PanTerra Gold Limited

# Appendix 4E

# Full year financial report

# for the year ended 31 December 2014

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

## Results for announcement to the market

**This information should be read in conjunction with the attached consolidated financial report for the year ended 31 December 2014 of PanTerra Gold Limited ACN 008 031 034**

| | Consolidated Year ended 31-Dec-2014 US$ | Consolidated Year ended 31-Dec-2013 US$ | Percentage increase/ (decrease) |
|---|---|---|---|
| Revenues from ordinary activities | 45,382,390 | 38,101,549 | 19% |
| Loss from ordinary activities after tax attributable to the owners of PanTerra Gold Limited | (32,574,078) | (3,818,672) | (753%) |
| Net Loss for the year attributable to the owners of PanTerra Gold Limited | (32,574,078) | (3,818,672) | (753%) |
| EBITDA | 15,319,736 | 5,585,907 | 174% |
| **NET TANGIBLE ASSETS** | | | |
| Net tangible assets per ordinary share | (0.017) | 0.001 | - |
| **EARNINGS PER SHARE** | | | |
| Basic loss cents per share | (4.07) | (0.51) | (698%) |
| Diluted loss cents per share | - | - | |

**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 and accompanying Australian Securities Exchange ("ASX") releases for an explanation of results.

PanTerra Gold Limited ABN 48 008 031 034

# CONSOLIDATED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

# TABLE OF CONTENTS

## CONSOLIDATED ANNUAL FINANCIAL REPORT

## PANTERRA GOLD LIMITED

**FOR THE YEAR ENDED 31 DECEMBER 2014**

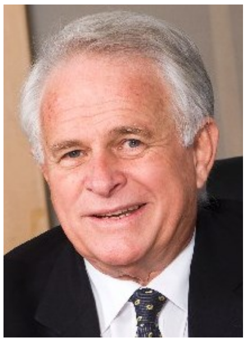
# CORPORATE DIRECTORY

## 31 DECEMBER 2014

| | |
|---|---|
| **Directors** | Brian Johnson *Chairman & Chief Executive Officer*<br>James Tyers *Executive Director*<br>Ugo Cario *Non Executive Director*<br>Angela Pankhurst *Non Executive Director*<br>Craig Ricato *Non Executive Director* |
| **Company Secretary** | Pamela Bardsley |
| **Registered office** | 55 Kirkham Road<br>Bowral NSW 2576<br>Australia |
| **Principal place of business** | 55 Kirkham Road<br>Bowral NSW 2576<br>Australia<br><br>Phone: +61 2 4861 1740 |
| **Share register** | Computershare Investor Services Pty Limited<br>GPO Box 2975<br>Melbourne VIC 3001<br>Australia<br>Phone: 1300 365 161 |
| **Auditor** | BDO East Coast Partnership<br>Level 11, 1 Margaret Street<br>Sydney NSW 2000<br>Australia |
| **Solicitors** | Corrs Chambers Westgarth<br>Governor Phillip Tower<br>1 Farrer Place<br>Sydney NSW 2000<br>Australia |
| **Bankers** | National Australia Bank<br>93 Main Street<br>Mittagong NSW 2575 |
| **Stock exchange listing** | PanTerra Gold Limited shares are listed on the Australia Securities Exchange (Code: PGI) |
| **Website address** | www.panterragold.com |

PanTerra Gold Limited
ABN: 48 008 031 034

*Registered Office:*
55 Kirkham Road
Bowral NSW 2576 Australia
PO Box 846
Bowral NSW 2576 Australia
Tel: 61 2 4861 1740
Fax: 61 2 4861 7665
Email: admin@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 2014.

Continuing major modifications to the Company's Albion/CIL process plant in the Dominican Republic were completed in August 2014. Since then, gold recoveries from the retreatment of the high-grade Las Lagunas refractory tailings have increased to around 50%.

Though this is significantly lower than the 70% recovery established in pilot plant test work by the Albion technology licensor in 2006-7, Company metallurgists have been able to identify the technical reasons for the reduced recoveries from concentrate produced from the Las Lagunas tailings, and it is probable that for the 4.5 year balance of the project, recoveries will remain between 50% and 55%. The process engineers are absolutely certain that the Albion oxidation process will achieve gold recoveries of 80% to 90% from certain types of clean refractory concentrate produced from mining operations.

Underlying EBITDA for the Las Lagunas operations increased 58% from 2013 results, to US$8.8 million. Reported EBITDA in the Accounts of US$15.3 million takes into account a gain of US$6.5 million resulting from adjustments to the Company's gold hedging program. EBITDA for 2015 is expected to increase significantly from the 2014 results.

Based on the fact that current gold and silver production from the Las Lagunas tailings is unlikely to improve significantly in the future, an updated Financial Model for the life of the project has been prepared that shows Net Present Value ("NPV") of US$48.3 million at a discount rate of 10% as at 31 December 2014, which is US$28.7 million less than the depreciated value of the process plant, predevelopment expenditure, and the resource. As a result, the Company has accounted for a non-cash impairment of its assets by the latter amount.

The impairment, which is reflected in the Balance Sheet within this Report, should be able to be reversed, along with an adjustment of past depreciation of the process plant, when the Company is able to demonstrate continuity of operations for a further 10 to 15 years. This is expected to occur by December 2016.

Shareholders have invested significant amounts in establishing and operating the world-first application of the Albion oxidation process for extraction of precious metals from sulphidic ore but with increasing process and operating experience, and steady positive cash flows, the Company is now able to develop a strategy to recover past losses, restore value for the process plant in the Dominican Republic, and set out on a path for growth in Shareholder value.

The first step will be to maximise the return on the Dominican investment by ensuring continuity of operations after the tailings retreatment finishes in mid-2019, and capture the estimated US$100 million replacement cost of the fully depreciated plant, together with the value of the remaining 15 to 20 year capacity of the adjacent tailings dam, the on-site limestone source, and associated infrastructure.

The aim is to utilise the existing facilities to extract gold and silver from high-grade refractory concentrate sourced from mining operations within the region: Canada, USA, Peru, Mexico, Colombia, and Brazil in particular, where numerous stranded refractory deposits have been identified as prospective mining developments.

Not all refractory deposits are amenable to the Albion oxidation process but PanTerra Gold is now in a position to confidently determine technical and commercial viability of a specific resource.

Since balance date, the Company has been able to establish options to move to control over the development of the New Polaris gold mine in north-west British Columbia that should be commissioned in 2018 to produce a relatively small volume of refractory concentrate from which 100,000 oz of gold could be extracted per year at Las Lagunas. This level of production is due to the high gold content of the New Polaris concentrate (90g/t Au to 100g/t Au), and anticipated 85% recoveries, compared with Las Lagunas concentrate grading 10g/t Au and having low recoveries.

A decision to proceed with construction of the New Polaris mine is expected in December 2016. Prior to this, the Company will have spent approximately US$8.0 million on predevelopment expenditure including a Definitive Feasibility Study, in order to earn a 50% interest and management of the US$100 million project.

PanTerra Gold will retain 100% ownership of the Las Lagunas process plant and purchase all concentrate produced at New Polaris at a price that will ensure a substantial increase in profitability of the Dominican operations, for an extended period.

The potential impact of this development on the underlying value of the Company's assets is significant.

As the 40,000 dry metric tonne ("DMT") of concentrate to be supplied annually from British Columbia will only take up 25% of the Las Lagunas plant capacity, the Company is obviously seeking to establish at least one more controlled source of high-grade concentrate within the same development timetable as for the New Polaris mine, in order to optimise plant throughput and increase production above 100,000 oz Au per year.

The Company is also investigating the purchase of refractory concentrate from existing producers with higher contained grades than at Las Lagunas, which could be blended as feed to the plant to produce a better financial outcome in the short term. Some of the refractory ore bodies being investigated could possibly be commissioned sooner than New Polaris, and bring forward an improvement in the Las Lagunas profitability.

As part of a potential second step in the growth of the Company, investigations are underway on a number of more significant but stranded refractory resources that might support a stand-alone Albion/CIL based mine development. This is a longer term objective but it is essential if Shareholders are to benefit substantially from the sunk costs in the Company's first project.

Despite the various setbacks over the past few years, the Directors firmly believe the Company is poised to take advantage of the many business opportunities available to it.

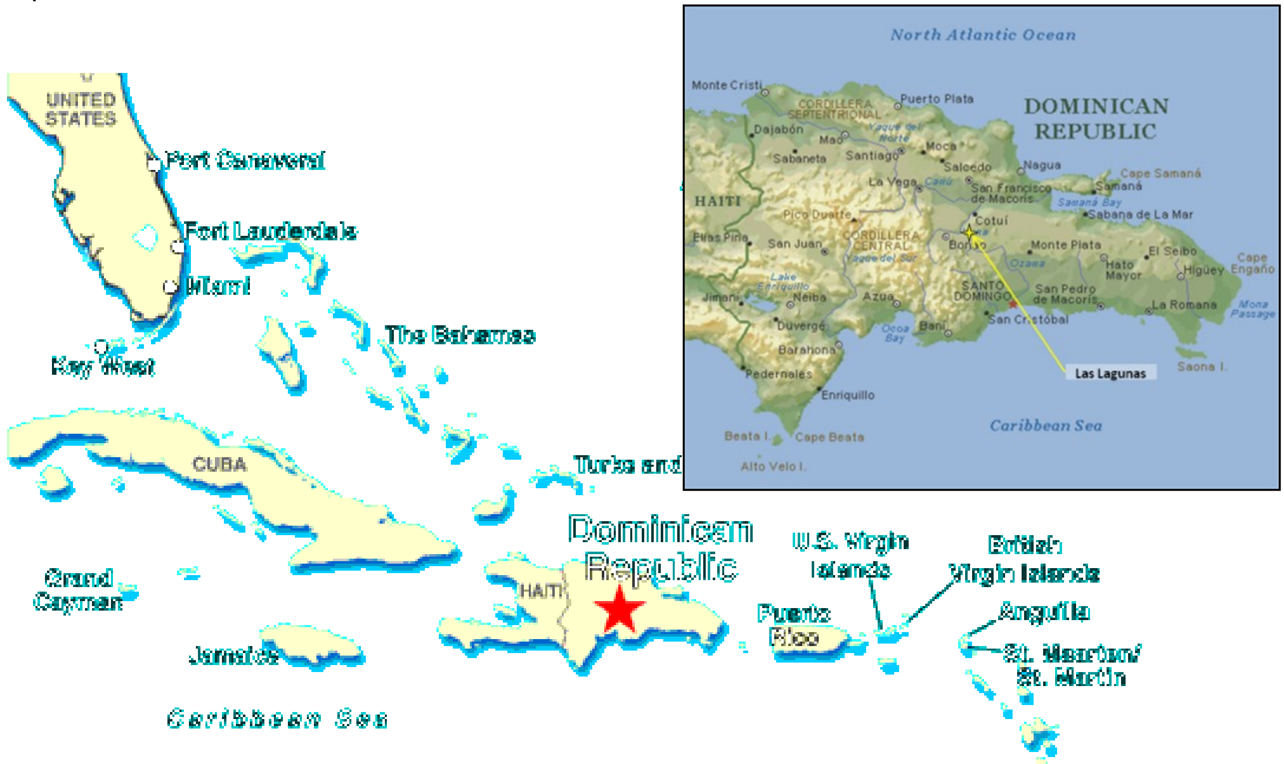
Yours sincerely

Brian Johnson

Brian Johnson
Chairman & Chief Executive Officer
27 February 2015

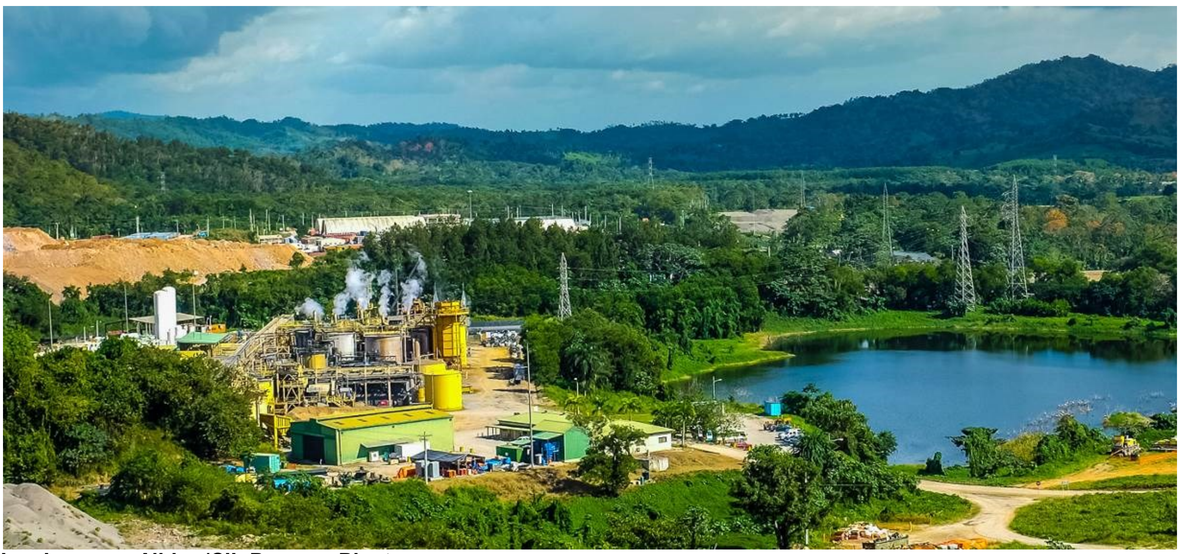
# LAS LAGUNAS GOLD TAILINGS PROJECT, DOMINICAN REPUBLIC

The Dominican Republic lies at the heart of the Caribbean, with historic Santo Domingo as its capital.

