PanTerra Gold Limited

Appendix 4D

Half-year report

for the half-year ended 30 June 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 half-year ended 30 June 2014 of PanTerra Gold Limited

From continuing and discontinued operations		Percentage change		Amount
		%		US$
Revenues from ordinary activities	Up	25.3	to	21,935,882
Loss from ordinary activities after tax attributable to equity holders of the parent	Up	1236.9	to	(5,965,812)
Loss for the period attributable to equity holders of the parent	Up	1236.9	to	(5,965,812)

Commentary on the results for the half-year ended 30 June 2014

PanTerra Gold Limited and its wholly owned subsidiaries, EnviroGold (Las Lagunas) Limited and PanTerra Gold Technologies Pty Ltd, have 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*.

The impact of changes in production estimates and forecast metal prices on the projected future royalty and price participation payments over the remaining life of the loan has been assessed as at the date of this report. The change in forecasted 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$2.6 million (2013: US$13.3 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.

For additional commentary on the result for the half-year ended 30 June 2014, please refer to the Review of Operations in the Director's Report.

Net tangible assets per ordinary share

	30 Jun 2014	31 Dec 2013
Net tangible asset backing per ordinary share (cents)	(0.00310)	0.00254

PanTerra Gold Limited

ABN 48 008 031 034

Financial Report

for the half-year ended

30 June 2014

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2014

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CORPORATE INFORMATION

ABN 48 008 031 034

DIRECTORS
Brian Johnson *Executive Chairman*
James Tyers *Executive Director*
Ugo Cario
Angela Pankhurst
Craig Ricato

COMPANY SECRETARY
Pamela Bardsley

REGISTERED OFFICE
55 Kirkham Road
Bowral NSW 2576
AUSTRALIA

PRINCIPAL PLACE OF BUSINESS
55 Kirkham Road
Bowral NSW 2576
AUSTRALIA

Phone: +61 2 4861 1740

SHARE REGISTER
Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street
SYDNEY NSW 2000

Phone: 1300 855 080

PanTerra Gold Limited shares are listed on the Australian Securities Exchange.

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' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2014.

DIRECTORS

The names of the company's directors in office during the half-year and until 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 on 30 April 2014)

PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

The principal activities of the PanTerra Gold group involve exploration, project development, and operation of projects aimed at the extraction of precious metals from refractory ore. 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 30 June 2014 are included in the Review of Operations section of this report.

OPERATING RESULTS

Metal sales for the period from the Las Lagunas gold/silver project were US$21,924,065 [2013: US$17,493,594].

Net cash inflows from operations were US$4,921,257 [2013: outflow of US$1,269,975].

Operating profits before interest, depreciation and amortisation (EBITDA) for the half year were US$8,077,696 [2013: US$14,146,037]. The consolidated net loss for the period was US$5,965,812 [2013: profit US$524,733].

The net assets of the consolidated entity at balance date were US$29,928,235 [31 December 2013: US$35,225,172].

Cash and cash equivalents as at the balance date were US$4,183,571 [31 December 2013: US$5,489,519].

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

	30 JUNE 2014 US$	31 DEC 2013 US$	
Macquarie Bank Limited	30,000,000	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	3,098,378	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 note22).

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS

LAS LAGUNAS GOLD TAILINGS PROJECT

The Las Lagunas gold tailings project is located approximately 105km to the north of Santo Domingo, the capital of the Dominican Republic. The Dominican Republic occupies the eastern two-thirds of Hispaniola, a Caribbean island of the Greater Antilles arc lying between Cuba to the west and Puerto Rico to the east.

The Las Lagunas tailings were generated between 1992 and 1999 through the processing of refractory ores from the Pueblo Viejo mine when owned and operated by Rosario Dominicana S.A, a State owned mining company. The refractory nature and metallurgical complexity of the ore resulted in poor recoveries of gold and silver when treated by conventional carbon in leach/cyanidation methods, resulting in significant tonnages of +3g/t Au material reporting to the Las Lagunas tailings storage facility.

The low recoveries and depressed gold price at the time resulted in the operations at Pueblo Viejo being closed in 1999 when the mine was placed on care and maintenance.

