

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 31 DECEMBER 2015



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HIGHLIGHTS – LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

- Gold production for Quarter 14.7% higher than previous Quarter, reflecting improved head grades of plant feed, and throughput
- Operating costs of US\$707 per oz Au equivalent for Quarter were 6.0% lower than previous Quarter
- Dredging currently in coarse, higher grade material
- Actively pursuing opportunities to source suitable refractory concentrate for processing through Las Lagunas plant
- Potential sources of high-grade concentrate identified in Canada, Cuba, China, and the Dominican Republic currently being assessed
- Negotiations progressing for 20 year lease over Las Lagunas project area, including tailings dam and limestone quarry
- Hedge program closed out in December 2015 and US\$3.0 million proceeds applied to reducing project debt
- Macquarie Bank replaced as financier of Las Lagunas project
- Negotiations progressing on potential development of 50,000tpa Albion/CIL process plant in China

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC**PRODUCTION**

	December Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	203,983	185,511	10.0%	758,389
Average head grade (g/t)				
Gold	3.8	3.6	5.6%	3.4
Silver	38.5	36.4	5.7%	38.3
Recovery (%)				
Gold	44.7	45.4	-1.5%	45.4
Silver	19.9	27.9	-28.5%	26.0
Production (oz)				
Gold	11,132	9,707	14.7%	37,924
Silver	50,075	60,144	-16.7%	239,461
Sales (oz)				
Gold	11,268	9,066	24.3%	37,941
Silver	48,803	63,437	-23.1%	244,469
Sales (US\$m)	12.7	11.4	11.3%	47.1
Sales (A\$m)*	17.7	15.8	12.1%	62.7

* Based on average exchange rate for the Quarter.

Gold production for the December 2015 Quarter was 14.7% higher than the previous Quarter, reflecting improved head grades of plant feed, and throughput.

OPERATING COSTS

	December Quarter		Previous Quarter	
	US\$ ('000)	US\$/oz (Gold Equiv. Production)	US\$ ('000)	US\$/oz (Gold Equiv. Production)
Tailings Reclaim	324	28	371	35
Processing Consumables	2,601	221	2,268	216
Salaries	1,183	101	1,348	128
Grid Power	1,720	146	1,697	161
Processing Fuel	72	7	70	7
Spares, Repairs & Maintenance	1,224	104	1,090	104
Site & Camp Costs	677	58	597	57
Office Overheads	284	25	261	25
Insurance	192	17	206	20
TOTAL OPERATING COSTS (C1 Cash Costs)	8,277	707	7,908	753

Notes: Gold equivalent production 11,809 oz for the Quarter.

Total Operating Costs (C1 Cash Costs) of US\$8.3 million up 4.6% on previous Quarter.

Operating Costs of US\$707 per oz Au equivalent production down 6.0% on previous Quarter.

PLANT THROUGHPUT AND PRODUCTION TRENDS

Average weekly plant throughput of 15,690 tonnes was 4.6% higher than the 15,000 tonnes target.

The balance of the Las Lagunas Indicated Resource at 31 December 2015 was 3.02 million tonnes at 3.7g/t gold and 38.6g/t silver.



Dredging currently in coarse, higher grade material which should be typical for the balance of the resource.

Gold recoveries in December 2015 were impacted negatively by the IsaMill ultrafine grinding unit being unable to achieve target grind size, which required modification to the configuration of the grinding discs.

CASH BALANCE

Available Group funds as at 31 December 2015 were US\$3,403,623 (A\$4,670,495).

FINANCE

Project Loan – Las Lagunas

On 16 December 2015, ALCIP Capital LLC (“ALCIP”), a wholly-owned subsidiary of the Central American Infrastructure Fund II (“CAMIF II”) accepted an assignment of Macquarie Bank Limited’s (“MBL”) outstanding loan to the Las Lagunas gold project, and two royalty streams (“the Facilities”).