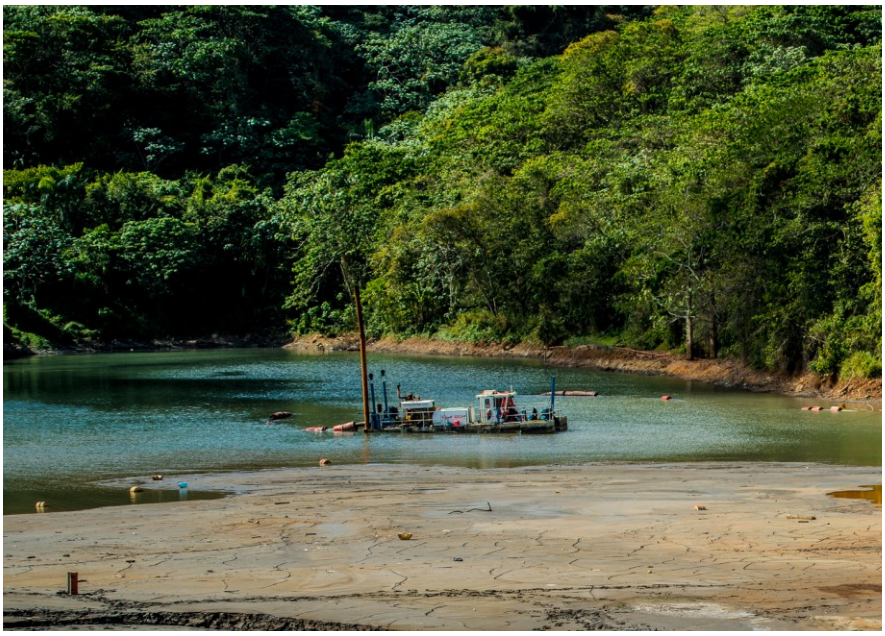



At its Las Lagunas project, 110 km north of Santo Domingo, PanTerra Gold has introduced new technology for the production of gold and silver that also significantly benefits the environment. The project is reprocessing 800,000tpa of high grade tailings, generated through the mining of refractory ore at the old Pueblo Viejo mine, by State owned Rosario Dominicana between 1992 and 1999.

The stored refractory tailings contain approximately 3.8 grams of gold and 38.6 grams of silver per tonne, but are toxic, with unacceptable levels of sulphur, arsenic and antimony. These elements have the potential to contaminate the water table and cause environmental damage. The Las Lagunas project involves environmental remediation while simultaneously generating profits from gold and silver production.



**Las Lagunas Albion/CIL Process Plant**



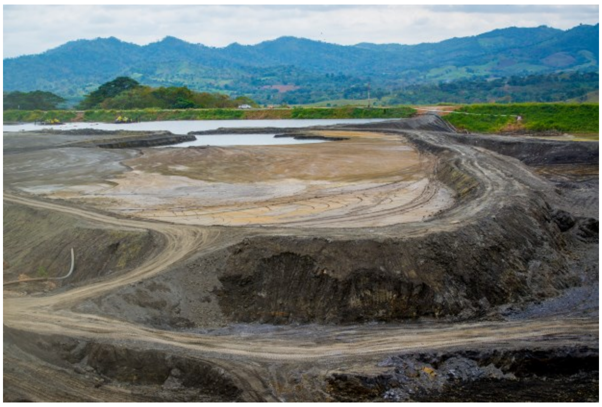
**Dredging Operation**

In 2004 the Dominican Government signed a Contract with a PanTerra Gold subsidiary granting it the right to reprocess the tailings under a profit sharing arrangement.

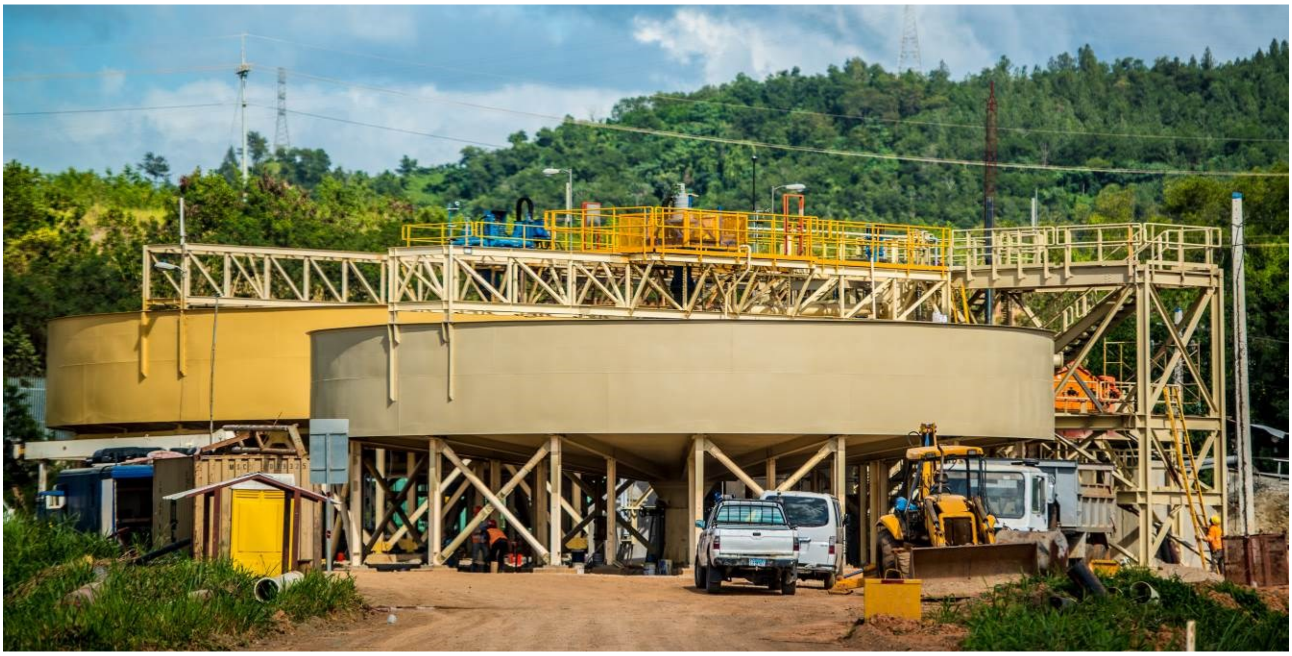
Under this arrangement, the project is exempted from income tax, but will share 25% of operating profit with the Government after recovering over US$70 million of construction cost of the process plant, which was completed in mid-2012. Total development costs were in excess of US$100 million.

The Company also pays the Government a royalty of 3.2% of the value of gold produced from the reprocessing.

The process used to treat the tailings at Las Lagunas is unique. It involves the reclamation of the existing tailings by dredging, concentration of gold and silver bearing sulphide minerals by flotation, followed by ultrafine grinding and sulphide oxidation using the patented Australian developed Albion process. Gold and silver is then extracted from the oxidized concentrate utilizing standard carbon-in-leach technology.



**Tailings Stockpile**



**Processed Tailings Thickener & Plant Feed Thickener**

Dredged feed to the plant is classified through a bank of cyclones which separate the material based on particle size, with fine material sent directly to the flotation circuit, while coarser material is directed to the ball mill.

Following grinding and classification, the feed enters the flotation circuit through two conditioning tanks, one of which receives fine material directly from the cyclones that has bypassed the ball mill, and the other which receives material that has been ground by the ball mill.

The two tanks allow the use of different flotation reagents for different particle sizes in the feed, optimizing the reagent dosing prior to feed entering the flotation circuit where a concentrate is produced.

The concentrate is then pumped to the ultra fine *grinding mill, which is the first stage of the* Albion process.

**Flotation Cells & Concentrate Thickener**

The Albion process is a combination of two technologies - ultra fine grinding, and oxidative leaching at atmospheric pressure. The oxidation of refractory sulphide minerals facilitates metal recovery using conventional extraction methods.

Ultra fine grinding is achieved through the use of an IsaMill, a horizontally stirred mill that uses a series of rotating disks inside a stationary shell to circulate small ceramic beads as the grinding media.

Ultra fine grinding is essential to the Albion process, as it increases the surface area of the sulphide particles in the slurry exposed to oxygen within a series of agitated reactors, and enhances the rate of downstream chemical reactions.


**Isa Mill**

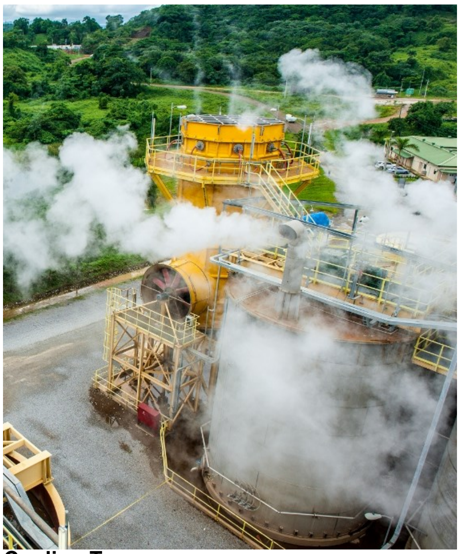
The sulphide particles oxidise in the reactors producing acid and heat. Ground limestone, sourced from a quarry on site, is added to neutralize the acid and form gypsum. Toxic elements such as arsenic and antimony, are locked into precipitates in a stable, non-soluble form that can be safely re deposited in the tailings dam.

**Albion Oxidation Reactors**

Following oxidation, the slurry is transferred to an industry standard carbon in leach circuit. In this circuit, cyanide is added, which complexes with the gold and silver in solution. Gold and silver are then recovered by adsorption onto activated carbon.

The carbon is stripped to create a gold and silver rich solution which is passed through electrowinning cells to produce a sludge which is filtered and dried, followed by melting to produce gold and silver doré.

The doré is refined in Geneva and subsequently sold as high purity gold and silver.



**Cooling Tower**

**Doré Pour**

## MINERAL RESOURCE – LAS LAGUNAS

The Indicated Resource of the Las Lagunas tailings deposit was first disclosed under the JORC Code 2004 and has not been updated since to comply with the JORC Code 2012, on the basis that the information has not changed since reported, other than for the tonnage of tailings that have been mined and delivered to the Las Lagunas process plant for re-treatment.

### Mineral Resource Estimate – Las Lagunas

| Resource Category | Mt. | Grade Au | Grade Ag | Processed Tailings Mt. | Residual Resource – As at 31 December 2014 Mt. |
|---|---|---|---|---|---|
| Indicated | 5.137 | 3.76 | 38.62 | 1.615 | 3.522 |

The Residual Resource was calculated as at 30 September 2014, by undertaking a detailed independent survey of the remaining volume stored in the Las Lagunas tailings dam on that date.

To this volume, Mr Rick Adams, who is a consultant to PanTerra Gold Limited and whose credentials are set out below, applied densities of the tailings determined by a drilling program in 2006 that was the basis for the JORC Indicated Resource established at that time by Mr Adams.

The consultant’s calculation of Residual Resource of 3.748 million tonnes on 30 September 2014 compared closely with the 3.696 million tonnes recorded in the Company’s accounts on the same date.

The Company’s estimate of Residual Resource reduces with daily reporting of tonnes fed to the Las Lagunas plant based on continuous automatic recordings of volumes and densities of feed.

The Residual Resource as at 31 December 2014 of 3.522 million tonnes in the Company’s accounts was calculated by deducting automatically recorded daily feed tonnage between 1 October 2014 and 31 December 2014 from the consultant’s estimate as at 30 September 2014.

## *COMPETENT PERSON STATEMENT*

### *Las Lagunas, Dominican Republic*

The Indicated Resource for the Las Lagunas project was based on information compiled by Rick Adams, BSc MAusIMM MAIG, Director Geological Resource Services 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 of the matters in the report based on information in the form and context in which it appears.

# DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of PanTerra Gold Limited (referred to hereafter as the 'Company') and the entities it controlled for the year ended 31 December 2014.

**DIRECTORS**

The names of the Directors of the Company who held office during the financial year and up to the date of this Report are set out below. 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 |
| Craig Ricato | Non Executive Director (Appointed 30 April 2014) |

**PRINCIPAL ACTIVITIES**

The principal activities of the PanTerra Gold Group involve exploration, project development, and operation of projects aimed at the production of precious and base metals. Current activities involve 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. Full details of this and other activities undertaken by the Consolidated Entity during the period ended 31 December 2014 are included in the Review of Operations section of this Consolidated Annual Financial Report on pages 3 to 7.

**REVIEW OF OPERATIONS**

Metal sales for the year from the Las Lagunas gold/silver project were US$45,349,094 (2013: US$38,070,068).

Net cash inflows from operations were US$5,832,070 (2013: outflow of US$2,597,754).

Operating profits before interest, depreciation, amortisation and impairment (EBITDA) for the year were US$15,319,736 (2013: US$5,585,907). The consolidated net loss for the year was US$32,574,078 (2013: US$3,818,672).

The full year review of the Group's asset carrying values, in the context of revised production estimates, combined with the continuing lower gold price environment, has resulted in the impairment of the carrying value of the Las Lagunas gold tailings project assets. The review has resulted in the recognition of a total impairment loss of $28.7 million. Refer to note 17 for further details.

The net assets of the consolidated entity, after recognition of the impairment charge, were US$5,076,777 (2013: US$35,225,172).

Cash and cash equivalents as at the balance date were US$2,558,128 (2013: US$5,489,519).

External borrowings (undiscounted principal) as at the balance date were:

| | **2014** | **2013** | |
|---|---|---|---|
| | **US$** | **US$** | |
| Macquarie Bank Limited | 22,710,000 | 33,500,000 | Secured Project loan |
| BanReservas | 2,500,000 | 2,500,000 | Unsecured Project loan |
| BanReservas | 5,000,000 | 5,000,000 | Unsecured Credit facility |
| Shareholders | 2,773,108 | 2,829,339 | Unsecured loans |
| Central American Mezzanine Infrastructure Fund ("CAMIF") | 10,000,000 | 10,000,000 | Redeemable Preference Shares |

In addition, BanReservas has provided a US$850,000 guarantee for an Insurance Bond issued as security for the outcome of a dispute in the Dominican Republic Labor Court where the group has been successful in an Appeal against previous Court Orders related to dismissal of an employee (refer note 28).

During the reporting period the Company issued 32,396,429 shares at A$0.035 each to raise US$1.06 million. A further 41,288,168 shares were issued under share-based payment agreements to the value of US$1.18 million (refer note 33 for details).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity 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 Entity 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 (2013: Nil).

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

*Completion of unmarketable parcel share sale facility*

On 28 January 2015 the Company issued an announcement to the market, confirming the completion of the unmarketable parcel share sale facility, announced on 22 August 2014. In total, 1,271 shareholders holding an aggregate of 7,459,744 shares, took part in the sale plan. The approximate number of shareholders is now 3,730. The completion of the unmarketable parcel sale facility ensures a reduction in administrative and other costs associated with maintaining these small shareholdings.

*Completion of Share Consolidation*

On 16 February 2015 the Company issued an announcement to the market, advising that the consolidation of the Company's issued capital on a one (1) for ten (10) basis, as approved by shareholders at the General Meeting held on 30 January 2015, has been completed. The shares and options on issue post-consolidation are detailed in the following table:

| Capital Structure Post-Consolidation | Number |
|---|---|
| Issued Shares | 84,812,720 |
| Unlisted Options, exercisable at A$1.05 expiring 30 September 2015 | 1,750,000 |
| Unlisted Options exercisable at A$1.05 expiring 31 December 2015 | 1,200,000 |
| Unlisted Options exercisable at A$0.65 expiring 31 December 2017 | 1,500,000 |
| Performance Share Rights vesting 31 December 2015 | 140,000 |
| Performance Share Rights vesting 31 December 2016 | 140,000 |

In addition to the above securities, Central American Mezzanine Infrastructure Fund LP ("CAMIF") have agreed in principle, 'subject to documentation and shareholder approval', to a reduction in the number of the 50 million redeemable preference shares ("RPS"), issued in August 2013 at US 20 cents per RPS on a 1:10 basis with a redemption price of US$2 each.

