



ASX Announcement

PanTerra Gold Limited

PARTIALLY UNDERWRITTEN RIGHTS ISSUE TO RAISE UP TO \$5.37M

VARIATIONS TO MACQUARIE BANK PROJECT LOAN AGREED

PanTerra Gold Limited (ASX:PGI) ("PanTerra Gold" or the "Company") is pleased to advise that it intends to undertake a non-renounceable rights issue of approximately 53.7 million New Shares ("Rights Issue" or "Offer") to raise up to \$5.37 million before costs, with a minimum subscription set at \$3.0 million. The Issue is partially underwritten for 25 million shares (\$2.5 million).

Under the Rights Issue, eligible Shareholders will be entitled to subscribe for 3 New Shares for every 5 Shares held on the Record Date of 7 September 2015, at an issue price of \$0.10 each. Each New Share issued will have a free attaching Share Option exercisable at \$0.15 each on or before 31 December 2018. Eligible Shareholders may also apply for shortfall securities in excess of their entitlement.

The primary purpose of the Offer is to meet the costs of a current upgrade of the Company's Las Lagunas process plant in the Dominican Republic, which includes replacing agitator gearboxes with a more robust design to increase plant availability, additional dewatering equipment for processed tailings disposal, and increased working capital.

Part of the proceeds will be utilised for negotiating supply contracts for refractory concentrate for the Las Lagunas plant, and for advancing relevant testwork and approvals for processing at Las Lagunas.

The Company is focussed on sourcing concentrates containing high gold, arsenic, and sulphide sulphur levels (typically 40g/t Au to 60g/t Au, up to 20% As and 25% S). The competition for acquiring these concentrates (derived from arsenopyrite) is relatively low due to increasing worldwide environmental standards restricting or prohibiting the processing of concentrates with high arsenic levels.

The Las Lagunas Albion/CIL process plant converts arsenic (As) to ferric arsenate (FeAsO_4), which has extremely low mobility and is non-soluble when disposed of as tailings, and will comply with World Bank standards for Toxicity Characteristic Leaching Procedure (TCLP) limits.

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Approvals from the Dominican Republic Government to commence the importation and processing of refractory concentrate are expected by mid-2017. Prior to this, the Company intends to negotiate supply contracts for up to 100,000tpa of high grade arsenopyrite concentrate that could be available from existing mines in China, and possibly from a mine expected to be recommissioned in Cuba, and undertake relevant metallurgical test work and resolution of logistics issues.

The Company has established a relationship with a well-connected group of Chinese investors who have underwritten 20.0 million New Shares (\$2.0 million) to be issued under the Rights Issue and who will spearhead the identification of sources of high-grade arsenopyrite concentrate, and prospects for joint ventures with mining companies controlling suitable refractory ore bodies in China.

As a consequence of this connection, and as announced on 26 August 2015, the Company has received a non-binding offer from an established Government controlled mining and gold trading company, Guangxi DiRun Mining Investment Co Ltd, to supply approximately 50,000tpa of concentrate from their own and clients' mines in the Tianzhu region of SE China from mid-2017, with a minimum gold grade of 50g/t, and at an acceptable indicative price.

None of the identified sources of concentrate would require capital investment by the Company and potential economic benefits look encouraging with the prospect of producing over 130,000 oz Au per year from 100,000 tonnes of 50g/t Au concentrate, utilising less than 60% of the Las Lagunas plant capacity.

Whereas the Company has only been recovering 60% to 65% of gold contained in low grade concentrate (11g/t Au) produced from the metallurgically complex Las Lagunas tailings, it is confident, based on pilot plant test work, that recoveries from a clean high grade arsenopyrite concentrate produced from a mining operation, will be in the order of 85%.

Company Finances

PanTerra Gold recently closed out part of its existing gold hedging program and applied the proceeds to reducing Macquarie Bank Limited's (**MBL**) project loan to US\$14.9 million.

A hedging program remains in place for 12 months with deliveries of 6,000 oz Au per quarter (approximately 50% to 60% of targeted production) at US\$1,090 per oz Au to mitigate against further falls in the gold price. The Company may hedge additional forward gold deliveries in the event prices increase.

The Company and MBL have agreed to monthly repayments of the MBL project loan totalling US\$5.1 million between 30 September 2015 and 31 May 2016 followed by a balloon payment on 30 June 2016 of US\$9.8 million plus capitalised royalty payments of approximately US\$2.8 million, to close out the loan.

Agreement to the loan repayment schedule is subject to a minimum of \$3.0 million of additional equity being raised by the Company by 16 October 2015 by any means chosen by the Company. Raising the minimum subscription under the Rights Issue would meet this obligation. None of the funds raised under the Rights Issue will be used to repay MBL or other loans.

The Company is currently working on the replacement and consolidation of the remaining MBL loan with other loans to the Group, into a new three year term loan.

The Chairman of the Company, Mr Brian Johnson, has personally underwritten 5.0 million New Shares (\$500,000) of the Rights Issue, and is confident that a further \$500,000 will be raised from existing Shareholders and new investors to ensure a minimum of \$3.0 million is raised by the Offer.

The exercise date for the attaching Share Options has been deliberately set at eighteen months beyond when the Company expects to substantially increase gold production and operating profits based on purchasing and importing concentrates for processing at Las Lagunas, as reflected in the Corporate Presentation lodged with the ASX on 17 August 2015 (www.panterragold.com).

The Offer will be made under a Prospectus lodged with ASIC on 31 August 2015, and which together with a personalised entitlement and acceptance form, will be sent to eligible Shareholders shortly after the Record Date. Shareholders should consider the Prospectus in deciding whether to acquire securities under the Offer and will need to complete the application form that will accompany the Prospectus.

Realisation of the Company's potential is the challenge ahead for Management and Directors.

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