The Dominican State called international tenders for the evaluation and exploitation of the Las Lagunas tailings in October 2003 and a consortium of investors, PanTerra Gold Technologies Pty Ltd (formerly EnviroGold Holdings Pty Ltd), Nanking Holdings Limited, and Grimston World Inc, established EnviroGold (Las Lagunas) Limited (formerly Las Lagunas Limited) to bid. The consortium's bid was based on the use of Xstrata Technology's patented Albion Process to oxidise the refractory tailings prior to conventional cyanide leaching.

EnviroGold (Las Lagunas) Limited was declared the successful bidder for the project on 12 March 2004 and a Development Agreement with the Government was signed on 28 April 2004. Since then, PanTerra Gold Technologies Pty Ltd has acquired the minority shareholdings and now holds 100% of the issued shares of EnviroGold (Las Lagunas) Limited, which is currently undertaking the Las Lagunas gold/silver project.

The Agreement with the Dominican State grants EnviroGold (Las Lagunas) Limited the right to retreat the refractory tailings contained within the Las Lagunas dam, and retain profits after the payment to the Government of royalties, and a 25% share of cash flow once the Project has recouped all construction costs.

Operations

The Company is utilizing Xstrata Technologies' patented Albion process to oxidise concentrated refractory tailings at Las Lagunas before extracting precious metals through a standard carbon in leach ("CIL") circuit.

The Las Lagunas Albion/CIL process plant is a world first application and has encountered problems with design and equipment since construction was completed in 2012. Plant modifications since then have resulted in improving gold and silver recoveries. However, the determination by Xstrata Technologies in December 2013 that an additional reactor was required to increase residence time in the Albion circuit has meant lower than expected recoveries have continued throughout the period. An additional reactor was commissioned in early August 2014, with subsequent improvement in production.

Plant feed for the period was 353,539 mt. As at 30 June 2014, 3,854,000 mt of tailings remained to be treated over a period of approximately five years.

COMPETENT PERSON STATEMENT

Las Lagunas, Dominican Republic

The Indicated Resource for the Las Lagunas project was based on, and fairly represents, information and supporting documentation 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 (CONTINUED)

CORPORATE

New Appointments

On 30 April 2014, Mr Craig Ricato was appointed as an independent, non-executive director.

Mr Ricato brings a broad range of international experience to the Board across the regulatory, accounting and legal sectors. Most recently he was an Executive Director, responsible for Legal and Corporate Affairs at Linc Energy Ltd, and is currently a Non-Executive Director of that company. Mr Ricato also provides professional consulting and project management services to Linc Energy and other clients in the resources sector.

Mr Ricato 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.

CHANGE IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

SUBSEQUENT EVENTS

- During July 2014 PanTerra Gold Limited issued 32,396,429 Ordinary Shares at A$0.035 by placement to a number of shareholders to raise A$1.13 million (US$1.06 million).

- A significant upgrade to the Las Lagunas Albion/CIL process plant, being the commissioning of an additional Albion reactor, was completed on 5 August 2014 with subsequent improvement in gold and silver recoveries.

FUNDING INITIATIVES

The Company has initiated the following variations to funding arrangements which will, if successful as expected, significantly reduce the level of the Group's current liabilities:

- The Dominican State Bank, BanReservas, has proposed that its current US$5,000,000 Credit Facility, which is renewable on an annual review basis, be converted to an amortising loan with US$2,500,000 to be repaid on 31 August 2015, and the balance on 31 August 2016. This proposal has been accepted by the Company
- Negotiations have commenced, but not yet been finalised, with the Company's principal lender, Macquarie Bank Limited, to reschedule repayment of the current outstanding project loan (US$29,199,000) so that loan reductions may be better accommodated by forecast cash flows from the Las Lagunas operations following recent process plant modifications.
    - ➢ The Company has proposed that the outstanding loan be repaid in five quarterly instalments of US$5,000,000 between 31 December 2014 and 31 December 2015 and the final balance of US$4,199,000 on 31 March 2016, and has offered to effect one of the following prior to 30 November 2014:
        - i) pay out the Macquarie Bank loan from the proceeds of an issue of secured Notes; or
        - ii) placement of 15% of the Company's shares with a strategic shareholder to strengthen its level of working capital; or alternatively
        - iii) placement of A$10 million of the Company's shares to a number of existing and new investors to strengthen its level of working capital.