*Earn-In and Joint Venture Agreement with Vancouver-based, Canarc Resource Corp*

On 23 February 2015, PanTerra Gold (British Columbia) Ltd ("PGBC"), of which PanTerra Gold Limited is the ultimate parent company, signed a binding Pre-Development and Earn-In Agreement ("Agreement") with Vancouver-basis Canarc Resource Corp ("Canarc").

Under the terms of the Agreement, PGBC may earn a 20% interest in the proposed development of the New Polaris mine in north-west British Columbia, by spending CAD$4,000,000 on predevelopment activities, and an additional 30% by spending CAD$6,000,000 to complete a Definitive Feasibility Study ("DFS") in December 2016.

PGBC may purchase from Canarc an additional 1% interest in the unincorporated joint venture for 1% of the Net Present Value established by the DFS at a 10% discount rate, within six months of completion of the DFS.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely or planned developments and the expected results of operations are detailed in the Review of Operations section of this Consolidated Annual Financial Report on pages 3 to 7.

**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 not been any known breaches of any environmental regulations during the year under review and up until the date of this report.

**INFORMATION ON DIRECTORS**

**Mr Brian Johnson**. *Executive Chairman. 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 companies with Stock Exchange listings in London, New York and Australia.

*Other current directorships of listed entities*
Cuesta Coal Limited – Non-Executive Chairman

*Former listed company directorships in last 3 years*
None

*Interests in shares and options*
6,339,257 shares
No options

**Mr James Tyers**. *Executive Director. Appointed 24 November 2004.*

*Experience and expertise*
Mr Tyers has a BAppSci in Mineral Exploration and Mine Geology from Western Australian School of Mines, an MBA from the University of Western Australia and a Western Australian Quarry Manager's Certificate of Competency and is a member of AusIMM. He has over 20 years experience in the mining industry with the last 13 years involving senior management roles in both gold and iron ore operations. Mr Tyers 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 spent three years developing iron ore projects in the mid west of Western Australia and was the Operations Manager of the Tallering Peak Hematite Project for Mount Gibson Iron Limited. Mr Tyers was responsible for the development of the Las Lagunas Project and will be 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*
260,067 shares
No options

**Mr Ugo Cario** *Non Executive Director. Appointed 25 March 2011.*

*Experience and expertise*
Mr Cario holds a Bachelor of Commerce degree and 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*
38,304 shares
No options

**Ms Angela Pankhurst** *Non Executive Director and Audit Committee Chairperson. Appointed 5 April 2012.*

*Experience and expertise*
Angela Pankhurst (MAICD) holds a Bachelor of Business and has over ten 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 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*
Luiri Gold Limited – Director/Company Secretary (Appointed 15 September 2014)

*Former listed company directorships in last 3 years*
Central Asia Resources Limited – Executive Director (18 December 2007 to 31 January 2012)

*Interests in shares and options*
101,720 shares
No options

**Mr Craig Ricato** *Non Executive Director. Appointed 30 April 2014.*

*Experience and expertise*
Mr Ricato brings a broad range of international experience in the resources sector to the Board, particularly with respect to finance, regulatory, accounting and legal matters. Currently Mr Ricato also holds the position of Managing Director & CEO of Linc Energy Ltd, having previously held Executive & Non-Executive Director roles with that company since 2010.

Mr Ricato holds Bachelor degrees in Commerce & Law, is a qualified legal practitioner, and has extensive experience working in legal and corporate matters related to the energy and resources industry, specifically with respect to cross-border transactions, international business structuring, mergers & acquisitions and equity capital markets.

*Other current directorships of listed entities*
Linc Energy Ltd – Managing Director and CEO

*Former listed company directorships in last 3 years*
None

*Interests in shares and options*
No shares
No options

## COMPANY SECRETARY

**Ms Pamela Bardsley**. *Appointed Company Secretary 14 December 2009*.

*Experience and expertise*
Ms Bardsley is a lawyer and chartered secretary with over 20 years experience in general commerce, banking and finance. She also has over 15 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 | 13 | 13 | 1 | 1 |
| James Tyers | 13 | 12 | - | - |
| Ugo Cario | 13 | 13 | 2 | 2 |
| Angela Pankhurst | 13 | 13 | 2 | 2 |
| Craig Ricato | 10 | 9 | 1 | 1 |

## UNISSUED SHARES UNDER OPTIONS

The number of options on issue in the Company at the date of this report is as follows. All options are unlisted and over the ordinary shares of the Company.

| Grant date | Expiry date | Exercise price (A$) | Number under option |
|---|---|---|---|
| 31 May 2013 | 31 December 2015 | 1.05 | 1,200,000 |
| 3 July 2013 | 30 September 2015 | 1.05 | 1,750,000 |
| 12 September 2014 | 31 December 2017 | 0.65 | 1,500,000 |

### UNISSUED SHARES UNDER PERFORMANCE RIGHTS

The number of performance rights on issue in the Company at the date of this report is as follows. All of these performance rights are unlisted and over the ordinary shares of the Company.

| Grant date | Expiry date | Exercise price (A$) | Number under performance rights |
|---|---|---|---|
| 21 January 2014 | 31 December 2015 | - | 100,000 |
| 21 January 2014 | 31 December 2016 | - | 100,000 |
| 6 March 2014 | 31 December 2015 | - | 40,000 |
| 6 March 2014 | 31 December 2016 | - | 40,000 |

### SHARES ISSUED ON EXERCISE OF OPTIONS & PERFORMANCE RIGHTS

During or since the end of the financial year, PanTerra Gold Limited issued ordinary shares as a result of the exercise of options and performance rights as follows (there were no amounts unpaid on the shares issued):

| Grant date | Number vested | Issue price of shares (A$) | Number of shares issued upon exercise of options and performance rights |
|---|---|---|---|
| 6 June 2013 | 500,000 | - | 500,000 |
| 21 January 2014 | 1,000,000 | - | 1,000,000 |
| 6 March 2014 | 400,000 | - | 400,000 |

These share parcels were subsequently consolidated on a one (1) for ten (10) basis as a result of the consolidation of the Company's issued capital in January 2015.

### 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://panterragold.com/site/governance.php.

### REMUNERATION REPORT (audited)

This Remuneration Report, which has been audited, outlines the director and executive arrangements of the Company and the Consolidated Entity 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 Entity are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company and the Consolidated Entity, 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 Entity 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 Entity continues 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$150,000 for all non-executive directors.

*Executive director remuneration*
The current base remuneration was last reviewed with effect from 1 January 2014 for the Executive Chairman and from 1 January 2011 for the Executive Director. Details of their respective remuneration packages are set out in section C. Service agreements, and section D. Details of remuneration.

*Executive 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 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 is directly linked to performance of the consolidated entity. A portion of bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the bonus and incentive payments are at the discretion of the Board. Refer to section E of the remuneration report for details of the last five years earnings and total shareholders return.

The Board is of the opinion that the improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

*Use of remuneration consultants*
During the financial year ended 31 December 2014, the consolidated entity did not engage any remuneration consultants.

*B. Key management personnel*

For the purposes of this report Key Management Personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

| Name | Position | Employment period |
|---|---|---|
| **December 2014** | | |
| Brian Johnson | Executive Chairman | Full year |
| James Tyers | Executive Director | Full year |
| Ugo Cario | Non Executive Director | Full year |
| Angela Pankhurst | Non Executive Director | Full year |
| Craig Ricato | Non Executive Director | Commenced 30 April 2014 |
| Dean Young | Manager Metallurgy | Resigned 1 July 2014 |
| Zachary Casley | Chief Executive Officer | Resigned 28 February 2014 |

| Name | Position | Employment period |
|---|---|---|
| **December 2013** | | |
| Brian Johnson | Executive Chairman | Full year |
| James Tyers | Executive Director | Full year |
| Ugo Cario | Non Executive Director | Full year |
| Angela Pankhurst | Non Executive Director | Full year |
| Dean Young | Manager Metallurgy | Full year |
| Zachary Casley | Chief Executive Officer | Commenced 4 September 2013, Resigned 28 February 2014 |

*C. Service agreements*

Remuneration and other terms of employment for the directors and the other key management personnel are formalised in service agreements. The major provisions of these agreements, including termination provisions are set out below:

Brian Johnson – Executive Chairman

- Term of 3 years from 1 January 2008 to 31 December 2010, extended for a further 3 year period from 1 January 2011 to 31 December 2013 by agreement dated 22 June 2011, and extended for a further 3 year period from 1 January 2014 to 31 December 2016 by agreement dated 14 February 2014;
- Management fees as follows:
  - A$290,000 per annum for the first year
  - A$425,000 per annum for the second year
  - A$470,000 per annum for the third and subsequent years
- Bonus payment to be considered by the Board of Directors annually in December;
- Termination notice required is 3 months by the employee; and
- If the Company terminates the agreement, the Company is required to pay the amount that would have been payable during the following two years, had there been no termination.

James Tyers – Executive Director

- Term of 4 years from 1 January 2011 to 31 December 2014;
- Fixed remuneration of A$350,000 per annum reviewed annually in December.
- Such review shall have regard to the employee's individual performance as measured against any KPI's set for the employee by the Board of Directors, and to the financial performance of the Group. In any event, the fixed remuneration shall be increased, as a minimum, at each review by an amount equal to any increase in the CPI (Sydney all Groups) for the period of 12 months ending on 30 September which immediately precedes a review;
- Bonus payment to be considered by the Board of Directors annually in December;
- Eligibility to participate in the Company's Performance Rights plan;
- Termination notice required is 3 months by the employee, 1 month 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 the remaining term of the contract to a maximum of 2 years.

Craig Ricato – Short Term Consultancy Service Agreement

- Term of 9 months from 15 March 2014 to 15 December 2014 for the provision of consultancy services in relation to possible refinancing of the Company's Las Lagunas project, management of a proposed merger with Clifton Star Resources Inc, and reconstruction and/or share consolidation of PanTerra Gold Limited;
- Retainer of A$12,500 per month, plus GST;
- Payment of a success fee of A$250,000 if refinancing of the Las Lagunas project is achieved during the term of the agreement;
- No notice period is specified in the agreement; and
- No termination benefits are specified in the agreement.

Dean Young - Manager Metallurgy *(Resigned 1 July 2014)*

- Term of 3 years from 15 September 2011 to 14 September 2014, terminated on 31 December 2013 on completion of required notice period by the employee and then renegotiated on the same terms as the original service agreement for a four month period from 1 January 2014 to 30 April 2014, subsequently extended to 1 July 2014;
- Fixed remuneration of A$275,000 per annum reviewed annually in December;
- Eligibility to participate in the Company's Performance Rights plan;
- Termination notice required is 2 months by the employee, 1 month 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 will be required to pay 2 months remuneration.

Zachary Casley – Chief Executive Officer *(Commenced 4 September 2013, Resigned 28 February 2014)*

- No fixed term. Transition period from Commencement date to 28 February 2014;
- Monthly fee of $36,333.00 (plus GST) during the Transition period;
- Reimbursement for reasonable out-of-pocket expenses incurred;
- Eligibility to participate in any bonus scheme introduced by the Company after it becomes profitable;
- Eligibility to participate in the Company's Performance Rights plan after the Transition period;
- Payment of an engagement fee within 30 days of the Commencement date by the issue of 1,000,000 ordinary fully paid shares at A$0.10 cents each.
- Termination notice required is 3 months by the Contractor and 3 months by the Company without cause.
- No termination benefits are payable unless the Company terminates the agreement without cause, or in the event of the Contractor giving the Company 3 months written notice to terminate the contract and the Company exercises its discretion to specify an earlier termination date, then the Company will be required to pay an amount equivalent to 3 monthly fees plus approved expenses.

*D. Details of remuneration*

Details of the remuneration of the directors and the other key management personnel of the Consolidated Entity are set out in the following tables:

| Year ended December 2014 | Short Term | | Post-employment | | | | |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees US$ | Bonus US$ | Super-annuation US$ | Rights[1] US$ | Total US$ | Remuneration consisting of share based payments % | Remuneration that is performance based % |
| ***Executive directors*** | | | | | | | |
| Brian Johnson | 422,033 | - | - | - | 422,033 | - | - |
| James Tyers | 302,868 | - | 13,252 | - | 316,120 | - | - |
| ***Non-executive directors*** | | | | | | | |
| Ugo Cario | 44,866 | - | - | - | 44,866 | - | - |
| Angela Pankhurst | 45,058 | - | - | - | 45,058 | - | - |
| Craig Ricato | 131,572 | - | - | - | 131,572 | - | - |
| ***Key management personnel*** | | | | | | | |
| Dean Young | 124,488 | - | 10,721 | - | 135,209 | - | - |
| Zachary Casley | 147,506 | - | - | - | 147,506 | - | - |
| **Total** | **1,218,391** | **-** | **23,973** | **-** | **1,242,364** | **-** | **-** |

| Year ended December 2013 | Short Term | | Post-employment | | | | |
|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees US$ | Bonus US$ | Super-annuation US$ | Rights[1] US$ | Total US$ | Remuneration consisting of share based payments % | Remuneration that is performance based % |
| ***Executive directors*** | | | | | | | |
| Brian Johnson | 451,556 | - | - | - | 451,556 | - | - |
| James Tyers | 376,532 | - | 34,371 | 29,277 | 440,180 | 6.7 | - |
| ***Non-executive directors*** | | | | | | | |
| Ugo Cario | 47,965 | - | - | - | 47,964 | - | - |
| Angela Pankhurst | 140,850 | - | - | | 140,850 | - | - |
| ***Key management personnel*** | | | | | | | |
| Dean Young | 274,218 | 103,524 | 34,365 | 18,298 | 430,405 | 4.3 | 24.1 |
| Zachary Casley | 136,051 | - | - | - | 136,051 | - | - |
| **Total** | **1,427,172** | **103,524** | **68,736** | **47,575** | **1,647,007** | **2.9** | **6.3** |

[1]The values shown in the table above for share-based payments reflects the fair value of the share-based payment recognised as an expense for each person during the year.