Simultaneously with the assignment, an existing gold hedging program with MBL was closed out with the net proceeds of US\$3.0 million being applied to debt reduction.

The total amount owed to ALCIP as at 31 December 2015 was US\$10.38 million.

This will be reduced by five monthly instalments of US\$600,000 commencing 31 January 2016, with a final balloon payment of US\$7.38 million on 30 June 2016.

Royalties will continue to be capitalised until the same date when an additional US\$1.2 million will become due to ALCIP.

Redeemable Preference Shares

PanTerra Gold Limited issued US\$10.0 million of unsecured Redeemable Preference Shares ("RPS") to the Central American Mezzanine Infrastructure Fund I ("CAMIF I") in August 2013.

The RPS were issued subject to a Subordination Agreement with MBL (now assigned to ALCIP).

Under current arrangements, biannual dividends and redemptions of the RPS must be paid through the issue of PanTerra Gold shares in lieu of cash in accordance with the terms of the Subordination Agreement until all elements of the Facilities have been fully extinguished.

The issue of shares to CAMIF I for US\$560,100 of dividends and US\$1.4 million of redemptions due in October 2015 has been deferred at CAMIF I's request, pending the outcome of negotiations on restructuring Group finances.

BanReservas

Dominican Government-owned BanReservas has provided US\$7.5 million of unsecured subordinated loans to the Las Lagunas project.

Negotiations are in progress to schedule the repayment of this amount between 30 June 2016 and 31 December 2018.

Shareholder Loans

Shareholders with loans totalling A\$3.4 million have been granted the right for their loans to be converted to Shares and Options in the Company by 30 June 2016 on the same terms as the recent Rights Issue - 10 cents per share with a free attaching Option exercisable at 15 cents each on or before 31 December 2018.

Shareholder Lenders have been advised that the terms of the loan conversion may be improved, dependent on prevailing market conditions.

In the event ALCIP's project loan and other facilities are fully refinanced by third parties, the Company expects to repay three unsecured Shareholder Loans totalling A\$1.35 million within 90 days of this occurring. Until such refinancing, all Shareholder Loans, which are subject to formal Subordination Agreements with MBL (now assigned to ALCIP), cannot be repaid.

Hedging

The Company has negotiated a hedging agreement with MKS (Switzerland) S.A., which is the parent company of PanTerra Gold's refiner, Produits Artistiques Metaux Precieux (P.A.M.P).

PanTerra Gold may at its election, hedge up to 35,000 oz Au with MKS over a rolling 24 month period.

The program is available for the life of the Las Lagunas project subject to continuation of the existing refining contract. MKS's risks will not be secured.

The MKS hedging arrangement provides flexibility for the Company and potential protection from falling gold prices.

The current hedging arrangements are as follows:

Consolidated Table of Hedge Book

Buckets	Ounces	(VW) Average Price
0-3m	8,443.355	1083.417
4-6 m	10,000.000	1070.602
7-12m	9,000.000	1070.788
Total	27,443.355	1074.605

Restructuring

CAMIF I and CAMIF II will undertake negotiations with the Company in February 2016 on a proposed comprehensive restructuring of PanTerra Gold Group finances, aimed primarily at extending the project loan from six to 36 months, and incorporating provision for repayment of the Redeemable Preference Shares, BanReservas and Shareholder Loans, all of which are currently unsecured and subordinated to ALCIP.

BUSINESS DEVELOPMENT

EXTENSION OF LAS LAGUNAS PROJECT (PHASE II)

PanTerra Gold is actively pursuing opportunities to source suitable refractory concentrate for processing at its Albion/CIL plant in the Dominican Republic, prior to the current Las Lagunas tailings retreatment being completed in mid-2019.

Identified opportunities in Canada, Cuba, China, and the Dominican Republic are currently being assessed.

The Company is focussing primarily on concentrates containing high gold, arsenic, and sulphide sulphur levels (typically 50g/t Au, 20% As and 25% S) as the competition for acquiring concentrates derived from arsenopyrite is relatively low due to increasing worldwide environmental standards restricting or prohibiting the processing of concentrates with high levels of arsenic.

