



# ASX Announcement

## PANTERRA GOLD LIMITED QUARTERLY REPORT TO 31 DECEMBER 2014

**ASX: PGI**

*PanTerra Gold is an Australian mining company producing gold and silver from refractory ore at Las Lagunas in the Dominican Republic, utilising Xstrata Technology's patented Albion oxidation process.*

*The Company's near term focus will be on sourcing refractory concentrate from third parties, and on developing a new mine within the region to provide additional feed to its Las Lagunas process plant. This will be followed by investigation of the potential to develop a standalone Albion/CIL project based on identified but stranded refractory resources.*



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### LAS LAGUNAS PROJECT – BACKGROUND

- Reprocessing high grade sulphide tailings from historic production at the Pueblo Viejo mine in the Dominican Republic
- World's first utilisation of Albion process for oxidation of refractory ore containing precious metals
- Albion process oxidises sulphide ore, rendering gold and silver amenable to extraction by standard carbon-in-leach ("CIL") processing
- Las Lagunas project is exempted from income tax, with 25% profit share paid to Government from CY2017 after recovery of US\$72 million plant construction costs
- Recoveries achieved from metallurgically complex tailings will significantly improve when processing clean refractory concentrate from a mining operation



## LAS LAGUNAS PROJECT – PROCESS PLANT

- Dredged feed to thickener
- Industry standard grinding and flotation circuits
- Flotation concentrate goes to Albion oxidation circuit
- Albion oxidation circuit comprises
  - Ultra fine grinding (IsaMill)
  - Oxidative leach tanks ('Albion' reactors)
- Oxidized output from Albion circuit fed to standard CIL circuit after passing through cooling tower
- Reprocessed tailings returned to original storage dam
- Toxic material including sulphur and arsenic rendered inert and non-soluble by Albion process
- Doré poured on site and refined in Geneva

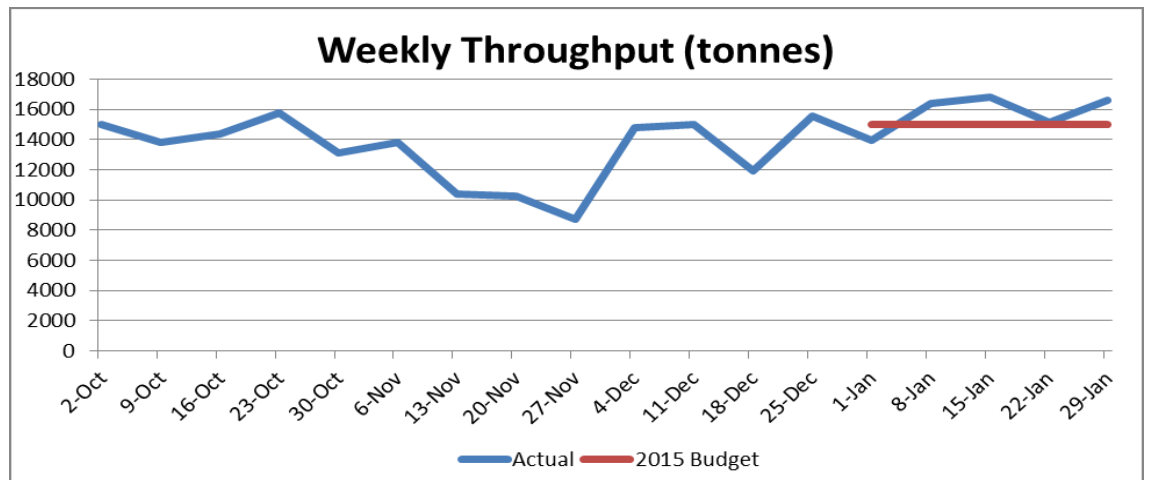


A video of the Las Lagunas operations can be viewed on YouTube at: [http://youtu.be/6P\\_o-Awwlss](http://youtu.be/6P_o-Awwlss)