*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 key management personnel of the consolidated entity, including their personally related parties, is set out below:

| **2014**<br>*Ordinary shares* | Held at 31 Dec 2013 | Received on conversion of performance rights | Additions | Disposals | Held at 31 Dec 2014 / Date of resignation |
|---|---|---|---|---|---|
| Brian Johnson | 57,792,566 | - | 5,600,000 | - | 63,392,566 |
| James Tyers | 2,600,666 | - | - | - | 2,600,666 |
| Ugo Cario | 383,040 | - | - | - | 383,040 |
| Angela Pankhurst | 1,017,199 | - | - | - | 1,017,199 |
| Craig Ricato | - | - | - | - | - |
| Dean Young | 500,000 | - | - | (500,000) | - |
| Zachary Casley | 2,710,000 | - | - | - | 2,710,000 |

| **2013**<br>*Ordinary shares* | Held at 31 Dec 2012 | Received on conversion of performance rights | Additions | Disposals | Held at 31 Dec 2013 |
|---|---|---|---|---|---|
| Brian Johnson | 63,372,566 | - | 240,000 | (5,820,000) | 57,792,566 |
| James Tyers | 2,067,522 | 800,000 | - | (266,856) | 2,600,666 |
| Ugo Cario | 383,040 | - | - | - | 383,040 |
| Angela Pankhurst | 1,017,199 | - | - | - | 1,017,199 |
| Dean Young | 700,000 | 500,000 | - | (700,000) | 500,000 |
| Zachary Casley | - | - | 2,710,000 | - | 2,710,000 |

*Performance rights of Key Management Personnel*
The number of performance rights over shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| **2014** *Performance rights* | **Held at 31 Dec 2013** | **Granted as remuneration** | **Exercised** | **Held at 31 Dec 2014** |
|---|---|---|---|---|
| James Tyers | - | - | - | - |
| Dean Young | - | - | - | - |

| **2013** *Performance rights* | **Held at 31 Dec 2012** | **Granted as remuneration** | **Exercised** | **Held at 31 Dec 2013** |
|---|---|---|---|---|
| James Tyers | 800,000 | - | (800,000) | - |
| Dean Young | 500,000 | - | (500,000) | - |

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length.

*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. 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 twelve 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. Other than a time based service condition, there were no other vesting conditions applicable for rights granted to key management personnel during the current financial year.

*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 Entity.

*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 Entity 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 and dividends at the end of each of the last four financial years.

| Financial year ended | Closing share price (USD cents) | Earnings per share (USD cents) | Dividends |
|---|---|---|---|
| 31 December 2014 | 1.8 | (4.14) | - |
| 31 December 2013 | 3.6 | (0.51) | - |
| 31 December 2012 | 13.0 | (3.23) | - |
| 31 December 2011 | 15.3 | (0.69) | - |

*This concludes the remuneration report, which has been audited*

## 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.

During the financial year, the Company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

## 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 27 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 27 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 BDO East Coast Partnership**
There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

**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 22.

**AUDITOR**
BDO East Coast Partnership 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.

Brian Johnson
Executive Chairman
**27 February 2015**

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

**DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF PANTERRA GOLD LIMITED**

As lead auditor of PanTerra Gold Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PanTerra Gold Limited and the entities it controlled during the period.

**Arthur Milner**
Partner

**BDO East Coast Partnership**

Sydney, 27 February 2015

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | Year ended 31 December 2014 US$ | Year ended 31 December 2013 US$ |
|---|---|---|---|
| Revenue | 4 | 45,382,390 | 38,101,549 |
| Other Income | 5 | 17,685,521 | 20,130,993 |
| Changes in inventories | | 412,726 | 720,549 |
| Mining and mill feed costs | | (2,895,796) | (1,761,023) |
| Consumables | | (9,257,825) | (7,828,216) |
| Grid power | | (6,976,924) | (6,240,096) |
| Equipment spares and maintenance | | (3,670,400) | (2,571,476) |
| Direct labour costs | | (5,245,767) | (3,911,633) |
| Site and camp costs | | (2,585,326) | (1,993,621) |
| Royalties | | (1,479,819) | (1,203,866) |
| Employee benefits – other than direct | | (2,251,928) | (2,271,910) |
| Insurance costs | | (1,063,358) | (1,640,978) |
| Occupancy costs | | (205,442) | (183,190) |
| Legal and professional costs | | (741,700) | (2,176,848) |
| Exploration and evaluation activities | | (81,430) | - |
| Depreciation and amortisation expense | 15 & 16 | (14,183,448) | (13,046,494) |
| Finance costs | 8 | (13,031,436) | (16,282,843) |
| Foreign exchange gain | | 93,634 | 758,750 |
| Impairment of assets | 7 & 17 | (28,695,000) | (206,235) |
| Loss on scrapped plant | | - | (252,693) |
| Other expenses | | (3,782,750) | (1,959,391) |
| **Loss before income tax expense** | 6 | **(32,574,078)** | **(3,818,672)** |
| Income tax expense | 9 | - | - |
| Loss from continuing operations | | (32,574,078) | (3,818,672) |
| **Loss for the year** | | **(32,574,078)** | **(3,818,672)** |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation movement (net of income tax) | | (10,974) | (12,530) |
| **Total other comprehensive income net of tax for the year** | | **(10,974)** | **(12,530)** |
| **Total comprehensive income for the year** | | **(32,585,052)** | **(3,831,202)** |
| Attributable to: | | | |
| Owners of the Parent Entity | | (32,585,052) | (3,831,202) |
| **Total comprehensive income for the year** | | **(32,585,052)** | **(3,831,202)** |
| Basic loss per share (cents per share) | 32 | (4.07) | (0.51) |
| Diluted loss per share (cents per share) | 32 | (4.07) | (0.51) |

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

| | Note | 2014 US$ | 2013 US$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 10 | 2,558,128 | 5,489,519 |
| Trade and other receivables | 11 | 312,096 | 1,192,830 |
| Prepayments and deposits | 12 | 1,500,772 | 1,768,153 |
| Inventories | 13 | 6,983,881 | 6,807,815 |
| **TOTAL CURRENT ASSETS** | | **11,354,877** | **15,258,317** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 15 | 32,617,648 | 55,301,204 |
| Intangible assets | 16 | 19,557,435 | 34,700,598 |
| **TOTAL NON-CURRENT ASSETS** | | **52,175,083** | **90,001,802** |
| **TOTAL ASSETS** | | **63,529,960** | **105,260,119** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 18 | 5,933,938 | 4,360,620 |
| Provisions | 19 | 1,091,583 | 781,076 |
| Borrowings | 20 | 21,290,772 | 37,661,570 |
| **TOTAL CURRENT LIABILITIES** | | **28,316,293** | **42,803,266** |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 21 | 328,301 | 196,064 |
| Borrowings | 22 | 29,808,589 | 27,035,617 |
| **TOTAL NON-CURRENT LIABILITIES** | | **30,136,890** | **27,231,681** |
| **TOTAL LIABILITIES** | | **58,453,183** | **70,034,947** |
| **NET ASSETS** | | **5,076,777** | **35,225,172** |
| **EQUITY** | | | |
| Contributed equity | 23 | 75,473,206 | 73,279,733 |
| Reserves | 24 | (2,640,246) | (2,872,456) |
| Accumulated losses | | (67,756,183) | (35,182,105) |
| **TOTAL EQUITY** | | **5,076,777** | **35,225,172** |

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Notes | 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 2013** | | 70,074,188 | (11,773,880) | 3,327,196 | 854,662 | 3,996,428 | (31,363,433) | 35,115,161 |
| Loss for the year | | - | - | - | - | - | (3,818,672) | (3,818,672) |
| Other comprehensive income | | - | - | - | - | (12,530) | - | (12,530) |
| **Total comprehensive income for the year** | | - | - | - | - | (12,530) | (3,818,672) | (3,831,202) |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Shares issued | | 3,520,060 | - | - | - | - | - | 3,520,060 |
| Transaction costs on share issue | | (314,515) | - | - | - | - | - | (314,515) |
| Share based payment | | - | - | 466,014 | 269,654 | - | - | 735,668 |
| **Balance as at 31 December 2013** | | **73,279,733** | **(11,773,880)** | **3,793,210** | **1,124,316** | **3,983,898** | **(35,182,105)** | **35,225,172** |

| | 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 2014** | 73,279,733 | (11,773,880) | 3,793,210 | 1,124,316 | 3,983,898 | (35,182,105) | 35,225,172 |
| Loss for the year | - | - | - | - | - | (32,574,078) | (32,574,078) |
| Other comprehensive income | - | - | - | - | (10,974) | - | (10,974) |
| **Total comprehensive income for the year** | - | - | - | - | (10,974) | (32,574,078) | (32,585,052) |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Shares issued | 2,243,167 | - | - | - | - | - | 2,243,167 |
| Transaction costs on share issue | (49,694) | - | - | - | - | - | (49,694) |
| Share based payment | - | - | 127,239 | 115,945 | - | - | 243,184 |
| **Balance as at 31 December 2014** | **75,473,206** | (11,773,880) | **3,920,449** | **1,240,261** | **3,972,924** | **(67,756,183)** | **5,076,777** |

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|---|---|---|
| | | **US$** | **US$** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 46,409,055 | 37,928,691 |
| Receipts from other income | | 3,016,467 | - |
| Payments to suppliers and employees | | (38,016,355) | (35,317,183) |
| Payments for exploration and evaluation activities | | (171,139) | (228,298) |
| Interest received | | 17,585 | 31,481 |
| Interest paid | | (5,423,543) | (5,012,445) |
| **NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES** | 31 | **5,832,070** | **(2,597,754)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (5,257,002) | (4,341,401) |
| Purchase of investments | | - | (4,160,000) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(5,257,002)** | **(8,501,401)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 1,062,853 | 2,697,738 |
| Payment of share issue costs | | (49,694) | (190,019) |
| Proceeds from borrowings | | - | 11,725,870 |
| Repayment of borrowings | | (4,519,618) | (4,573,130) |
| Payment of borrowing costs | | - | (504,603) |
| **NET CASH USED IN / (PROVIDED BY) FINANCING ACTIVITIES** | | **(3,506,459)** | **9,155,856** |
| **NET DECREASE IN CASH HELD** | | **(2,931,391)** | **(1,943,299)** |
| Cash at the beginning of the financial year | | 5,489,519 | 7,432,818 |
| **CASH AT THE END OF FINANCIAL YEAR** | | **2,558,128** | **5,489,519** |

The accompanying notes form part of these financial statements

## 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 Entity consisting of PanTerra Gold Limited and its subsidiaries for the year ended 31 December 2014.

### (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 2014 comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity" and individually as "Group Entities"). The financial report is presented in US dollars, which is the Consolidated Entity's functional and presentational currency.

The financial statements were approved by the Board of Directors on 27 February 2015. 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 35.

*(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 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity'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) New, revised or amending Accounting Standards and Interpretations

***New accounting standards on issue not yet adopted***

The Consolidated Entity has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2014:

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosures of Interests in Other Entities*;

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- AASB 128 *Investments in Associates and Joint Ventures;*
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13;*
- AASB 119 *Employee Benefits and* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119;*
- ASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial* Liabilities;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle;*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- *AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20*; and
- *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.*
- *AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets and AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements.*

*AASB 119: Employee Benefits*

The adoption of the revised AASB 119 *Employee Benefits* results in a change to the definition of short term benefits. The distinction between short term and other long term benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. If the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, the obligation for employee benefits will continue to be presented as a current liability. The change in *AASB 119* states that disclosure must be made in a separate note detailing the amount that management expects to be settled after 12 months from the year end.

*AASB 13: Fair Value Measurement*

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

*Removal of Individual Key Management Personnel Disclosures*

In July 2011 the AASB decided to remove the individual Key Management Personnel ("KMP") disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act* 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and could not be adopted early. The *Corporations Act* 2001 requirements in relation to remuneration reports will remain.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Offsetting Financial Assets and Financial Liabilities*

AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment did not have an impact on the financial statements.

*AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets and AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements.*

AASB 2012-3 and AASB 2013-6 have made three amendments to the disclosures required for 136 Impairment of Assets. Firstly, they removed the requirement to disclose the recoverable amount of all cash generating units ("CGU") that contain goodwill or identifiable assets with indefinite lives if no impairment has occurred. Secondly they require the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed to be disclosed. Lastly detailed disclosure is also now required of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

***New standards and interpretations not yet adopted***

The Group has not elected to early adopt any new standards, amendments or interpretations that are issued but are not yet effective. Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective 1 July 2017)*

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income.

The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Adoption of AASB 9 is only mandatory for the year ending 31 December 2018. The entity has not yet made an assessment of the impact of these amendments.

*IFRS 15 - Revenue from Contracts with Customers*

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.

Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Principles of consolidation

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PanTerrra Gold Limited ("Company" or "PanTerra Gold") as at the 31 December 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another 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. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity [refer to note 1(i)].

Intercompany transactions, balances and unrealised gains on transactions between companies 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.

Minority interests in the results and equity of the subsidiaries are shown separately in the consolidated Statement of Profit or Loss and other Comprehensive Income and Statement of Financial Position respectively.

Investments in subsidiaries are accounted for at cost, less any impairment in the Parent Entity.

*(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 (ie. 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.

### (e) Segment reporting

The Consolidated Entity 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.

### (f) 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(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 Entity*

The results and financial position of all the Companies in the Consolidated Entity (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 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 Statement of 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.

**(g) 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 risk and reward of ownership has passed from the Group to an external party 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.

**(h) 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 (formerly EnviroGold 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.

**(i) Business combinations**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with note 1(v).

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) 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.

**(k) 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.

**(l) 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.

**(m) 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.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

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.

**(n) Property, plant and equipment**

All classes of property, plant and equipment are measured at cost.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Entity.

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.

### (o) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is carried forward in the Statement of Financial Position where:

(i) rights to tenure of the area of interest are either current or pending, with a high expectation of final grant of rights to be imminent; and

(ii) one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sales; or
- exploration and/or evaluation activities in the area of interest have not, at reporting date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or relation to, the areas are continuing.

Expenditure relating to pre-exploration activities is written off to the Statement of Profit or Loss and other Comprehensive Income during the period in which the expenditure is incurred. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no value, are written off in the year in which such a decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

### (p) 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 Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

If a modification to the loan occurs (terms, rates, repayments, etc.), the Consolidated Entity 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 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.

**(q) 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.

**(r) 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.

**(s) 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, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.

**(t) 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 Entity 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 Statement of Comprehensive Income when they are due.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(iii) Share based payments*

Share based compensation benefits are provided to employees via the Consolidated Entity's Performance Rights Plan. Information relating to this scheme is set out in note 33 and in the Directors report.

The fair value of rights granted under the Performance Rights Plan are 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.

### (u) Non-employee share based payments

The Consolidated Entity has granted shares and share options to suppliers as compensation for the provision of services and finance facilities. The fair value of shares or options granted to suppliers is recognised as an expense or, where appropriate, is capitalised with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the services are rendered or when the supplier becomes unconditionally entitled to the options (the "vesting period").