Concentrates derived from pyrite ore with low levels of arsenic are readily processed through roasters installed in numerous countries including the US, Canada and China.

Negotiations have commenced with the Director General of Mines ("DGM") in the Dominican Republic to establish a 20 year lease over the Company's current Project Area covering its plant site, tailings dam (which has a 20 year surplus storage capacity) and limestone quarry.

Preparation of submissions for environmental approval for processing concentrates produced by Dominican mines have commenced and will take until around March/April 2016 to submit.

PanTerra Gold has appointed a World Bank accredited environmental consultant to confirm independently to the Dominican EPA during the approval process, that the Las Lagunas Albion/CIL process plant converts any arsenic (As) contained in concentrate to ferric arsenate (FeAsO_4), as is already occurring with concentrate being produced from the Las Lagunas tailings. Ferric arsenate has extremely low mobility and is non-soluble when disposed of as tailings, complying with World Bank standards for Toxicity Characteristic Leaching Procedure (“TCLP”) limits.

A separate second application will be made around Q4 2016 for the importation and processing of concentrate, with approval anticipated by the end of 2017.

The two-stage approval strategy has been developed in consultation with the DGM based on social and political sensitivities of importing toxic material from foreign mines.

The DGM has advised that he and his Department are fully supportive of the Company’s intention to significantly extend the life of the Las Lagunas operation, but ultimate approval must come from the Minister for the Environment.

The Las Lagunas plant has the capacity for treating 180,000tpa of concentrate, and could produce over 200,000 oz Au per year provided the average feed grade is 50g/t Au or more.

Cuba

The Company is in early discussions with Empresa Mixta Isla Dorada SA (“EMID”), a Cuban company intending to re-open the Delita mine (now called Damajagua) on the Isle of Youth in Western Cuba in 2017/18.

The aim of EMID as advised to the Company, is to produce 50,000tpa to 60,000tpa of refractory concentrate for approximately 15 years, with grades of around 40g/t Au, 22% As (arsenic) and 25%S (sulphide sulphur) which should be ideal feed for the Las Lagunas plant due to its grades and proximity.

The majority shareholder of EMID is a State-owned mining company, GeoMinera SA. Its foreign partner is a highly experienced and substantial group that has given PanTerra Gold confidence the open-cut mine which closed in 1975, will be re-opened as proposed, and the supply of concentrate to Las Lagunas is a real prospect.

Following an invitation from EMID, PanTerra Gold has submitted a proposal to carry out metallurgical test work on concentrate produced from new drill cores, in order to establish likely gold recoveries at Las Lagunas, prior to commencing commercial negotiations.

In addition to the introduction to EMID, GeoMinera SA invited the Company to submit applications for three exploration areas prospective for refractory gold in the Camaguey region of Central Cuba. Applications were made in September 2015 for:

- | | |
|-------------------|-------|
| • Guaimaro Jobabo | 958ha |
| • El Pilar | 178ha |
| • La Purísima | 660ha |

The Guaimaro Jobabo concession is currently considered most prospective with one small operating gold mine and three planned in the oxide cap overlaying known and extensive mineralised refractory ore that has been subjected to previous drilling.

GeoMinera has recently advised there are competing applications for these areas and a decision on award will not be made until March 2016.

New Polaris Mine – British Columbia

Agreement has not been reached between PanTerra Gold (British Columbia) Limited (“PGBC”) and Vancouver-based Canarc Resource Corp (“Canarc”) with respect to PGBC’s request for a delay to the date by which PGBC must decide to proceed with Stage 2 of its Joint Venture and Earn-In Agreement (the “Agreement”) with Canarc.

The request was based on the delayed approval process for the importation and processing of New Polaris arsenopyrite concentrate in the Dominican Republic and the uncertainty associated with any approval process.