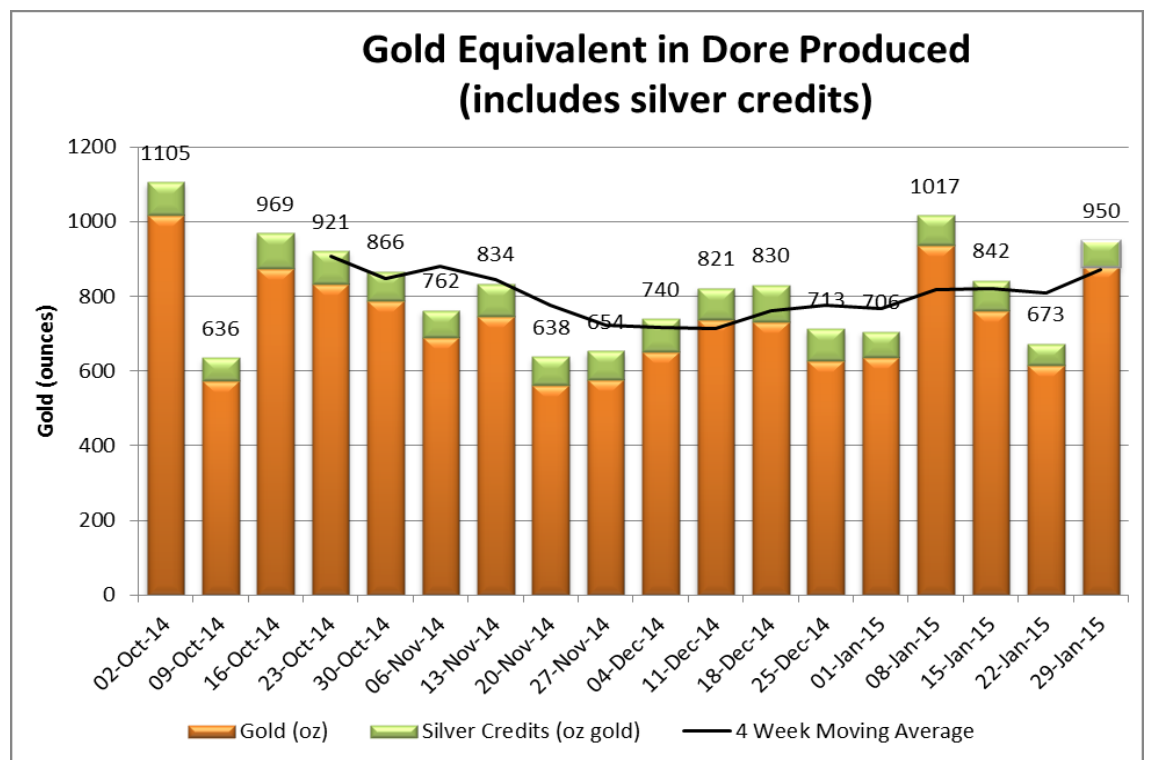


## PRODUCTION – LAS LAGUNAS

Plant throughput has been deliberately varied during the Quarter in order to establish optimum throughput going forward – now set at 15,000 tonnes per week.



The average production for the past four weeks has been approximately 870 oz Au equivalent.



The project has demonstrated its capacity to produce around 950oz Au equivalent per week with the current plant configuration, at the targeted feed rate and head grade, which is reflected in the 2015 Operating Budget. Mechanical issues, primarily with the ultrafine grinding unit (IsaMill) in late November and December 2014, resulted in grind size targets not being met, which impacted on oxidation efficiency and CIL recoveries. The IsaMill is now functioning at planned power draw and meeting design grind size (12 microns).

The production dip on 22 January was a consequence of a scheduled plant stoppage for routine IsaMill maintenance.

**PRODUCTION DECEMBER 2014 QUARTER**

		Guidance	Actual		Variance
PLANT THROUGHPUT		179,000	173,823	t	-3%
AVERAGE HEAD GRADE	GOLD	3.7	3.65	g/t	-1%
	SILVER	38.6	41.9	g/t	+9%
RECOVERY	GOLD	47.6	46.6	%	-2%
	SILVER	28.9	34.1	%	+18%
GOLD PRODUCTION		10,300	9,500	oz	-8%
SILVER PRODUCTION		64,100	80,000	oz	+25%
SALES		13.6	12.6	US\$ Million	-7%

**PRODUCTION GUIDANCE MARCH 2015 QUARTER**

PLANT THROUGHPUT		193,000	t
AVERAGE HEAD GRADE	GOLD	3.7	g/t
	SILVER	38.6	g/t
RECOVERY	GOLD	49.8	%
	SILVER	33.2	%
GOLD PRODUCTION		11,600	oz
SILVER PRODUCTION		79,400	oz
SALES		15.1	US\$ Million

**BALANCE OF LAS LAGUNAS RESOURCE 31 DECEMBER 2014**

- 3.52 million tonnes at 3.7g/t gold and 38.6g/t silver.