The fair value of options at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

### (v) 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.

### (w) 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.

### (x) Going concern

The consolidated entity incurred a loss, before adjustment for impairment of assets, of US$3,879,078 and had net cash inflows from operations of $5,832,070. As at 31 December 2014, the consolidated entity's current liabilities exceeded its current assets by $16,961,416, largely due to expected loan repayments during the next 12 months. In addition, the consolidated entity is also required to raise A$10 million (US$7.8 million) and repay US$5 million by end of March 2015 under the Amendment and Waiver Letter with Macquarie Bank Limited ("MBL") dated 19 December 2014. The ongoing viability of the consolidated entity and the recoverability of its non-current assets are also dependent on meeting its production forecasts and generating profits from operations at the Las Lagunas Project. These conditions give rise to a material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial statements have been prepared on a going concern basis as the consolidated entity's cash flow forecast indicates it will remain cash positive until March 2016. This forecast assumes the following:

- The Directors are able to raise capital of A$10 million (US$7.8 million) by end of March 2015;
- Ongoing support from MBL (including obtaining the necessary waivers on potential breaches) to accommodate and, if necessary, to reschedule principal repayments based on the future forecast production from Las Lagunas project; and
- The consolidated entity is able to source alternative funding or refinance its loan with MBL.

The Directors have confidence that the above strategy can be achieved as the CEO has recently met with a number of potential investors that indicated strong interest in investing in the Company if it undertakes a share issue in the near term. In addition to the above, the Directors are confident that support from MBL will be available if required on the basis of past experience. The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate and the consolidated entity will be able to pay its debts as and when they fall due.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

### (y) Impairment of assets

The carrying amounts of the Consolidated Entity'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.

Intangible assets that have an indefinite useful life or that are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in the circumstances indicate that they might be impaired.

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.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 an available-for-sale financial asset 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.

## 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 Entity 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 Entity and to the particular asset that may lead to impairment, in accordance with the accounting policy stated in note 1(y). The carrying value of the intangible assets for the Las Lagunas gold tailings project is based on a discounted cash flow using a 10% discount rate (2013: 10%) an average gold price of US$1,250 (2013: US$1,300) and an AUD/USD foreign exchange rate of 0.82 (2013: 0.89) as detailed in note 17.

*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 expense or asset, if applicable, and provision.

*Loan at fair value using the effective interest rate method*

The Consolidated Entity determines the fair value of the loan facility with Macquarie Bank, which includes liabilities for a price participation payment and a gold royalty agreement as detailed in note 22(a) and of the Redeemable Preference Share ("RPS") Agreement with The Central American Mezzanine Infrastructure Fund ("CAMIF"), which includes a liability for bi-annual dividend payments as detailed in note 22(d). The calculations of the fair values of these components requires judgements, estimates and assumptions by management about the inputs to the discounted cash flow model for the Las Lagunas gold tailings project. The judgements, estimates and assumptions required include variables such as gold production volumes,

## 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

gold grades and gold prices across the life of the project. The projected cash flows in the discounted cash flow model are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as a gain/loss and as a corresponding decrease/increase to the loan facility.

*Deferred tax assets*

The Consolidated Entity 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 9 for further information.

*Estimates on share based payment expenses*

As discussed in note 33, expenses are recorded by the Group for share based payments. 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.

## 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 as the group's main operating segment. 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 periods ended 31 December 2014 and 31 December 2013.

**Information about reportable segments**

| | Las Lagunas Project | | Others | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **US$** | **US$** | **US$** | **US$** | **US$** | **US$** |
| External revenue | 45,364,805 | 38,070,068 | - | - | 45,364,805 | 38,070,068 |
| Inter-segment revenue | - | - | - | - | - | - |
| Interest revenue | 8,566 | 15,782 | 9,019 | 15,699 | 17,585 | 31,481 |
| Interest expense | (10,603,596) | (15,095,849) | (2,427,840) | (1,186,994) | (13,031,436) | (16,282,843) |
| Depreciation and amortisation | (14,138,697) | 12,901,664 | (44,751) | 144,830 | (14,183,448) | 13,046,494 |
| Other income | 17,521,537 | 20,130,993 | 163,984 | - | 17,685,521 | 20,130,993 |
| Reportable segment profit/(loss) before income tax | (28,817,333) | (627,981) | (3,756,745) | (3,190,691) | (32,574,078) | (3,818,672) |

## 3. SEGMENT REPORTING (CONTINUED)

| | | | | | | |
|---|---|---|---|---|---|---|
| **Other material non-cash items:** | | | | | | |
| Foreign exchange gain/(loss) | 149,010 | (284,447) | (242,644) | (474,303) | (93,634) | (758,750) |
| Share based payments | - | 229,817 | 1,180,314 | 1,274,293 | 1,180,314 | 1,504,110 |
| Impairment loss | 28,695,000 | - | - | 206,235 | 28,695,000 | 206,235 |
| Loss on scrapped plant | - | 249,700 | - | 2,993 | - | 252,693 |
| Segment assets | 56,232,297 | 95,997,818 | 131,006,875 | 139,399,213 | 187,239,172 | 235,397,031 |
| Capital expenditure | 4,949,533 | 4,056,363 | 107,118 | 41,877 | 5,056,651 | 4,098,240 |
| Segment liabilities | 142,155,146 | 148,797,910 | 16,919,498 | 28,286,198 | 159,074,644 | 177,084,108 |

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

| | 2014 US$ | 2013 US$ |
|---|---|---|
| **Revenues** | | |
| Total revenue for reportable segments | 45,364,805 | 38,070,068 |
| Elimination of inter-segment revenue: | | |
| Management fees | - | - |
| Intercompany interest | - | - |
| Consolidated revenue | 45,364,805 | 38,070,068 |

All revenue originates out of the Dominican Republic and is sold to Macquarie Bank Limited.

| | | |
|---|---|---|
| **Assets** | | |
| Total assets for reportable segments | 187,239,172 | 235,397,031 |
| Elimination of investments in subsidiaries | (21,957,133) | (21,957,133) |
| Elimination of intercompany loans and interest | (100,621,461) | (107,049,161) |
| Elimination of head office expenses charged to Las Lagunas project | (1,130,618) | (1,130,618) |
| Consolidated total assets | 63,529,960 | 105,260,119 |

| | | |
|---|---|---|
| **Liabilities** | | |
| Total liabilities for reportable segments | 159,074,644 | 177,084,108 |
| Elimination of intercompany loans and interest | (100,621,461) | (107,049,161) |
| Consolidated total liabilities | 58,453,183 | 70,034,947 |

### Geographical information

| | Geographical non-current assets | |
|---|---|---|
| | 2014 US$ | 2013 US$ |
| Dominican Republic | 52,127,012 | 89,921,905 |
| Australia | 48,071 | 79,897 |
| | 52,175,083 | 90,001,802 |

| 4. REVENUE | 2014 US$ | 2013 US$ |
|---|---|---|
| **Revenue from continuing operations** | | |
| *Sales revenue* | | |
| Sales of gold | 40,853,120 | 31,215,815 |
| Sales of silver | 4,914,480 | 7,196,289 |
| Less: Refinery and freight costs | (418,506) | (342,036) |
| Other sales revenue | 15,711 | - |
| | 45,364,805 | 38,070,068 |
| *Other revenue* | | |
| Interest received | 17,585 | 31,481 |
| | **45,382,390** | **38,101,549** |

## 5. OTHER INCOME

| | | | |
|---|---|---|---|
| Net gain on adjustment to carrying amount of financial liability | i. | 8,016,070 | 20,130,993 |
| Gold hedge close out | ii. | 6,489,000 | - |
| Insurance claim received | | 194,633 | - |
| Legal settlements | | 2,821,834 | - |
| R&D tax offset | | 163,984 | - |
| | | **17,685,521** | **20,130,993** |

i. PanTerra Gold Limited's wholly owned subsidiary, EnviroGold (Las Lagunas) Limited has a loan facility in place with Macquarie Bank Limited ("MBL loan facility"). Under the loan agreement there are several elements which have been grouped together 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 loan has been assessed as at the date of this report. The change in forecast future cash flows resulting from a change in estimated gold and silver prices, together with revised production estimates has resulted in a gain of US$8.0 million (2013: US$20.1 million). This gain has been recognised as other income in the Statement of Profit or Loss and Other Comprehensive Income in accordance with AASB 139.

**5. OTHER INCOME (CONTINUED)**

ii. During the year, Macquarie Bank paid US$6.489 million to the Consolidated Entity to rearrange its forward contract on gold. This payment has been recognised as "other income" on the basis that it relates to a financial arrangement and does not relate to the physical delivery and sale of gold. The total proceeds from this transaction were applied as a repayment against the loan facility.

**6. LOSS BEFORE TAX**

| Loss include, amongst others the following: | 2014<br>US$ | 2013<br>US$ |
|---|---|---|
| Employee costs - salaries | 1,807,670 | 1,665,333 |
| Employee costs – defined contribution plan | 118,751 | 142,590 |
| Payroll tax | 37,970 | 52,196 |
| Equity settled share-based payments | 1,423,498 | 1,003,379 |
| Minimum lease payments | 44,001 | 48,024 |

**7. IMPAIRMENT OF ASSETS**

| | | |
|---|---|---|
| Development costs | 10,690,000 | 206,235 |
| Mine buildings and plant | 18,005,000 | - |
| | **28,695,000** | **206,235** |

Refer to note 17 for further details.

| **8. FINANCE COSTS** | | 2014<br>US$ | 2013<br>US$ |
|---|---|---|---|
| Interest on loan borrowings | i. | 11,019,804 | 15,470,698 |
| Interest on deferred settlement of share acquisition | | - | 16,049 |
| Interest on letter of credit facility | | 39,027 | 63,182 |
| Other borrowing costs | ii. | 1,928,604 | 684,890 |
| Finance lease costs | | 44,001 | 48,024 |
| | | **13,031,436** | **16,282,843** |

i. Included in interest on loan borrowings is $6,348,281 (2013: $10,126,199) relating to the effective interest rate adjustments.

ii. Other borrowing costs includes the costs, including dividends paid, in relation to the Redeemable Preference Shares Agreement as described in note 22(d).

## 9. INCOME TAX

| | 2014 US$ | 2013 US$ |
|---|---|---|
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Loss before income tax | (32,574,078) | (3,818,672) |
| Tax at the Australian tax rate of 30% (2013 - 30%) | (9,772,223) | (1,145,602) |
| Tax effect of amounts which are not deductible in calculating taxable income | 5,524,801 | 1,124,576 |
| Tax losses not brought to account | 4,247,422 | 21,026 |
| Income tax expense | - | - |

The Consolidated Entity is of the opinion that tax losses from prior periods will continue to be available to the tax group.

The Consolidated Entity and the Company have an estimated US$25,024,175 (2013: US$20,776,753) in carried forward revenue losses and US$2,432,283 (2013: US$2,432,283) 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.

The future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be applied with; and

(c) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

## 10. CASH AND CASH EQUIVALENTS

| | 2014 US$ | 2013 US$ |
|---|---|---|
| Cash at bank and on hand | 2,513,269 | 5,335,039 |
| Cash on deposit | 44,859 | 154,480 |
| | 2,558,128 | 5,489,519 |

## 11. TRADE AND OTHER RECEIVABLES (CURRENT)

| | | |
|---|---|---|
| Trade receivables | 285,894 | 1,166,160 |
| Other receivables | 26,202 | 26,670 |
| | 312,096 | 1,192,830 |

*Past due but not impaired*
There were no past due but not impaired receivables at 31 December 2014 or 31 December 2013.

## 12. PREPAYMENTS AND DEPOSITS (CURRENT)

| | 2014 US$ | 2013 US$ |
|---|---|---|
| Prepayments and bonds | 586,904 | 534,676 |
| Deposits on equipment | 60,587 | 383,520 |
| Security bond in relation to labour claim | 853,281 | 849,957 |
| | 1,500,772 | 1,768,153 |

## 13. INVENTORIES

| | | |
|---|---|---|
| Metal on hand and in circuit | 1,133,275 | 720,549 |
| Processing consumables | 2,293,849 | 2,152,834 |
| Maintenance spares | 3,556,757 | 3,934,432 |
| | 6,983,881 | 6,807,815 |

## 14. SUBSIDIARIES

| Name | Country of Incorporation | Percentage of equity interest held by the Consolidated Entity | |
|---|---|---|---|
| | | 2014 % | 2013 % |
| PanTerra Gold Technologies Pty Ltd | Australia | 100 | 100 |
| EnviroGold (Las Lagunas) Limited | Vanuatu* | 100 | 100 |
| PanTerra Gold (Dominicana) S.A. | Dominican Republic# | 100 | 100 |
| PanTerra Gold (Peru) S.A. | Peru# | 100 | 100 |
| PanTerra Mining Finance Inc. | BVI | 100 | 100 |
| PanTerra Gold Inc. | BVI | 100 | 100 |
| PanTerra Gold (Latin America) Inc. | BVI^ | 100 | 100 |
| PanTerraGold (Azuay) S.A. | BVI# | 100 | 100 |
| Novus Gold Corp. | Canada | 100 | 100 |
| Invercropolis S.R.L. | Dominican Republic~ | 100 | 100 |

*Investment held by PanTerra Gold Technologies Pty Ltd

#Investment held by PanTerra Gold (Latin America) Inc.

^Investment held by PanTerra Gold Inc.

~Investment held by Novus Gold Corp.

## 15. PROPERTY, PLANT & EQUIPMENT

| | Mine buildings and plant US$ | Leasehold Improvements US$ | Plant & Equipment US$ | Total US$ |
|---|---|---|---|---|
| **2014** | | | | |
| **Cost** | | | | |
| Balance 31 December 2013 | 59,582,470 | 79,419 | 7,368,414 | 67,030,303 |
| Additions | 3,054,359 | - | 1,907,660 | 4,962,019 |
| Balance 31 December 2014 | 62,636,829 | 79,419 | 9,276,074 | 71,992,322 |
| **Accumulated Depreciation** | | | | |
| Balance 31 December 2013 | (9,953,631) | (78,874) | (1,696,594) | (11,729,099) |
| Depreciation expense | (8,107,260) | (545) | (1,532,770) | (9,640,575) |
| Balance 31 December 2014 | (18,060,891) | (79,419) | (3,229,364) | (21,369,674) |
| **Impairment** | | | | |
| Balance 31 December 2013 | - | - | - | - |
| Impairment loss | (18,005,000) | - | - | (18,005,000) |
| Balance 31 December 2014 | (18,005,000) | - | - | (18,005,000) |
| **Carrying Value 31 December 2014** | **26,570,938** | **-** | **6,046,710** | **32,617,648** |
| **2013** | | | | |
| **Cost** | | | | |
| Balance 31 December 2012 | 58,849,935 | 79,419 | 4,424,777 | 63,354,131 |
| Reallocation of opening balance | 139,319 | - | (139,319) | - |
| Additions | 593,216 | - | 3,505,024 | 4,098,240 |
| Disposals | - | - | (422,068) | (422,068) |
| Balance 31 December 2013 | 59,582,470 | 79,419 | 7,368,414 | 67,030,303 |
| **Accumulated Depreciation** | | | | |
| Balance 31 December 2012 | (2,345,897) | (78,510) | (764,114) | (3,188,521) |
| Reallocation of opening balance | (10,270) | - | 10,270 | - |
| Depreciation expense | (7,597,464) | (364) | (1,082,227) | (8,680,055) |
| Disposals | - | - | 139,477 | 139,477 |
| Balance 31 December 2013 | (9,953,631) | (78,874) | (1,696,594) | (11,729,099) |
| **Carrying Value 31 December 2013** | **49,628,839** | **545** | **5,671,820** | **55,301,204** |

## 15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

**Security**
At 31 December 2014 Macquarie Bank Limited held security in the form of a fixed and floating charge over all the assets and the undertaking (ie. Las Lagunas gold tailings project) of the borrower (EnviroGold Las Lagunas Limited) located in, or relating to the Dominican Republic.