DIRECTORS' REPORT (CONTINUED)

  - With respect to item i), a mandate has been formalised with a US Investment Bank to issue US$40 million of first lien senior secured Notes maturing in five years, with the funds to be used to pay out Macquarie Bank, the BanReservas Credit Facility and Shareholders' Loans. The Bank has commenced its due diligence investigation and has provided a Financing Timeline with closure targeted for mid November 2014
  - With respect to item ii), negotiations have commenced with a substantial Chinese group to subscribe for 15% of PanTerra Gold Limited's issued shares, at a premium to their current market price.
  - With respect to item iii), discussions have commenced with several stockbroking firms interested in managing a share placement by the Company later in the year, in the event either item i) or item ii) is not concluded satisfactorily.
- Of the funds received from CAMIF in the second half of 2013 under a Redeemable Preference Share Agreement, approximately US$2.5 million has been reserved for exploration expenditure on the Company's concessions in the Dominican Republic. During August 2014, the Company received the consent of CAMIF for the release of A$2.0 million of these funds for general working capital. Documentation to reflect this arrangement is progressing.

AUDITORS' INDEPENDENCE DECLARATION

In accordance with the Audit Independence requirements of the Corporations Act 2001, the Directors have received and are satisfied with the "Auditors' Independence Declaration" provided by the Company's external auditors BDO East Coast Partnership. The Auditors' Independence Declaration has been attached immediately after the Directors' Report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3)(a) of the *Corporations Act 2001*.

B Johnson

Brian Johnson
Executive Chairman
29 August 2014

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 for the review of PanTerra Gold Limited for the half-year ended 30 June 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 29 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	NOTE	30 JUNE 2014 US$	30 JUNE 2013 US$
Revenue	3	21,935,882	17,499,756
Other income	4	5,605,929	13,292,093
Changes in inventories		219,540	917,342
Mining and mill feed costs		(1,383,309)	(1,058,520)
Consumables		(4,559,859)	(3,396,683)
Grid power		(3,419,044)	(3,165,833)
Equipment spares and maintenance		(1,468,039)	(1,736,954)
Direct labour costs		(2,422,557)	(2,077,925)
Site and camp costs		(1,207,110)	(1,018,747)
Royalties		(707,371)	(565,088)
Employee benefits – non-direct	5	(1,239,222)	(1,227,366)
Insurance costs		(490,709)	(682,715)
Occupancy costs		(124,738)	(94,724)
Legal and professional costs		(335,992)	(450,599)
Exploration and evaluation expenditure		-	(23,376)
Depreciation and amortisation expense		(7,164,318)	(5,534,494)
Finance costs	7	(6,879,190)	(8,086,810)
Foreign exchange (loss)/gain		(192,318)	472,678
Impairment of intangible assets	6	-	(689,461)
Other expenses		(2,133,387)	(1,847,841)
(Loss) / profit before income tax expense		**(5,965,812)**	**524,733**
Income tax benefit / (expense)		-	-
(Loss) / profit for the period from continuing operations		**(5,965,812)**	**524,733**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities	20	(797)	(4,555)
Total other comprehensive income net of tax for the half-year		**(797)**	**(4,555)**
Total comprehensive income for the half-year		**(5,966,609)**	**520,178**
Attributable to: Owners of the Parent		(5,966,609)	520,178
Total comprehensive income for the half-year attributable to members of the parent		**(5,966,609)**	**520,178**
		Cents	**Cents**
Basic (loss)/earnings per share (cents per share)		(0.77)	0.07
Diluted (loss)/earnings per share (cents per share)		(0.77)	0.07