**OPERATING COSTS DECEMBER 2014 QUARTER**

C1 CASH COSTS <sup>(i)</sup>	847	US\$/oz gold equivalent <sup>(ii)</sup>
C1 COSTS GUIDANCE MARCH 2015 QUARTER	650	US\$/oz gold equivalent
CASH ON HAND	2.5	US\$ Million
INVENTORY – GOLD EQUIVALENT IN CIRCUIT	2,119	oz
– GOLD EQUIVALENT IN TRANSIT	238	oz

- Note: (i) C1 Cash Cost represents the costs for mining, processing, refining, site administration and general expenses, and movements for precious metals in circuit. It does not include costs of capital works, royalties, finance, or depreciation and amortisation.
- (ii) Gold equivalent ounces are calculated by adding 1/70<sup>th</sup> of silver ounces to gold ounces produced.

## **FINANCE**

### **Project Loan**

Macquarie Bank Limited's project loan was reduced by US\$6.4 million during the Quarter to US\$22.7 million. Capital expenditure on modifications to the Las Lagunas process plant was US\$1.3 million.

Following a review of process plant performance, project loan repayments have been rescheduled to include a reduction of US\$5.0 million on 31 March 2015, followed by monthly payments of US\$1.0 million, and a final payment of US\$710,000 on 30 September 2016.

### **Refinancing**

The Company's objective is to refinance the Las Lagunas project with a longer term loan than currently provided by Macquarie Bank, and discussions with potential US funders are ongoing. It would be in the Company's best interest to be able to access positive cash flow generated by the Las Lagunas project in the near term that could be applied to a new project, rather than paying down the existing loan over a relatively short period.

The Company has the right to early repayment of the current project loan without penalty. Macquarie Bank is not requiring repayment other than in accordance with the agreed schedule, but opportunities for refinancing will continue to be pursued.

### **Shareholders Loans**

Shareholders Loans amounting to A\$3.4 million were not able to be repaid when they fell due on 31 December 2014 when Macquarie Bank sought deferral until 31 December 2015 under the terms of the Subordination Agreements signed by each of the lenders.

The Company has offered to pay an additional 2% pa interest on these unsecured loans, and will permit conversion of all or part of the loans to PGI shares prior to 31 December 2015 at the same price as the next share placement undertaken by the Company.

Alternatively, affected shareholders may choose to forego the conversion opportunity and be repaid within 90 days of any refinancing of Macquarie Bank's project loan.

Most of these lenders have elected to extend their loans by 12 months.

## HEDGING

- 87,080 oz gold remains hedged at US\$1200 per oz.
- Silver unhedged.

With current gold spot prices above the hedge price, the Company is selling gold into the hedge and re-hedging delivered quantities at higher prevailing prices in order to increase future revenue. This policy will be reversed if gold falls below US\$1200 per oz, when it will be sold into the spot market, with future income protected by the hedge.



## PROPOSED SHARE ISSUE

The Company will seek shareholder approval to place up to A\$10 million of its shares in March 2015 following a 1 for 10 consolidation of the number of shares on issue. The aim of the raising is to ensure the Company has funds on hand to meet its 31 March 2015 obligation to Macquarie Bank (US\$5.0 million), and working capital for predevelopment expenses for a second project (refer **Going Forward**).

The proposed share issue will be aimed at North American and European investors and be managed by New York based Tectonic Advisory Partners acting through Ecoban Securities Corporation (“Tectonic”), in association with Grange Consulting from Western Australia.

Tectonic has also been mandated to assist the Company in refinancing the Las Lagunas project and placing up to 15% of the Company’s shares that have been overhanging the market for several months, and depressing the share price to unrealistically low levels.