## 16. INTANGIBLE ASSETS

| | 2014 US$ | 2013 US$ |
|---|---|---|
| **(a) Development costs** | | |
| **Las Lagunas project (Dominican Republic)** | | |
| Balance at the beginning of the year | 31,007,992 | 35,374,431 |
| Amortisation expense | (4,542,873) | (4,366,439) |
| Impairment loss | (10,690,000) | - |
| Closing balance | 15,775,119 | 31,007,992 |
| **(b) Exploration and evaluation costs** | | |
| Balance at the beginning of the year | 3,692,606 | 3,670,543 |
| Current year costs | 89,710 | 228,298 |
| Impairment loss | - | (206,235) |
| Closing balance | 3,782,316 | 3,692,606 |
| **Total intangible assets** | **19,557,435** | **34,700,598** |

The expenditure which was capitalised in exploration and evaluation costs during the reporting period related to the Fuerte copper project and the three exploration concessions in the Dominican Republic: “La Perseverancia”, “La Paciencia” and “Sabana Culebra”.

The expected remaining period for amortisation of the Las Lagunas project development costs is equal to the remaining life of the project. On this basis, the asset is expected to be fully amortised by the second half of 2019.

## 17. IMPAIRMENT

In accordance with note 1(y) a comprehensive impairment review was conducted at 31 December 2014. The recoverable amount of each cash generating unit (“CGU”), was reviewed.

As a result of the review, asset values have been reduced to their recoverable amounts through the recognition of an impairment charge.

The Consolidated Entity has calculated the recoverable amount of Las Lagunas development costs and related property, plant and equipment, being the smallest identifiable CGU. The recoverable amount of the CGU has been based on value in use. Value in use has been calculated using a discounted cash flow forecast using management’s budgets for financial year 2015 and long term plan from financial year 2015 to the end of mine life. The discounted cash flow forecast demonstrated a current NPV for the Las Lagunas project of US$48.3 million, whilst the written down value of the project, before impairment, was US$77.0 million, resulting in an impairment charge of US$28.7 million. The impairment charge is a result of reduced

**17. IMPAIRMENT (CONTINUED)**

production volume estimates and gold and silver recovery, combined with the continuing lower gold price environment.

The following key statistics and assumptions were used in calculating the NPV of the Las Lagunas project in the Dominican Republic as at 1 January 2015:

| | |
|---|---|
| Discount Rate | 10% |
| Resource (as at 1 January 2015) | 3.517 Mt |
| Project Life | 55 months |
| Average Annual Mining Rate (assuming 5% ore loss) | 767,000 tonnes |
| Average Gold Recovery | 50% |
| Average Annual Gold Production | 46,000 oz |
| Average Gold Price (not sold forward) | US$1,250/oz |
| Gold Sold Forward Price (87,080 oz as at 1 January 2014) | US$1,200/oz |
| Average Silver Recovery | 33% |
| Average Annual Silver Production | 316,000 oz |
| Average Silver Price | US$18/oz |
| Budgeted Operating Costs (including HO overheads) | US$653/oz Au equiv |

Value in use calculations are highly sensitive to changes in certain key assumptions. Cash flows are most sensitive to gold price and discount rates. It is estimated that a change in key assumptions will have the following estimated impact on the fair value of the CGU, when both sensitivities are applied simultaneously:

| | Discount Rate | Average Gold Price (Not Sold Forward)* | Value in Use US$ million | +/- Value in Use US$ million |
|---|---|---|---|---|
| Low | 12% | -10% | 45.8 | (2.5) |
| High | 8% | +9% | 57.4 | 9.1 |

**Gold price sensitivity percentages are based on the movements between 2014 gold price average (US$1,266) compared to the gold price low (US$1,145) and the gold price high (US$1,379), respectively.*

**18. TRADE & OTHER PAYABLES (CURRENT)**

| | Note | 2014 US$ | 2013 US$ |
|---|---|---|---|
| Trade creditors | | | |
| Other corporations | | 3,566,612 | 2,134,286 |
| Director related entities | | 99,506 | 45,991 |
| Accruals | | 2,267,820 | 2,180,343 |
| | | **5,933,938** | **4,360,620** |

## 19. PROVISIONS (CURRENT)

| | 2014 US$ | 2013 US$ |
|---|---|---|
| Employee benefits | 1,091,583 | 781,076 |

*Amounts not expected to be settled within the next 12 months*
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

| | 2014 | 2013 |
|---|---|---|
| Employee benefits obligation expected to be settled after 12 months | 501,918 | 314,234 |

## 20. BORROWINGS (CURRENT)

| | Note | 2014 | 2013 |
|---|---|---|---|
| Macquarie Bank facility loan | 22(a) | 14,000,000 | 28,200,000 |
| BanReservas line of credit facility | 22(b) | 2,925,000 | 5,850,000 |
| Shareholder loans | 22(c) | 2,773,108 | 2,829,339 |
| CAMIF redeemable preference shares | 22(d) | 1,428,571 | - |
| Finance leases | 22(e) | 164,093 | 782,231 |
| | | **21,290,772** | **37,661,570** |

Refer to notes 22 and 25 for detailed information on financial instruments.

### 21. PROVISIONS (NON-CURRENT)

| | 2014 US$ | 2013 US$ |
|---|---|---|
| Site restoration and rehabilitation | 215,670 | 196,064 |
| Employee benefits | 112,631 | - |
| | 328,301 | 196,064 |

| | | |
|---|---|---|
| **Movements of restoration provision:** | | |
| Carrying amount at the start of the year | 196,064 | 178,240 |
| Provisions recognised during the year | 19,606 | 17,824 |
| Change in provision assumptions | **215,670** | **196,064** |

*Site restoration and rehabilitation*

The non-current 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. The following assumptions were used in the calculation of the provision:

| | |
|---|---|
| Undiscounted cost of restoration | US$200,000 |
| Rate of inflation | 6% |
| Term of provision | 7 years |
| Discount rate | 10% |

### 22. BORROWINGS (NON-CURRENT)

| | Note | 2014 US$ | 2013 US$ |
|---|---|---|---|
| Macquarie Bank facility loan | 22(a) | 15,645,456 | 14,602,087 |
| BanReservas project loan | 22(b) | 5,425,000 | 2,500,000 |
| CAMIF redeemable preference shares | 22(d) | 8,660,672 | 9,734,970 |
| Finance leases | 22(e) | 77,461 | 198,560 |
| | | 29,808,589 | 27,035,617 |

Refer to note 25 for detailed information on financial instruments.

## 22. BORROWINGS (NON-CURRENT) (CONTINUED)

*(a) Macquarie Bank loan facility*

The Consolidated Entity entered in a Facility Agreement ("Agreement") with Macquarie Bank Limited ("MBL") on 12 March 2010 for the purpose of financing the construction and development of the Las Lagunas gold tailings project ("Project"). The key terms and conditions of the Agreement are:

- A drawdown facility of US$37.5 million which is subject to interest rates and repayment terms of a normal commercial loan. The interest margin is 4.25% plus LIBOR and interest is payable 90 days after each funding portion drawdown or rollover. Subsequent to and in consideration of the rescheduling by MBL of the repayment schedule in December 2014 the interest margin was varied as follows:
    - 6.25% per annum on principal outstanding greater than US$20 million
    - 5.25% per annum on principal outstanding between US$10 million and US$20 million
    - 4.25% per annum on principal outstanding less than US$10 million
- The Agreement also includes a Gross Smelter Royalty Agreement ("GSR") which provides for an advance of US$7.5 million against a future stream of royalties payable at 3% on all gold produced from the Project.
- A Price Participation Agreement ("PP") whereby the Consolidated Entity shall pay to MBL a PP during the life of the Project which is to be calculated in accordance with a formula as set out in the Agreement, as follows:
    - *Price Participation Payment = (A – B) x G x 5.0%*[1]
    - *where:*
    - *A is the average quarterly gold spot price on the calculation date*
    - *B is the applicable base case gold price on the calculation date*
    - *G is the number of ounces of gold product produced from the project during the 3 month period immediately preceding the calculation date*

    *[1]Subsequent to and in consideration of the rescheduling by MBL of the repayment schedule in March 2013 the percentage applicable to the Price Participation Payment calculation increased by 0.5% to 5.5% from 1 April 2013*

    The fair value of the PP is also calculated in the discounted cash flow model for the Project.
- MBL received two tranches of options over the shares in PanTerra Gold Limited of 17,500,000 each. The exercise price of Tranche A options, which expired on 15 October 2012, was 10 cents and Tranche B options[2], which expired on 18 October 2013, was 15 cents.

    *[2]In addition to the increase of the PP percentage outlined in [1] above, MBL also required the Company to cancel their existing 17.5 million Company share options (Tranche B), and replace them with 17.5 million share options exercisable at 10.5 cents each on or before 30 September 2015 (Tranche C).*

    The value of the Tranche A and Tranche B options was determined by fair valuing the loan and the value of the options was the residual value. The calculated cost base of US$1.7 million is applied against the loan and will be recognised over the life of the loan.

    The fair value of the Tranche C options at grant date was determined using a Black Scholes option pricing model. The calculated cost base of US$0.41 million was taken to account in finance expenses in 2013.
- The Consolidated Entity was required to pay loan establishment fees of US$937,500 to MBL. These fees have also been applied against the loan and will be recognised over the life of the loan.

The carrying amount of the loan was estimated at 31 December 2014 as US$29.6 million (2013: US$42.8 million) using the effective interest rate method. The annual effective interest rate is calculated at 23.1% (2013: 23.1%) after all of the components of the loan as described above have been fair valued.

**22. BORROWINGS (NON-CURRENT) (CONTINUED)**

*(b) BanReservas facilities*

A US$2.5 million four year project loan has been provided by BanReservas, the Dominican State-owned Bank at an interest rate of 8.49% per annum. The loan is due to mature in February 2016.

A standby facility of US$5 million has been provided by BanReservas since commencement of operations in 2012. This facility has been renewable on an annual basis. In addition, BanReservas has provided a US$850,000 guarantee for an Insurance Bond issued as security for the outcome of a dispute in the Dominican Republic Labor Court. In October 2014 the Company successfully renegotiated this facility with the bank whereby the facility is converted to an amortising loan with repayments due in two equal instalments of US$2.925 million each on 31 August 2015 and 31 August 2016. The interest rate applicable to the new facility is 8.49% per annum, reviewable annually.

*(c) Shareholder loans*

During 2012 and 2013 the Company entered into a series of unsecured Australian dollar denominated loans with a number of its shareholders totalling A$3.4 million at an interest rate of 10% per annum. In December 2014 the repayment date for all loans was extended to 31 December 2015 and the interest rate was increased to 12% per annum. In addition to the interest payable, the Company agreed to issue free attaching share options to each of the lenders that entitled the holder to convert the options to ordinary fully paid shares of the Company at 17.5 cents each. These options expired on 31 December 2014.

*(d) CAMIF redeemable preference shares*

In August 2013 the Company entered into an agreement for the issue of 50 million Redeemable Preference Shares (“RPS”) at US$0.20 each to Central American Mezzanine Infrastructure Fund (“CAMIF”). CAMIF is a private investment fund whose participants include a number of leading institutional investors. The key terms and conditions of the agreement are:

- Seven equal redemption payments of US$1,428,571 each at six monthly intervals between 31 October 2015 and 31 October 2018
- Bi-annual dividends payable from 31 October 2013 until the termination date (15 November 2018) based on a formula using 0.009 x Gold Sales plus interest charged on the value of outstanding shares for the relevant six month period, calculated at a rate of 7% per annum plus LIBOR.
- The Consolidated Entity incurred costs totalling US$504,603 in connection with the establishment of the RPS facility. These costs have also been applied against the facility and will be recognised over the life of the facility.

The carrying amount of the RPS facility was estimated at 31 December 2014 as US$10.1 million (2013: US$9.7 million) using the effective interest rate method. The annual effective interest rate is calculated at 18.1% (2013: 18.9%) after all of the components of the facility as described above have been fair valued.

*(e) Finance leases*

Finance lease liabilities of the Group are secured over items of plant and equipment acquired for use in the Las Lagunas project. There are three finance leases with a combined carrying value of $241,554 (2013: $980,791) and repayable between 3 and 5 years with the final lease expiring in November 2017, interest is charged at a rate of 8% per annum on the 3 year leases and 7.5% on the 5 year lease.

## 23. CONTRIBUTED EQUITY

| | 2014 US$ | 2013 US$ |
|---|---|---|
| **Issued and paid up capital** | | |
| Ordinary shares fully paid | 75,473,203 | 73,279,730 |
| Preference shares fully paid | 3 | 3 |
| | **75,473,206** | **73,279,733** |

**Movements in ordinary shares on issue**

| | | 2014 | |
|---|---|---|---|
| | | Number | US$ |
| Balance 31 December 2013 | | 769,414,346 | 73,279,730 |
| Issued at nil consideration* (employee performance rights) | | 3,116,666 | - |
| Issued at [A$]10.0 cents (US$ - 8.793 cents) (share based payment) | 34 | 750,000 | 65,948 |
| Issued at [A$]3.5 cents (US$ - 3.25 cents) (share based payment) | 34 | 16,563,725 | 538,396 |
| Issued at [A$]3.5 cents (US$ - 3.277 cents) (placement) | | 6,800,000 | 222,816 |
| Issued at [A$]3.5 cents (US$ - 3.287 cents) (placement) | | 9,025,000 | 296,608 |
| Issued at [A$]3.5 cents (US$ - 3.285 cents) (placement) | | 7,450,000 | 244,766 |
| Issued at [A$]3.5 cents (US$ - 3.282 cents) (placement) | | 5,550,000 | 182,168 |
| Issued at [A$]3.5 cents (US$ - 3.274 cents) (placement) | | 714,286 | 23,385 |
| Issued at [A$]3.5 cents (US$ - 3.259 cents) (placement) | | 2,857,143 | 93,110 |
| Issued at [A$]2.7 cents (US$ - 2.402 cents) (share based payment) | 34 | 23,974,443 | 575,970 |
| Capital raising costs | | - | (49,694) |
| **Balance 31 December 2014** | | **846,215,609** | **75,473,203** |

* Note that this has been previously recognised as share based payments in prior years.

