

## ASX Announcement

19 March 2013

### UPDATE, LAS LAGUNAS GOLD & SILVER PROJECT DOMINICAN REPUBLIC

PanTerra Gold Limited (ASX: PGI) (PanTerra Gold or the "Company"), advises that the Company has completed a detailed review of operations at its Las Lagunas project in the Dominican Republic which involves extracting gold and silver from over 5mt of high grade (3.8g/t Au, 38.6g/t Ag) refractory tailings from the Pueblo Viejo mine. The review has involved independent specialist consultants, financiers, equipment suppliers, and senior company executives.

Following the review, these experts and management concur that the application of Albion oxidation technology to the refractory ore should function as anticipated, and perform within reasonable proximity of targets established in pilot plant testwork, provided:

- i) the process plant receives dredged feed at a reasonably constant throughput (100tph), density (30%-35% w/w), and sulphur grade (5.4%), with limited variability in particle size;
- ii) concentrate produced in the float cells reaches the required level of sulphur in the resultant slurry (17%) to allow effective chemical reactions in the Albion oxidation tanks;
- iii) the required amount of oxygen is delivered to the Albion tanks and efficiently dispersed throughout the slurry to cause the chemical reaction within the tanks to occur efficiently, and after adequate retention time at high temperatures (95°C), result in low residual sulphur in the slurry (2.5%).

All of the above requirements and operational parameters have become better understood after previous deficiencies in design and equipment were overcome last month. Feed rates and quality, and the plant operations, were erratic for the eight months following construction completion, and only from the beginning of March 2013 has the plant been able to be operated without significant interruption or volatility.

The end result of the oxidation process which includes ultrafine grinding, concentration by flotation, oxidation, and cooling, should result in a slurry being delivered to the standard carbon-in-leach ("CIL") circuit containing about 85% of the gold head grade in the feed, and 80% of silver head grade, with a sulphur content of 2.5%. The plant is nearing target parameters on all fronts of the Albion circuit, and it will be important to maintain throughput and plant stability to drive up gold and silver recoveries in the CIL circuit. Excess sulphur in the slurry entering the CIL circuit will reduce recovery.

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Provided slurry feed to the CIL circuit meets (approximately) the above parameters, recovery in this circuit should be around 84% for gold and 70% for silver, according to pilot plant test work.

If achieved, this would result in an overall recovery of 70% for gold (2.7g/t) and 56% for silver (22g/t).

Gold recovery in the CIL circuit is currently being impacted by some tailings that have been found to originate from carbonaceous shales mined within the main ore body at Pueblo Viejo. This carbonaceous material can attract gold in solution within the circuit, and reduce the amount adsorbed on to the activated carbon, and ultimately recovered. This material is probably not present in significant quantities in the tailings deposit.

The issue of carbonaceous material in mines and the impact on gold recoveries is not uncommon, and there are a number of methods of combatting this problem. The Company will undertake test work in the near future to determine what action it should take to optimise recoveries.

Aggregated recoveries continue to improve and overall are currently at about half of what they should be for gold, and slightly better for silver.

In order to provide sufficient cash reserves during the continuing ramp up, the Company has increased shareholder loans by \$500,000 on the same terms as previous (unsecured, repaid 31 December 2014, interest 10% p.a. paid monthly, with 2,857,143 listed 17.5 cent PGI options expiring 31 December 2014). The Company has also arranged standby funding through a share placement agreement with the Australian Special Opportunity Fund, LP ("Fund") in New York. This arrangement allows the Company to place up to \$2,750,000 of shares to the Fund in an initial tranche of \$750,000, and, subject to its discretion, two subsequent tranches of up to \$1,000,000, over a two month period.

The Company will determine whether it will draw down future tranches in the light of progressively increasing weekly income (trending toward US\$1.0 million per week by the end of this month, and increasing thereafter).

Shares will be issued to the Fund one month after receipt of funds from any pre-paid tranche at a 9% discount to the average VWAP over the lowest five consecutive trading days during the prior 20 day trading period. A Commitment Fee of A\$120,000 will be paid to the Fund by the issue to its nominee, of 1.0 million PGI shares at 12 cents each, together with 1,250,000 listed 17.5 cent PGI options expiring 31 December 2014. The Company will also issue 4.5 million shares to the Fund's nominee as security for the Company meeting its obligations to issue the placement shares. The collateral shares will be set off against the last tranche share issue.

Mr Brian Johnson, Chairman and CEO of PanTerra Gold Limited, who was part of the review team in the Dominican Republic, said that he remained confident that the project would be successful, and provide strong profits and cash flows for the Group in the near term. He said that he had been approached by a number of shareholders requesting the Company report on production volumes, but as stated in the release dated 6 March 2013, this will only occur after another one to two months of continuous operation at design throughput (or as required by Quarterly Reports).

Snapshots of plant performance during the ramp-up phase are not realistic indications of trends or project potential, particularly when the Las Lagunas project involves a world first Albion/CIL process plant, badly let down by designers and suppliers, and with operators and staff only having had the opportunity to fully understand its operating peculiarities for a few weeks. The next quarter's production should provide a reasonable guide as to future profitability of the project, which is expected to remain robust at current gold and silver prices.

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