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	NOTE	30 JUNE 2014 US$	31 DEC 2013 US$
CURRENT ASSETS			
Cash and cash equivalents	8	4,183,571	5,489,519
Trade and other receivables	9	1,108,091	1,192,830
Prepayments and deposits	10	1,737,054	1,768,153
Inventories	11	6,691,216	6,807,815
TOTAL CURRENT ASSETS		**13,719,932**	**15,258,317**
NON – CURRENT ASSETS			
Property, plant and equipment	12	52,519,512	55,301,204
Intangible assets	13	32,378,886	34,700,598
TOTAL NON – CURRENT ASSETS		**84,898,398**	**90,001,802**
TOTAL ASSETS		**98,618,330**	**105,260,119**
CURRENT LIABILITIES			
Trade and other payables	14	5,472,970	4,360,620
Provisions	15	1,128,909	781,076
Borrowings	16	33,026,359	37,661,570
TOTAL CURRENT LIABILITIES		**39,628,238**	**42,803,266**
NON – CURRENT LIABILITIES			
Provisions	17	205,400	196,064
Borrowings	18	28,856,457	27,035,617
TOTAL NON – CURRENT LIABILITIES		**29,061,857**	**27,231,681**
TOTAL LIABILITIES		**68,690,095**	**70,034,947**
NET ASSETS		**29,928,235**	**35,225,172**
EQUITY			
Contributed equity	19	73,884,077	73,279,733
Reserves	20	(2,807,925)	(2,872,456)
Accumulated losses		(41,147,917)	(35,182,105)
TOTAL EQUITY		**29,928,235**	**35,225,172**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	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 period	-	-	-	-	-	(5,965,812)	(5,965,812)
Other comprehensive income	-	-	-	-	(797)	-	(797)
Total comprehensive income for the year	-	-	-	-	(797)	(5,965,812)	(5,966,609)
Transactions with owners in their capacity as owners:							
Share based payment - Shares issued	604,344	-	-	-	-	-	604,344
Share based payment - Performance rights	-	-	-	65,328	-	-	65,328
Balance as at 30 June 2014	**73,884,077**	**(11,773,880)**	**3,793,210**	**1,189,644**	**3,983,101**	**(41,147,917)**	**29,928,235**
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
Profit for the period	-	-	-	-	-	524,733	524,733
Other comprehensive income	-	-	-	-	(4,555)	-	(4,555)
Total comprehensive income for the year	-	-	-	-	(4,555)	524,733	520,178
Transactions with owners in their capacity as owners:							
Shares issued	3,052,050	-	-	-	-	-	3,052,050
Transaction costs on share issue	(314,515)	-	-	-	-	-	(314,515)
Share based payment - Performance rights and options	-	-	53,880	76,325	-	-	130,205
Balance as at 30 June 2013	**72,811,723**	**(11,773,880)**	**3,381,076**	**930,987**	**3,991,873**	**(30,838,700)**	**38,503,079**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	30 JUNE 2014 US$	30 JUNE 2013 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from metal sales	22,103,973	17,716,961
Receipts from insurance claims	63,418	-
Receipts from legal settlements	2,821,834	-
Payments to suppliers and employees	(17,231,248)	(17,371,063)
Payments for exploration and evaluation activities	(56,678)	(23,376)
Interest received	11,817	9,156
Interest paid	(2,791,859)	(1,601,653)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**4,921,257**	**(1,269,975)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,594,800)	(2,132,307)
Proceeds from sale of property, plant and equipment	-	29,900
Payments for project development activities	-	(1,387)
Purchase of investments	-	(4,160,000)
NET CASH USED IN INVESTING ACTIVITIES	**(2,594,800)**	**(6,263,794)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,831,189
Payments for share issue costs	-	(314,515)
Proceeds from borrowings	-	1,437,476
Repayment of borrowings	(3,632,405)	(124,278)
NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES	**(3,632,405)**	**3,829,872**
NET (DECREASE) / INCREASE IN CASH HELD	**(1,305,948)**	**(3,703,897)**
Cash at the beginning of the financial period	5,489,519	7,432,818
CASH AT THE END OF FINANCIAL PERIOD	**4,183,571**	**3,728,921**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

REPORTING ENTITY

PanTerra Gold Limited (the 'Company') is a public company, listed on the Australian Securities Exchange, incorporated and domiciled in Australia. The address of the Company's registered office is 55 Kirkham Road, Bowral 2576. This half-year financial report covers the consolidated financial statements of the Company as at and for the half-year ended 30 June 2014 comprising the Company and its subsidiaries (the 'consolidated entity'). The half-year financial report is presented in US dollars, which is the Consolidated Entity's functional and presentational currency.