**23. CONTRIBUTED EQUITY (CONTINUED)**

| | Note | 2013 Number | 2013 US$ |
|---|---|---|---|
| Balance 31 December 2012 | | 722,627,081 | 70,074,185 |
| Issued at nil consideration (employee performance rights) | | 2,616,667 | - |
| Issued at [A$]12.0 cents (US$ - 12.487 cents) (share based payment) | | 1,840,512 | 229,817 |
| Issued at [A$]7.3 cents (US$ - 7.576 cents) (placement) | | 10,273,973 | 778,358 |
| Issued at [A$]12.0 cents (US$ - 12.45 cents) (share based payment) | | 1,000,000 | 124,495 |
| Issued at [A$]9.0 cents (US$ - 8.637 cents) (placement) | | 22,222,222 | 1,919,380 |
| Issued at [A$]10.0 cents (US$ - 9.177 cents) (share based payment) | | 1,000,000 | 91,774 |
| Issued at [A$]5.0459 cents (US$ - 4.803 cents) (share based payment) | | 7,833,891 | 376,236 |
| Capital raising costs | | - | (314,515) |
| **Balance 31 December 2013** | | **769,414,346** | **73,279,730** |

*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.

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

| **Movements in options** | **Listed Options** | **Unlisted Options** | **Total** | **Weighted Average Exercise Price** | **Range of Exercise Price (A$)** | **Weighted Average Days to Maturity** |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 39,345,237 | 29,500,000 | 68,845,237 | 0.1450 | $0.105 to $0.175 | 498 |
| Options issued | - | 15,000,000 | 15,000,000 | 0.065 | | |
| Options expired | (39,345,237) | - | (39,345,237) | | | |
| Options exercised | - | - | - | | | |
| **Balance at end of year** | **-** | **44,500,000** | **44,500,000** | **0.0915** | **$0.065 to $0.105** | **575** |

All unlisted options were exercisable at the end of the reporting period.

### 23. CONTRIBUTED EQUITY (CONTINUED)

*Options issued*

*Unlisted options*

In May 2013 the Company issued 12,000,000 free unlisted options over unissued fully paid ordinary shares of the Company under the terms of a subscription agreement entered into between the Company and an investor. The options may be converted to fully paid ordinary shares of the Company at AUD 10.5 cents each on or before 31 December 2015.

In July 2013 the second tranche of 17,500,000 share options issued to Macquarie Bank Limited in accordance with the Facility Agreement (as described in note 21) were cancelled and replaced with a new tranche of 17,500,000 share options. These options have an exercise price of AUD 10.5 cents and an expiry date of 30 September 2015.

In September 2014 the Company issued 15,000,000 free unlisted options to Central American Mezzanine Infrastructure Fund LP ("CAMIF") in consideration of CAMIF giving consent for the release of A$2 million into general working capital from the funds provided by CAMIF in the second half of 2013 under a Redeemable Preference Share Agreement, of which approximately US$2.5 million was reserved for exploration expenditure on the Company's concessions in the Dominican Republic. In order to release the A$2.0 million, CAMIF required the issue of 15,000,000 unlisted Options, exercisable at A$0.065 each on or before 31 December 2017.

The fair value of options at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 12-Sep-2014 | 31-Dec-2017 | A$0.052 | A$0.065 | 32.09% | 0% | 2.5% | A$0.0093 |

### 24. 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 Note1(f).

*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 Entity;
- iii) Proceeds received by PanTerraGold 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

## 24. RESERVES (CONTINUED)

*Performance rights reserve*

The performance rights reserve is used to recognise the fair value of performance rights issued to employees.

## 25. FINANCIAL INSTRUMENTS

The Consolidated Entity 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 North America and Latin America. As such, the Consolidated Entity is exposed to market risk (both commodity and foreign exchange), credit risk, interest rate risk and liquidity risk.

The Consolidated Entity 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 Entity is governed by the Board of Directors and is primarily focused on ensuring that the Consolidated Entity is able to finance its business plans.

***Market risk***

*Commodity price risk management*
The account balances that would be impacted by a change in commodity price at 31 December 2014 are the Macquarie Bank loan facility liabilities, the CAMIF redeemable preference share facility liabilities and the impairment testing of Intangible Assets. This is because the fair value of the loan facility, the redeemable preference share facility and the impairment testing of the Intangible Asset are affected by the gold price as per the base case model, as discussed in note 17.

*Commodity price sensitivity*
The consolidated entity had loan and redeemable preference share facility liabilities totalling US$39,734,700 as at 31 December 2014 (2013: US$52,537,057). Based on this exposure, had the gold spot price weakened by 10%/strengthened by 9% (2013: weakened by 15%/strengthened by 20%) against the average gold spot price used in the discounted cash flow model (US$1,250; 2013: US$1,300) with all other variables held constant, the Consolidated Entity's loan facility liabilities and finance costs at year end would have been fair valued at US$1,534,728 lower/US$1,380,726 higher (2013: US$2,492,846 lower/US$3,323,795 higher). The percentage change is the expected overall volatility of the gold spot price, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate used in the discounted cash flow model at each reporting date.

*Foreign exchange risk*

The major foreign exchange exposure of the Consolidated Entity 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 financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

### 25. FINANCIAL INSTRUMENTS (CONTINUED)

| | ASSETS | | LIABILITIES | |
|---|---|---|---|---|
| | 2014 US$ | 2013 US$ | 2014 US$ | 2013 US$ |
| AU Dollars | 181,200 | 262,574 | 3,778,565 | 3,795,996 |
| Dominican Pesos | 38,981 | 6,940 | 1,494,458 | 874,421 |
| Euros | - | - | 226,444 | 257,080 |
| Vanuatu Vatu | 451 | 3,042 | 1,845 | - |
| CAD Dollars | 55,022 | 62,931 | 251,938 | 77,166 |
| | 275,654 | 335,487 | 5,753,250 | 5,004,663 |

*Foreign exchange sensitivity*
The consolidated entity had net assets/(liabilities) denominated in foreign currencies of (US$5,477,596) (assets US$275,654 less liabilities US$5,753,250) as at 31 December 2014 (2013: (US$4,669,176) (assets US$335,487 less liabilities US$5,004,663)).

The following table sets out the estimated impact on the Consolidated Entity'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:

| | AUD | DOP | EUR | TOTAL |
|---|---|---|---|---|
| | **2014** | **2014** | **2014** | **2014** |
| **USD Weakened %** | -10% | -3% | -9% | |
| Increase in post-tax profit for the year (USD) | 386,296 | 44,040 | 19,722 | 450,058 |
| **USD Strengthened %** | +5% | +2% | +5% | |
| Decrease in post-tax profit for the year (USD) | (193,146) | (29,430) | (10,957) | (233,533) |
| | **2013** | **2013** | **2013** | **2013** |
| **USD Weakened %** | -8% | -3% | -3% | |
| Increase in post-tax profit for the year (USD) | 271,202 | 18,736 | 8,381 | 298,319 |
| **USD Strengthened %** | +9% | +3% | +4% | |
| Decrease in post-tax profit for the year (USD) | (304,570) | (18,480) | (11,175) | (334,225) |

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.

*Interest rate risk*
The main exposure of the Consolidated Entity to interest rate risk arises from long-term borrowings and the interest received on cash surpluses invested with banks. The Consolidated Entity's fixed borrowings from Macquarie Bank and the redeemable preference share facility with CAMIF both carry a variable interest rate component in the form of fluctuations in the LIBOR rate. The Consolidated Entity's facility with BanReservas and shareholder loans are provided on a fixed interest rate basis and therefore there is minimal exposure to interest rate risk associated with those facilities.

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

*Interest rate sensitivity*

Based on the financial asset instruments held at 31 December 2014, had the AUD cash on deposit interest rate increased/decreased by 0.5% during the year (2013: 0.5%) and the USD cash on deposit interest rate increased/decreased by 0.25% (2013: 0.25%), with all other variables held constant, the Consolidated Entity's post-tax profit for the year would have been US$6,224 higher/lower (2013: US$7,182 higher/lower), mainly as a result of cash and cash equivalents.

Based on the financial liability instruments held at 31 December 2014, had the LIBOR rate increased/decreased by 0.25% (2013: 0.5%) with all other variables held constant, the Consolidated Entity's post-tax profit for the year would have been US$10,189 higher/lower (2013: US$22,838 higher/lower) as a result of the increase/decrease in the effective interest rate.

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 Entity 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 Entity 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 Macquarie Bank Limited. 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 2014. 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 Entity and the Parent were neither past due nor impaired.

*Liquidity risk*

Vigilant liquidity risk management requires the Consolidated Entity 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 Entity 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 Entity’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.

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

| 2014 | 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** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade & other payables | | 5,933,938 | - | - | - | 5,933,938 |
| *Interest-bearing* | | | | | | |
| Bank loans | 22.43 | 21,835,668 | 17,998,500 | 9,783,974 | - | 49,618,142 |
| Non-bank loans (CAMIF RPS) | 18.14 | 2,641,732 | 3,935,347 | 8,163,416 | - | 14,740,495 |
| Shareholder loans | 12.0 | 3,813,667 | - | - | - | 3,813,667 |
| Finance leases | 7.9 | 164,093 | 37,292 | 40,169 | | 241,554 |
| Total non-derivatives | | 34,389,098 | 21,971,139 | 17,987,559 | - | 74,347,796 |

| 2013 | 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** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade & other payables | - | 4,359,337 | - | - | - | 4,359,337 |
| *Interest-bearing* | | | | | | |
| Bank loans | 22.6 | 37,627,683 | 11,185,464 | 16,730,847 | 1,624,073 | 67,168,067 |
| Non-bank loans (CAMIF RPS) | 18.9 | 1,208,740 | 2,847,116 | 11,734,694 | - | 15,790,550 |
| Shareholder loans | 10.0 | 3,744,722 | - | - | - | 3,744,722 |
| Finance leases | 7.9 | 308,000 | 178,212 | 84,138 | - | 570,350 |
| Total non-derivatives | | 47,248,482 | 14,210,792 | 28,549,679 | 1,624,073 | 91,633,026 |

***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 Entity for similar financial instruments.

The Consolidated Entity 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. Significant differences were identified for the following instruments at 31 December 2014:

| | **CARRYING AMOUNT US$** | **FAIR VALUE US$** | **DISCOUNT RATE** |
|---|---|---|---|
| Macquarie Bank loan facility | 29,645,456 | 33,627,251 | 13% |

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the above borrowings are based on discounted cash flows using the rates disclosed in the table above. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including credit risk.

***Capital risk management***

The Consolidated Entity's and parent entity's objectives when managing capital are 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 Entity maintains a rolling cash forecast for the Consolidated Entity as part of its capital risk management strategy.

The Consolidated Entity monitors capital using financial and non-financial indicators. Financial indicators include, but are not limited to, the following minimum level borrowing covenants which are imposed on the Consolidated Entity by the facility agreement with Macquarie Bank:

| | |
|---|---|
| PLCR (Project Life Cover Ratio) | 1.4:1 |
| LLCR (Loan Life Cover Ratio) | 1.2:1 |
| DSCR (Debt Service Cover Ratio) | 1.15:1 |
| Reserve Tail Ratio | 25% |
| Current Ratio | 1.25:1 |

The Consolidated Entity's capital structure is as follows:

| | **2014 US$** | **2013 US$** |
|---|---|---|
| Capital employed | 75,473,206 | 73,279,733 |
| Cash and cash equivalents | 2,558,128 | 5,489,519 |
| Total equity - funds | 78,031,334 | 78,769,252 |

## 26. KEY MANAGEMENT PERSONNEL

*Compensation of Key Management Personnel*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | **2014 US$** | **2013 US$** |
|---|---|---|
| Short-term employee benefits | 1,218,391 | 1,530,696 |
| Post-employment benefits | 23,973 | 68,736 |
| Share-based payment | - | 47,575 |
| | **1,242,364** | **1,647,007** |

*Related party transactions*
Related party transactions are set out in note 30.

## 27. REMUNERATION OF AUDITORS

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

| | 2014 US$ | 2013 US$ |
|---|---|---|
| *Audit services – BDO East Coast Partnership* | | |
| Audit or review of the financial report | 66,127 | 45,000 |
| Review of Grant Thornton audit file on behalf of BDO Dominican Republic | - | 6,771 |
| | 66,127 | 51,771 |
| *Other services – BDO East Coast Partnership* | | |
| Preparation of the tax return | 28,322 | 21,889 |
| Tax consulting services | 18,148 | 10,507 |
| | 46,470 | 32,396 |
| **Total Services – BDO East Coast Partnership** | **112,597** | **84,167** |
| *Audit services – BDO Dominican Republic* | | |
| Audit or review of the financial report | 33,628 | 16,200 |
| | 33,628 | 16,200 |
| *Other services – BDO Dominican Republic* | | |
| Preparation of the tax return | 2,985 | 1,923 |
| Translation of the financial statements | 7,788 | 3,000 |
| Evaluation and translation of financial model | 9,086 | 9,735 |
| Staff recruitment | 13,934 | - |
| | 33,793 | 14,658 |
| **Total Services – BDO Dominican Republic** | **67,421** | **30,858** |
| *Audit Services – Grant Thornton* | | |
| Audit or review of the financial report | - | 45,769 |
| | - | 45,769 |

## 28. LITIGATION AND CONTINGENCIES

René Fernandez Labor Claim against EnviroGold (Las Lagunas) Limited ("EVGLL")
In July 2013, EVGLL successfully appealed the decision by the Labor Court of the Dominican Republic which had ruled in favour of Mr René Fernandez, the former General Manager of the Las Lagunas project, for wrongful dismissal.

The appellate court ordered that Mr Fernandez be reinstated and to pay him the following amounts:

- Payment of US$100,000 in shares in PanTerra Gold Limited
- Damages in the sum of RD$30,000.00 (approximately US$707.88)
- Payment of salary of US$8,653.84 for the final two weeks worked
- Derived unearned salaries from 15 October 2012 to 26 November 2012
- Housing allowance from 15 October 2012 to 26 November 2012

Mr Fernandez unsuccessfully appealed the lower court's decision to the Supreme Court of Justice. Subsequent to the dismissal of his appeal, the Company has paid Mr Fernandez the required amounts and is in the process of arranging the release of the security bond of US$1.6 million which was lodged with the Labor Court pending final settlement. The final settlement paid post year end has been recognised in the financial as part of trade and other payables as at 31 December 2014.

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 have lodged a counter-claim for unpaid invoices to the value of approximately US$38,000.