Canarc has not responded positively to this request and in PGBC’s opinion has also contravened sections of the Agreement which has had the effect of delaying metallurgical test work on the New Polaris concentrate.

PGBC has notified Canarc of an event of force majeure in accordance with the terms of the Agreement, and will seek to protect its interests if the various issues, including accommodation of delays by authorities, cannot be resolved by the parties.

PGBC has lodged a formal Notice of Dispute with Canarc which will result in independent Mediation followed, if necessary, by litigation on the matters disputed by PGBC.

The development of the New Polaris mine remains an objective of PGBC and a cornerstone of the Company’s aim to control the production of at least a reasonable proportion of concentrate feed to be supplied to the Las Lagunas plant in the future.

China

PanTerra Gold Technologies Pty Ltd (“PGT”), which holds a licence for the Albion oxidation process, and provides technical support for the Group, has engaged two consultants in China for an initial period of one year. The consultants will work on a full time basis promoting the Group’s interest in sourcing refractory concentrate for Las Lagunas and on the possible joint venture to develop a standalone 50,000tpa Albion/CIL process plant in Guanxi Province.

Mr Li Qiangzhi is a recently retired, highly experienced gold exploration geologist who has already identified mining companies operating in refractory ore with whom PanTerra Gold should engage.

Mr Li is a substantial shareholder in Mercury Connection International Co Limited, which recently took up a 16% shareholding in the Company through an underwriting of the September 2015 Rights Issue.

Mr Xing Xing is a highly experienced Engineer who is also proficient in English. He has been nominated by Mercury Connection to coordinate the Company's engagement with potential suppliers of concentrate to Las Lagunas.

Both of these consultants will report to Dean Young, the Company's Chief Metallurgist, who has recently been appointed a Director of PGT.

Glencore Technologies which holds the Albion process patents has granted PGT the exclusive right to the technology in China for a period of five years and the Company intends to actively pursue the purchase of suitable concentrate for processing at Las Lagunas as well as potential development opportunities for stand-alone Albion plants.

PGT has initiated discussions with a mid-sized mining company in Guangxi Province interested in joint development of a 50,000tpa Albion/CIL plant to process its refractory concentrate, with an annual production target of 75,000oz Au.

Preliminary estimates indicate the proposed plant will cost around US\$30 million and require an equity contribution by the Company of US\$5 million to US\$10 million for a 50% interest. It is expected financing will be provided by Chinese Banks introduced by the mining company.

Detailed negotiations on the Company's role as project manager, plant designer, and operations manager of the proposed process plant have been scheduled for February/March 2016.

The Chinese mining company has also expressed interest in joining the Company in the development of overseas mines such as New Polaris, if a formal relationship is established in Guangxi.

MANAGEMENT

The Company has recently made two appointments of senior staff:

- Mr Tony Hadley as Technical Operations Manager at the Las Lagunas project; and
- Mr Robert Walker as Exploration Manager based in the Dominican Republic.

EXPLORATION

Granted Tenements

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

Tenement Application

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

No exploration was undertaken during the Quarter.

About PanTerra Gold

PanTerra Gold is an Australian mining company producing gold and silver from refractory ore at Las Lagunas in the Dominican Republic, utilising Glencore Technology's patented Albion oxidation process in association with standard carbon-in-leach technology.

The Company's Las Lagunas Project reprocesses high grade sulphide tailings from historical production at the Pueblo Viejo mine in the Dominican Republic. The project represents the world's first utilisation of the Albion process for oxidation of refractory ore containing precious metals.

The Las Lagunas Project is exempted from income tax, with a 25% profit share to be paid to Government from CY2018 after recovery of approximately US\$85 million of plant construction costs.

The Company is a pioneer in the utilisation of the Albion/CIL process for the extraction of precious metals from sulphidic refractory ore and has developed substantial Intellectual Property in relation to the process and reached a stage where this can be applied to future growth.

Competent Person Statement

Las Lagunas, Dominican Republic

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

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