(a) Basis of preparation

These general purpose financial statements for the half-year ended 30 June 2014 have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual report for the year ended 31 December 2013 and considered together with any public announcements made by PanTerra Gold Limited during the half-year ended 30 June 2014 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

(b) Significant accounting policies

The accounting policies applied by the consolidated entity in these consolidated financial statements are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 December 2013, unless otherwise stated.

New and amended standards adopted by the consolidated entity

A number of new or amended standards became applicable for the current reporting period, however, the consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 31 December 2014 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

AASB 9 : Financial Instruments

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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.

(c) Going concern

The consolidated entity made a loss of $5,965,812 for the half-year ended 30 June 2014 [2013: Profit $524,733], and had net cash inflows from operations of $4,921,257 [2013: net cash outflows from operations of $1,269,975]. As at 30 June 2014, the consolidated entity's current liabilities exceeded its current assets by $25,908,306, largely due to expected loan repayments to Macquarie Bank Limited ("MBL") during the next 12 months. The consolidated entity is also required to successfully raise at least AUD$10 million (USD$9.4 million) by end of September 2014 under the Amendment and Waiver Letter with MBL dated 30 June 2014. In addition, the line of credit of $5,000,000 with BanReservas is payable on demand after 18 September 2014, if not extended in the annual review of the facility which has commenced and is expected to be completed by 30 September 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.

The financial statements are prepared on a going concern basis as the consolidated entity's cash flow forecast indicate it will remain cash positive until the end of August 2015 based on the following:

- Since the end of the financial period, the following arrangements were entered into by the consolidated entity to provide access to additional working capital:
  - During July 2014 PanTerra Gold Limited issued 32,396,429 Ordinary Shares at A$0.035 by placement to a number of shareholders to raise A$1.13 million (US$1.06 million).
  - A significant upgrade to the Las Lagunas Albion/CIL process plant, being the commissioning of an additional Albion reactor, was completed on 5 August 2014 with subsequent improvement in gold and silver recoveries.

In addition, the Company has initiated the following variations to existing funding arrangements.

- The Dominican State Bank, BanReservas, has proposed that its current US$5,000,000 Credit Facility, which is renewable on an annual review basis, be converted to an amortising loan with US$2,500,000 to be repaid on 31 August 2015, and the balance on 31 August 2016. This proposal has been accepted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- Negotiations have commenced, but not yet been finalised, with the Company's principal lender, Macquarie Bank Limited, to reschedule repayment of the current outstanding project loan (US$29,199,000) so that loan reductions may be better accommodated by forecast cash flows from the Las Lagunas operations following recent process plant modifications.
  - The Company has proposed that the outstanding loan be repaid in five quarterly instalments of US$5,000,000 between 31 December 2014 and 31 December 2015 and the final balance of US$4,199,000 on 31 March 2016, and has offered to effect one of the following prior to 30 November 2014:
    - i) pay out the Macquarie Bank loan from the proceeds of an issue of secured Notes; or
    - ii) placement of 15% of the Company's shares with a strategic shareholder to strengthen its level of working capital; or alternatively
    - iii) placement of A$10 million of the Company's shares to a number of existing and new investors to strengthen its level of working capital.
      - With respect to item i), a mandate has been formalised with a US Investment Bank to issue US$40 million of first lien senior secured Notes maturing in five years, with the funds to be used to pay out Macquarie Bank, the BanReservas Credit Facility and Shareholders' Loans. The Bank has commenced its due diligence investigation and has provided a Financing Timeline with closure targeted for mid November 2014.
      - With respect to item ii), negotiations have commenced with a substantial Chinese group to subscribe for 15% of PanTerra Gold Limited's issued shares, at a premium to their current market price.
      - With respect to item iii), discussions have commenced with several stockbroking firms interested in managing a share placement by the Company later in the year, in the event either item i) or item ii) is not concluded satisfactorily.
- Of the funds received from CAMIF in the second half of 2013 under a Redeemable Preference Share Agreement, approximately US$2.5 million has been reserved for exploration expenditure on the Company's concessions in the Dominican Republic. During August 2014, the Company received the consent of CAMIF for the release of A$2.0 million of these funds for general working capital. Documentation to reflect this arrangement is progressing.