## 29. COMMITMENTS FOR EXPENDITURE

| | 2014<br>US$ | 2013<br>US$ |
|---|---|---|
| ***Lease commitments - operating*** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 110,662 | 128,238 |
| One to five years | 2,552 | 8,105 |
| **Total lease commitments** | **113,214** | **136,343** |

Operating lease commitments relate to one leased office in Australia which is used by the Parent Entity as its head office and administrative office, one leased office in the Dominican Republic and seven leased residences in the Dominican Republic which are used by expatriate managers.

## 30. 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 14.

*Key management personnel*
Disclosures relating to directors and specified executives are set out in note 26 and the directors' report.

*Transactions with related parties*
Payments were made during the year to Tristar Holdings Pty Ltd ("THPL") for reimbursement of expenditures incurred by THPL on behalf of PanTerra Gold and for management fees charged by Brian Johnson. Mr Johnson's 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 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.

Fees were charged during the year by EMS (Qld) Pty Ltd ("EMS") for directors fees and consultancy fees of Craig Ricato. Mr Ricato is a shareholder and director of EMS. Services provided by EMS were on the same basis as that provided to other entities.

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

Transactions which occurred with related parties during the year are shown in the table below:

| | 2014<br>US$ | 2013<br>US$ |
|---|---|---|
| **Charges for services provided by:** | | |
| Tristar Holdings – Management fees | 422,033 | 451,556 |
| Cario Family Trust – Directors fees | 44,866 | 47,965 |
| Western Ventures Consulting – Directors fees | 45,058 | 47,914 |
| Western Ventures Consulting – Consulting fees | - | 92,936 |
| EMS (Qld) Pty Ltd – Directors fees | 29,890 | - |
| EMS (Qld) Pty Ltd – Consulting fees | 101,682 | - |
| MineGeo Pty Ltd – CEO fees | 147,506 | 136,051 |
| | 791,035 | 776,422 |

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

At the end of the reporting period the following invoiced amounts were outstanding:

| | 2014 US$ | 2013 US$ |
|---|---|---|
| **Current Payables:** | | |
| Tristar Holdings | 65,510 | 34,757 |
| Cario Family Trust | 6,941 | 3,698 |
| Western Ventures Consulting | 6,940 | 3,698 |
| EMS (Qld) Pty Ltd | 8,314 | 32,307 |
| | 87,705 | 74,460 |

## 31. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES:

| | | 2014 US$ | 2013 US$ |
|---|---|---|---|
| Loss after income tax | | (32,574,078) | (3,818,672) |
| Add/(Less) Non-cash Items | | | |
| Depreciation and amortisation | | 14,183,448 | 13,046,494 |
| Unrealised foreign exchange (gain)/loss | | (245,791) | (463,222) |
| Share-based payments | | 1,423,498 | 1,379,615 |
| Site restoration allowance | | 19,606 | 17,824 |
| Net movement in fair value gain on borrowings | | (1,725,280) | (10,004,794) |
| Impairment of assets | | 28,695,000 | 206,235 |
| Work in progress movement | | (412,726) | (720,549) |
| Loss on disposal of plant & equipment | | - | 252,693 |
| Hedge close out | **5** | (6,489,000) | - |
| Changes in operating assets and liabilities | | | |
| (Increase)/Decrease in receivables | | 880,266 | (141,377) |
| (Increase)/Decrease in inventory | | 236,660 | (2,358,536) |
| (Increase)/Decrease in other assets | | (145,262) | (643,691) |
| (Decrease)/Increase in payables | | 1,985,729 | 650,226 |
| **Net cash flows generated from / (used in) operating activities** | | **5,832,070** | **(2,597,754)** |

## 32. EARNINGS PER SHARE ("EPS")

| | 2014 US$ | 2013 US$ |
|---|---|---|
| Numerator used for basic and diluted EPS: | | |
| Loss after tax attributable to the owners of PanTerra Gold Limited | (32,574,078) | (3,818,672) |
| | **Number of Shares** | **Number of Shares** |
| Weighted average number of ordinary shares outstanding during the year used in calculating the basic and diluted EPS. | 800,131,249 | 749,523,544 |

All options were antidilutive because conversion would reduce loss per share, therefore these have been excluded from the weighted average number of ordinary shares for the purposes of calculating diluted EPS.

## 33. 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 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.

Set out below is a summary of performance rights granted during the year:

**33. SHARE-BASED PAYMENTS (CONTINUED)**

| Financial year of grant | Financial year of vesting date | Balance at start of year | Granted | Vested and converted | Forfeited | Balance at end of year |
|---|---|---|---|---|---|---|
| | | Number | Number | Number | Number | Number |
| 31 December 2013 | 31 Dec 2014 | 500,000 | - | (500,000) | - | - |
| | 31 Dec 2015 | 500,000 | - | - | (500,000) | - |
| | 31 Dec 2016 | 500,000 | - | - | (500,000) | - |
| 31 December 2014 | 31 Dec 2014 | - | 1,400,000 | (1,400,000) | - | - |
| | 31 Dec 2015 | - | 1,400,000 | - | - | 1,400,000 |
| | 31 Dec 2016 | - | 1,400,000 | - | - | 1,400,000 |
| | | 1,500,000 | 4,200,000 | (1,900,000) | (1,000,000) | 2,800,000 |

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. An expense of US$115,945 (2013: US$269,654) has been recognised during the year for rights granted under the Performance Rights Plan.

*Other share-based payments*

*Share-based payment for employee engagement fee*

On 21 January 2014 the Company issued 750,000 ordinary fully paid shares at A$0.10 each to the newly appointed Chief Operating Officer of the Las Lagunas project. This share-based payment represented an engagement fee and was made in accordance with the terms of the Executive Employment Agreement. An expense of US$65,948 has been recognised during the year for this share-based payment.

*Share-based payment under redeemable preference share agreement*

16,563,725 ordinary fully paid shares were issued at A$0.035 each on 30 June 2014 and a further 23,974,443 ordinary fully paid shares were issued at A$0.027 each on 10 November 2014, in full satisfaction of the dividend payments due under the terms of the redeemable preference share agreement entered into by the Company with CAMIF (see note 22(d) for further details). The total amount of US$1,114,366 has been recognised in the finance costs section of the Statement of Profit or Loss and Other Comprehensive Income.

## 34. SUBSEQUENT EVENTS

Since year end the following subsequent events should be noted:

*Completion of unmarketable parcel share sale facility*

On 28 January 2015 the Company issued an announcement to the market, confirming the completion of the unmarketable parcel share sale facility, announced on 22 August 2014. In total, 1,271 shareholders holding an aggregate of 7,459,744 shares, took part in the sale plan. The approximate number of shareholders is now 3,730. The completion of the unmarketable parcel sale facility ensures a reduction in administrative and other costs associated with maintaining these small shareholdings.

*Completion of Share Consolidation*

On 16 February 2015 the Company issued an announcement to the market, advising that the consolidation of the Company's issued capital on a one (1) for ten (10) basis, as approved by shareholders at the General Meeting held on 30 January 2015, has been completed. The shares and options on issue post-consolidation are detailed in the following table:

| **Capital Structure Post-Consolidation** | **Number** |
|---|---|
| Issued Shares | 84,812,720 |
| Unlisted Options, exercisable at A$1.05 expiring 30 September 2015 | 1,750,000 |
| Unlisted Options exercisable at A$1.05 expiring 31 December 2015 | 1,200,000 |
| Unlisted Options exercisable at A$0.65 expiring 31 December 2017 | 1,500,000 |
| Performance Share Rights vesting 31 December 2015 | 140,000 |
| Performance Share Rights vesting 31 December 2016 | 140,000 |

In addition to the above securities, Central American Mezzanine Infrastructure Fund LP ("CAMIF") have agreed in principle, 'subject to documentation and shareholder approval', to a reduction on a 1:10 basis with a redemption price of US$2 each in the number the 50 million redeemable preference shares ("RPS"), issued in August 2013 at US 20 cents per RPS.

*Earn-In and Joint Venture Agreement with Vancouver-based, Canarc Resource Corp*

On 23 February 2015, PanTerra Gold (British Columbia) Ltd ("PGBC"), of which PanTerra Gold Limited is the ultimate parent company, signed a binding Pre-Development and Earn-In Agreement ("Agreement") with Vancouver-basis Canarc Resource Corp ("Canarc").

Under the terms of the Agreement, PGBC may earn a 20% interest in the proposed development of the New Polaris mine in north-west British Columbia, by spending CAD$4,000,000 on predevelopment activities, and an additional 30% by spending CAD$6,000,000 to complete a Definitive Feasibility Study ("DFS") in December 2016.

PGBC may purchase from Canarc an additional 1% interest in the unincorporated joint venture for 1% of the Net Present Value established by the DFS at a 10% discount rate, within six months of completion of the DFS.

## 35. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year 31 December 2014 the parent entity of the Group was PanTerra Gold Limited.

| **Result of parent entity** | **2014 US$** | **2013 US$** |
|---|---|---|
| Loss for the period | (35,163,883) | (4,104,640) |
| Other comprehensive income/(loss) | - | - |
| Total comprehensive income/(loss) | **(35,163,883)** | **(4,104,640)** |
| | | |
| **Financial position of parent entity at year end** | | |
| Current assets | 800,708 | 1,417,875 |
| Total assets | 56,676,541 | 88,805,569 |
| | | |
| Current liabilities | 4,923,048 | 3,363,185 |
| Total liabilities | 13,696,352 | 13,098,155 |
| | | |
| **Total equity of the parent entity comprising of:** | | |
| Share capital | 75,473,206 | 73,279,733 |
| Foreign currency translation reserve | 6,185,943 | 6,185,943 |
| Option reserve | 3,920,449 | 3,793,210 |
| Performance rights reserve | 1,240,261 | 1,124,315 |
| Accumulated losses | (43,839,670) | (8,675,787) |
| **Total equity** | **42,980,189** | **75,707,414** |

The Company has reviewed the carrying value of its assets, including those in relation to the Las Lagunas Project for which the value in use has been calculated to be US$48.3 million, US$28.7 million less than the written down value of the project. As a result of the review the project asset values have been reduced to their recoverable amounts through the recognition of an impairment charge (refer Note 17).

*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 Macquarie Bank Limited under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

**35. PARENT ENTITY DISCLOSURES (CONTINUED)**

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2014 and 31 December 2013.

*Capital commitments – Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2014 and 31 December 2013.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, 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.

# DIRECTOR'S DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors of PanTerra Gold Limited declare that:

(a) In the Directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on pages 13 to 20, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board ( IASB) as disclosed in note 1; and

(c) 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 by the Executive Chairman and Chief Financial Officer for the financial year ended 31 December 2014.

Signed in accordance with a resolution of the directors.

Brian Johnson
Executive Chairman
27 February 2015

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of PanTerra Gold Limited

## Report on the Financial Report

We have audited the accompanying financial report of PanTerra Gold Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of PanTerra Gold Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**Opinion**

In our opinion:

(a) the financial report of PanTerra Gold Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 (x) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, renegotiation of debt and repayment schedules if necessary, and reaching production forecasts. These conditions, along with other matters as set out in Note 1 (x), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 31 December 2014. 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.

**Opinion**

In our opinion, the Remuneration Report of PanTerra Gold Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

**BDO East Coast Partnership**

BDO

**Arthur Milner**
Partner

Sydney, 27 February 2015

# ASX ADDITIONAL INFORMATION
**FOR THE YEAR ENDED 31 DECEMBER 2014**

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current as at 20 February 2015.

### (a) Twenty largest shareholders

The names of the twenty largest holders of quoted Shares are:

| | Listed Ordinary Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ordinary Shares |
| Central American Mezzanine Infrastructure Fund LP | 6,975,414 | 8.22% |
| Hawthorne Pty Ltd <BGJ Super Fund A/C> | 4,950,000 | 5.84% |
| Macquarie Bank Limited | 4,014,641 | 4.73% |
| JP Morgan Nominees Australia Limited <Cash Income A/C> | 3,600,348 | 4.25% |
| Mr David Maurice Hodson | 2,230,000 | 2.63% |
| Shairco For Trading Industry & Contracting | 2,000,000 | 2.36% |
| Armco Barriers Pty Ltd | 1,800,000 | 2.12% |
| Lujeta Pty Ltd <The Margaret Account> | 1,681,274 | 1.98% |
| UBS Wealth Management Australia Nominees Pty Ltd | 1,247,500 | 1.47% |
| Mr John Michael Moore <The Mike Moore S/F A/C> | 970,974 | 1.14% |
| Moonstar Investments Pty Ltd <The Pemberley A/C> | 829,257 | 0.98% |
| Mr Allan Douglas Bowie | 800,000 | 0.94% |
| Beach Combers Pty Ltd <Bonker Family A/C> | 750,000 | 0.88% |
| ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C> | 744,928 | 0.88% |
| Citicorp Nominees Pty Limited | 730,713 | 0.86% |
| Mr Raymond Alfred Jackson <Rayjen Super Fund A/C> | 727,220 | 0.86% |
| Monex Boom Securities (HK) Ltd <Clients Account> | 701,000 | 0.83% |
| HSBC Custody Nominees (Australia) Limited – A/C 3 | 689,800 | 0.81% |
| Mr Lai Sung Lo & Ms Jui Chin Chou & Mr Louis Wen Cheng Lo | 620,496 | 0.73% |
| HSBC Custody Nominees (Australia) Limited | 619,265 | 0.73% |
| **Total for Top 20** | **36,682,830** | **43.25%** |

### (b) Substantial Shareholders

The names of Substantial Shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001, as at 20 February 2015, are:

| | Number of Shares | Percentage of Ordinary Shares |
|---|---|---|
| Central American Mezzanine Infrastructure Fund LP | 6,975,414 | 8.22% |
| Hawthorne Pty Ltd <BGJ Super Fund A/C> | 4,950,000 | 5.84% |

### (c) Distribution of equity securities

The number of Shareholders, by size of holding, in each class of Share as at 31 December 2014 are:

| | Ordinary Shares | | Non-redeemable Preference Shares | |
|---|---|---|---|---|
| | Number of Holders | Number of Shares | Number of Holders | Number of Shares |
| 1 - 1,000 | 64 | 4,636 | 1 | 5 |
| 1,001 - 5,000 | 104 | 401,220 | - | - |
| 5,001 - 10,000 | 206 | 1,739,689 | - | - |
| 10,001 - 100,000 | 2,484 | 101,288,572 | - | - |
| 100,001 and over | 794 | 742,781,492 | - | - |
| **Total** | **3,652** | **846,215,609** | **1** | **5** |
| **The number of shareholders holding less than a marketable parcel of shares are:** | **1,421** | **22,688,988** | **1** | **5** |

### (d) Voting rights

***Ordinary shares***
On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote.

On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

***Non-redeemable preference shares***
One vote for each share, but limited to matters affecting the rights of such shares.