## TECHNICAL REVIEW

Subsequent to information detailed under the heading “Technical Review” in the September 2014 Quarterly Report, recent operations have suggested that the realistic process parameters for the current configuration of the Albion/CIL plant when treating the highly variable tailings will be as follows:

Throughput		97 tph
Plant Availability		92%
Flotation Recovery	Gold	79%
	Silver	79%
CIL Recovery	Gold	63%
	Silver	42%
Overall Plant Recovery	Gold	49.8%
	Silver	33.2%

These parameters have been included in the 2015 Operating Budget for Las Lagunas.

The installation of larger baffles to the Albion reactors which should increase mixing and oxidation efficiency will be trialled on one reactor in late February 2015 and, subsequent to measurable improvement, will be progressively installed in the other five reactors.

The review process in September 2014 and subsequent operations have confirmed the Las Lagunas project will not be able to achieve the gold and silver recoveries originally expected from pilot plant test work undertaken by Xstrata Technology. This is due to a number of factors primarily related to the project processing of old mine tailings rather than clean concentrate produced from a mining operation. The tailings are extremely variable as to particle size, viscosity, sulphur levels, the mixture of pyrite and arsenopyrite ore, and the extent of ultrafine low grade slimes and carbonaceous materials.

Despite lowered expectations, the project should generate reasonable profits at current gold prices for the five years ending December 2019. Retained earnings after debt servicing and loan repayments should permit the Company to move to a second stage of its development with the benefit of having a fully depreciated process plant with a replacement cost of approximately US\$100 million.



**OPERATING BUDGET 2015**

PLANT THROUGHPUT			773,000	t
AVERAGE HEAD GRADE	GOLD		3.7	g/t
	SILVER		38.6	g/t
TOTAL RECOVERIES	GOLD		49.8	%
	SILVER		33.2	%
PRODUCTION	GOLD		46,500	oz
	SILVER		318,500	oz
SALES	GOLD	(US\$1200/oz)	55.80	US\$ Million
	SILVER	(US\$17/oz)	5.40	US\$ Million
REFINING COSTS			0.60	US\$ Million
<b>TOTAL REVENUE</b>			<b>60.60</b>	<b>US\$ Million</b>
<b>OPERATING COSTS</b>			<b>30.90</b>	<b>US\$ Million</b>
<b>OPERATING PROFIT</b>			<b>29.70</b>	<b>US\$ Million</b>
GOVERNMENT GOLD ROYALTIES (3.2%)			1.90	US\$ Million
TECHNICAL SERVICES & ALBION LICENSING			1.50	US\$ Million
ALLOCATED HEAD OFFICE OVERHEADS			1.30	US\$ Million
SANTO DOMINGO OVERHEADS (including insurance)			1.60	US\$ Million
FINANCING COSTS				
MAQUARIE BANK (including withholding tax)			2.60	US\$ Million
BANRESERVAS			0.60	US\$ Million
<b>NET PROFIT</b>			<b>20.20</b>	<b>US\$ Million</b>
TAXATION				Not applicable
GOVERNMENT PROFIT SHARE				Nil 2015

**POTENTIAL FOR ALBION PROCESS IN CHINA**

PanTerra Gold has negotiated an in-principle agreement with Xstrata Technology to jointly investigate commercial opportunities in China for the application of the two companies' Intellectual Property as it relates to the Albion process, which has been developed over a number of years and at significant cost. PanTerra Gold will lead the investigations and development strategy.

The formal agreement, which is currently being drafted, will contain provisions for PanTerra Gold and its nominated associates to have exclusive rights to Licences for the use of the Albion process in China, for a minimum period of five years.

The Company has engaged with a major Chinese gold mining group, and one of a limited number permitted to invest in foreign mining projects. Following joint technical presentations by PanTerra Gold and Xstrata Technology, the Chinese group expressed serious interest in investing directly in the Las Lagunas gold/silver project, and in partnering the Company in the



development of a mine outside China with the potential to provide refractory concentrate to Las Lagunas, and significantly extend its project life.