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 as the Directors believe the consolidated entity will achieve the matters set out above and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(d) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued for no consideration in relation to dilutive potential ordinary shares issued during the year.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2. SEGMENT INFORMATION

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 information for business segments for the half year ended 30 June 2014 and 30 June 2013:

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

FOR THE HALF YEAR ENDED 30 JUNE 2014	LAS LAGUNAS PROJECT US$	OTHERS US$	TOTAL US$
Revenue			
Segment revenue - external	21,924,065	-	21,924,065
Interest revenue	11,817	-	11,817
Other Income	5,605,929	-	5,605,929
Operating expenses	(18,667,453)	-	(18,667,453)
Finance expense	(6,879,190)	-	(6,879,190)
Share based payments	(604,344)	-	(604,344)
Depreciation and amortisation	(7,164,318)	-	(7,164,318)
Foreign exchange (loss)/gain	(192,318)	-	(192,318)
Reportable segment (loss) before income tax	**(5,965,812)**	**-**	**(5,965,812)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

2. SEGMENT INFORMATION (CONTINUED)

AS AT 30 JUNE 2014	LAS LAGUNAS PROJECT	OTHERS	TOTAL
Assets	**US$**	**US$**	**US$**
Segment assets	94,869,046	3,749,284	98,618,330
Total Assets			**98,618,330**
Capital expenditure	2,065,836	-	2,065,836
Total capital expenditure			**2,065,836**
Liabilities			
Segment liabilities	68,690,095	-	68,690,095
Total liabilities			**68,690,095**

FOR THE HALF YEAR ENDED 30 JUNE 2013			
Revenue			
Segment revenue - external	17,493,594	-	17,493,594
(Loss) from sale of plant and equipment	(2,994)	-	(2,994)
Interest revenue	9,156	-	9,156
Other Income	13,292,093	-	13,292,093
Operating expenses	(15,975,016)	(23,376)	(15,998,392)
Finance expense	(8,086,810)	-	(8,086,810)
Share based payments	(430,637)	-	(430,637)
Depreciation and amortisation	(5,534,494)	-	(5,534,494)
Impairment of intangible assets	-	(689,461)	(689,461)
Foreign exchange (loss)/gain	472,678	-	472,678
Reportable segment (loss) before income tax	**1,237,570**	**(712,837)**	**524,733**

AS AT 30 JUNE 2013			
Assets			
Segment assets	101,567,423	3,692,696	105,260,119
Total Assets			**105,260,119**
Capital expenditure	4,098,240	-	4,098,240
Total capital expenditure			**4,098,240**
Liabilities			
Segment liabilities	70,034,947	-	70,034,947
Total liabilities			**70,034,947**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

2. SEGMENT INFORMATION (CONTINUED)

Geographical information

	GEOGRAPHICAL NON-CURRENT ASSETS	
	30 JUNE 2014 US$	**31 DEC 2013 US$**
Dominican Republic	84,835,984	89,921,905
Australia	62,414	79,897
	84,898,398	**90,001,802**

3. REVENUE

	30 JUNE 2014 US$	**30 JUNE 2013 US$**
Revenue from continuing operations		
Sales revenue		
Sales of gold	19,568,037	14,146,326
Sales of silver	2,554,155	3,519,500
Less: Refinery and freight costs	(198,127)	(172,232)
	21,924,065	**17,493,594**
Other revenue		
Interest received	11,817	9,156
Profit/(Loss) from sale of plant and equipment	-	(2,994)
	11,817	6,162
	21,935,882	**17,499,756**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

4. OTHER INCOME

	30 JUNE 2014 US$	31 DEC 2013 US$
Net gain on adjustment to carrying amount of financial liability (i)	2,625,548	13,292,093
Insurance claim received	158,547	-
Legal settlements	2,821,834	-
	5,605,929	**13,292,093**

(i) PanTerra Gold Limited and its wholly owned subsidiaries, EnviroGold (Las Lagunas) Limited and PanTerra Gold Technologies Pty Ltd, have 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***. 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 forecasted 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$2.6 million (2013: US$13.3 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. EMPLOYEE BENEFITS – NON- DIRECT

