit a more reliable valuation of cash flows to be generated in the future, prior to the proposed share issue.

RESTRUCTURING OF SHARE REGISTER

Simultaneously with the capital raising program in February/March 2015, the same Investment Bank will endeavour to reduce the substantial overhang of the Company's shares in the market, and place shares made available with clients having a medium to long term interest in the Company advancing its business model.

MACQUARIE BANK LIMITED

The Company and Macquarie Bank have agreed to a repayment schedule for the outstanding US\$22.7 million loan balance commencing with a US\$5.0 million payment on 31 March 2015, followed by US\$1.0 million a month until 31 August 2016, and \$700,000 on 30 September 2016.

REFINANCING

Negotiations are continuing with a major New York based group to provide a US\$25 million first lien, term loan (five years) that would be applied to paying out the balance of Macquarie Bank's loan to the Las Lagunas project.

The Group is also considering an additional loan of up to US\$10 million that could be applied to redeeming the preference shares held by the Central American Mezzanine Infrastructure Fund ("CAMIF"), or replacement of any other debts of the Company. It is intended the loan will be amortised in three equal instalments on 31 December 2017, 2018, and 2019.

If this consolidation of the Company's financial obligations is successfully concluded in early 2015, it will probably reduce the capital raising planned for February/March 2015. It will also allow surplus cash flow to be applied in 2015-16 to predevelopment expenditure on a potential new project.

SHAREHOLDERS' LOANS

Shareholders' Loans totalling A\$3.4 million which are due for repayment on 31 December 2014, will not be able to be paid on this date as the Company's principal lender, Macquarie Bank Limited, will not permit Shareholders to accept repayment of their loans under the terms of a formal Subordination Agreement.

When the Shareholders' Loans were arranged in mid-2012, both the Company and Macquarie Bank anticipated the Las Lagunas process plant would perform within reasonable expectation of production parameters established in pilot plant test work for the Albion process, and the Bank's project loan would be repaid in 2014. This has not been the case, and as a consequence, the project loan is now scheduled to be repaid in 2016.

The Subordination Agreements prohibit recovery action by the relevant Shareholders prior to Macquarie Bank being fully repaid.

The Company will again approach Macquarie Bank for their consent to repay Shareholders Loans following further reductions in their project loan balance. The refinancing referred to above could resolve this issue.

POTENTIAL NEW PROJECT

The Company is currently carrying out a joint due diligence exercise with a North American mining company which owns a high grade refractory gold deposit that can produce a 90g to 100g Au/t concentrate amenable to economic gold extraction at the Las Lagunas operation.

The objective, subject to a successful joint scoping study of the technical and economic viability of producing around 100,000 oz Au per year for a minimum of 10 years from 2018, is to merge the two projects at fair value around mid-2015 within a jointly held holding company. PanTerra Gold would be credited with the residual value of its process plant and the discounted cash flow attributable to the Las Lagunas project.

Because only 40,000 tpa of concentrate will be required to produce 100,000 oz Au per year at 85% recovery, it will be able to be fed to the 220,000 tpa Las Lagunas plant in batches until the existing feed is depleted.

The Company is also reviewing other refractory resources that are effectively stranded, but with the potential to be developed as stand-alone projects or as suppliers of concentrate to Las Lagunas.

The Dominican Republic Government has indicated strong support for PanTerra Gold extending the life of the Las Lagunas project through the importation of refractory concentrate and has appointed a Vice Minister to head up a committee that is now engaged with the Company on matters such as environmental approval, concentrate transport, utilisation of the 20 year capacity of the Government's tailings dam and the on-site limestone quarry, and other economic issues.

POTENTIAL CHINESE PARTNER

PanTerra Gold has been invited by a major Chinese gold mining company to put forward a formal proposal for them to acquire a controlling interest in the Las Lagunas project and any mine developments that will be necessary to extend the project life.

The Chinese group have expressed interest in the application of the Albion oxidation process to mid-sized refractory deposits they hold in China following a joint technical presentation by representatives of Xstrata Technology and PanTerra Gold in September 2014.

PanTerra Gold and Xstrata Technology have reached agreement on the two companies forming an Alliance to pool the Intellectual Property they have each developed in relation to the Albion process, with the aim of exploring potential commercial opportunities for its application in China.

PanTerra Gold has been granted exclusive rights to Albion licences granted in China for the next five years.

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