The mining company has an appreciation of the technical and commercial potential of the Albion oxidation process and is reviewing the possible application to its own extensive refractory deposits within China.

A formal proposal was presented to the Chinese company in December 2014 and PanTerra Gold has nominated a value in excess of US\$100 million for any transfer of the remaining value of cash flows from Las Lagunas and the residual value of the Albion/CIL process plant and infrastructure. The proposal has been received favourably and the next meeting is expected to be in late February/early March 2015, with the decision makers in the holding company of the mining group.

An indication of the seriousness of a potential association will be better assessed following this meeting.

## **GOING FORWARD**

PanTerra Gold's management and technical advisers have gained significant experience from the world-first application of the Albion process for oxidising refractory ore containing precious metals. They are confident that the process will perform well with clean refractory concentrate produced from mining operations rather than when treating tailings with inherent metallurgical complexity and variability.

The Company is poised to continue with a reasonably predictable positive cash flow while it seeks to commercialise the residual value of its first process plant and infrastructure, and the Intellectual Property it has gained over the past six years.

The Company's experience with predevelopment metallurgical testwork, process design, equipment selection, and operational techniques, has resulted in it becoming the leader in the application of the Albion oxidation process, as it relates to precious metals.

The Company has identified numerous occurrences of stranded refractory ore bodies worldwide, where gold and silver could potentially be recovered economically by this process in association with standard carbon-in-leach extraction.

The Company's near term focus will be on a mine development that could provide high grade refractory concentrate for processing at Las Lagunas. The investigation of standalone projects will follow.

Commercial benefits of importing concentrate to Las Lagunas include the written-down plant value, existing environmental permits, a trained low-cost labour force, 15 years of tailings dam capacity, and an on-site limestone quarry. These benefits will more than offset the cost of transport of concentrate from a mine site within the region.

PanTerra Gold is receiving increasing numbers of enquiries in relation to acquisition or merger opportunities involving refractory resources, and is currently investigating access to several specific projects.

## PROPOSED DEVELOPMENT

The Company has reached agreement in principle to acquire a controlling interest in a +1.0 million oz Au high grade refractory deposit in North America, with the potential to produce concentrate grading approximately 100g/t Au. A binding HOA with respect to the development is expected to be formalised by the end of February 2015.

PanTerra Gold's interest can be earned primarily by the Company's expenditure on predevelopment costs including a definitive feasibility study, over a 24 month period.

The potential unincorporated joint venture with the owner of the property would aim to develop a relatively small mine in 2018 to produce sufficient concentrate for the extraction of 100,000 oz Au annually, for a minimum of ten years. The concentrate can be economically shipped to the Dominican Republic for treatment at Las Lagunas.

The Las Lagunas plant and infrastructure will continue to be 100% owned by PanTerra Gold unless an association with the Chinese mining group, or some other third party, is established.

The Dominican Government is indicating strong support for extending the life of the Las Lagunas project and has appointed a Vice Minister to coordinate approvals from a number of authorities.

Full details of the proposed development, including economic targets, will be released subsequent to the Company formalising the binding HOA.



## SHARE ISSUES DURING THE QUARTER

- 23,974,443 fully paid ordinary shares issued to Central American Mezzanine Infrastructure Fund L.P. @\$0.027 per share in lieu of a cash dividend.
- 39,345,237 quoted options exercisable at 17.5¢ each expired on 31 December 2014.
- Total shares on issue at 31 December 2014: 846,215,609.

The sale of unmarketable parcels of shares in the Company was commenced during the Quarter and finalised in January 2015. The sale process resulted in the number of shareholders being reduced by 1,270 to approximately 3,600, with a resultant saving in administration costs.

## EXPLORATION

### Granted Tenements

Property Name	Area	Interest (%)
Fuerte (Dominican Republic)	7925ha	100
La Paciencia (Dominican Republic)	7150ha	100

### Tenement Application

Property Name	Area	Interest (%)
La Perseverancia (Dominican Republic)	9875ha	100

The Company has been waiting for over two years for this renewal application to be granted, and despite repeated assurances from the Dominican Department of Mines, this has not yet occurred.

As the La Perseverancia concession is the most prospective of the Company's areas, an exploration team will not be assembled until the scale of future activity and probability of success is increased with the grant of this concession.

Base case environmental and social studies for the three concessions have been completed by a consulting group.

Exploration costs for the Quarter were US\$53,000.



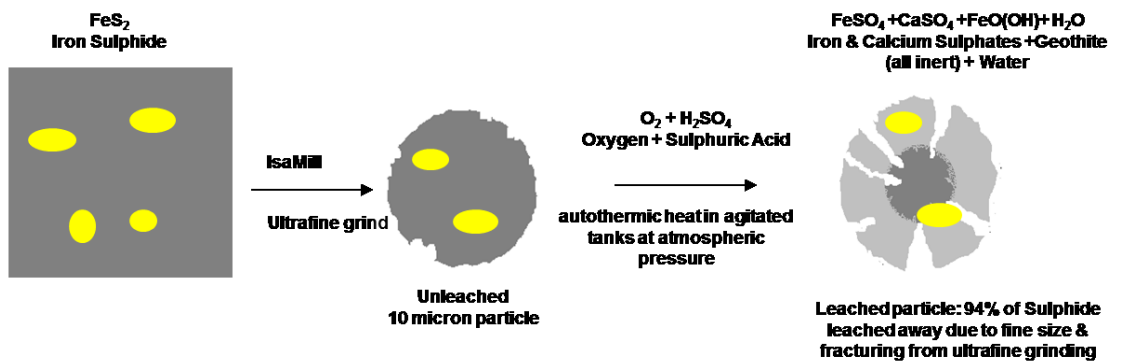
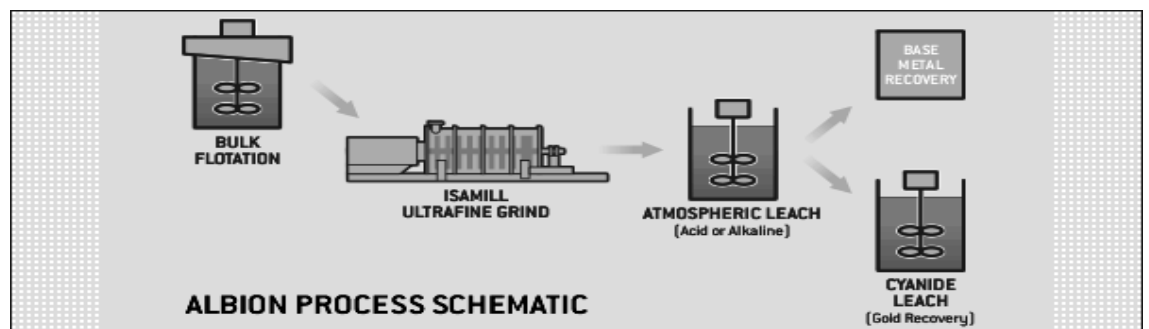
### Refractory Ores

A refractory ore containing gold is one in which the gold is usually present as finely disseminated particles in sulphide minerals such as pyrite. Conventional cyanide leaching relies on the cyanide lixiviant making contact with the gold particle, dissolving the gold into a gold cyanide complex in order that recovery can then be achieved. In refractory ores, the cyanide is unable to penetrate the sulphide particle and make contact with the gold, resulting in poor metal recovery and significantly impacting on the ability to economically treat the ore. Stranded refractory gold deposits are scattered throughout the world, inviting the application of a relatively simple, cost-efficient process to unlock their value.

### Albion Oxidation Process

The Albion Process™ is a combination of ultrafine grinding and oxidative leaching at atmospheric pressure.

A concentrate containing precious metals is fed to the Albion circuit where sulphides are oxidised and liberated, allowing gold and silver to be recovered by conventional means.



**COMPETENT PERSON STATEMENT*****Las Lagunas, Dominican Republic***

*The information in this document that relates to Indicated Resources at the Las Lagunas project is based on information compiled by Rick Adams, BSc MAusIMM MAIG, Director Geological Resource Services for Cube Consulting, who is a consultant to PanTerra Gold Limited. Mr Adams is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Adams consents to the inclusion in the document of the matters based on information in the form and context in which it appears.*

*This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC 2012 on the basis that the information has not materially changed since it was last reported.*