	30 JUNE 2014 US$	30 JUNE 2013 US$
Employee costs - salaries	994,336	954,290
Employee costs – defined contribution plan	56,834	79,322
Employee costs – other	101,105	84,426
Payroll tax	21,619	33,003
Equity settled share-based payments	65,328	76,325
	1,239,222	1,227,366

6. IMPAIRMENT OF INTANGIBLE ASSETS

Exploration and evaluation costs written off	-	689,461
	-	**689,461**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

7. FINANCE COSTS

		30 JUNE 2014 US$	31 DEC 2013 US$
Interest on loan borrowings	(1)	5,786,280	8,009,914
Interest on deferred settlement of share acquisition		-	31,550
Interest on letter of credit facility		16,932	15,544
Dividend on redeemable preference shares	(2)	1,024,384	-
Other borrowing costs		30,000	-
Finance lease costs		21,594	29,802
		6,879,190	**8,086,810**

(1) Included in interest on loan borrowings is $3,122,532 [2013: $5,061,144] relating to effective interest rate adjustments on the MBL loan facility in accordance with AASB 139 (as described in note 4 and note 18).

(2) These dividends have been treated as finance costs as the redeemable preference shares is deemed to be a full-liability financial instrument in accordance with the requirements of AASB 132 *Financial Instruments : Presentation*.

8. CASH AND CASH EQUIVALENTS

For the purpose of the half-year Statement of Cash Flows, cash and cash equivalents are comprised of the following:

	30 JUNE 2014 US$	31 DEC 2013 US$
Cash at bank and in hand	4,131,765	5,335,039
Cash on deposit	51,806	154,480
	4,183,571	**5,489,519**

9. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	986,252	1,166,160
Insurance claim receivable	95,129	-
Other receivables	26,710	26,670
	1,108,091	**1,192,830**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	30 JUNE 2014 US$	31 DEC 2013 US$
10. PREPAYMENTS & DEPOSITS		
Prepayments and bonds	141,389	534,676
Deposits on equipment	742,845	383,520
Security bond in relation to labour claim	852,820	849,957
	1,737,054	**1,768,153**

11. INVENTORIES

Metal on hand and in circuit	940,089	720,549
Processing consumables	1,998,780	2,152,834
Maintenance spares	3,752,347	3,934,432
	6,691,216	**6,807,815**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

12. PROPERTY, PLANT & EQUIPMENT

	Mine Buildings and Plant US$	Leasehold Improvements US$	Plant and Equipment US$	Total US$
30 June 2014				
Cost				
Balance 31 December 2013	59,582,470	79,419	7,368,414	67,030,303
Additions	177,447	-	1,826,789	2,004,236
Balance 30 June 2014	59,759,917	79,419	9,195,203	69,034,539
Accumulated Depreciation				
Balance 31 December 2013	(9,953,631)	(78,874)	(1,696,594)	(11,729,099)
Depreciation Expense	(4,077,689)	(545)	(707,694)	(4,785,928)
Balance 30 June 2014	(14,031,320)	(79,419)	(2,404,288)	(16,515,027)
Carrying Value 30 June 2014	**45,728,597**	**-**	**6,790,915**	**52,519,512**
31 December 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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

13. INTANGIBLE ASSETS

	30 JUNE 2014	31 DEC 2013
	US$	US$
(a) Development costs		
Las Lagunas project (Dominican Republic)		
Balance at the beginning of the period	31,007,992	35,374,431
Amortisation expense	(2,378,390)	(4,366,439)
Closing balance	28,629,602	31,007,992
(b) Exploration and evaluation costs		
Balance at the beginning of the period	3,692,606	3,670,543
Current year costs	56,678	228,298
Impairment adjustment	-	(206,235)
Closing balance	3,749,284	3,692,606
Total intangible assets	**32,378,886**	**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 two exploration concessions in the Dominican Republic: "La Paciencia" and "La Perseverancia".

Impairment of development assets and property, plant and equipment

The Consolidated Entity has calculated the recoverable amount of Las Lagunas development costs and related property, plant and equipment, being the smallest identifiable cash-generating unit ("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 which demonstrated a current NPV for the Las Lagunas project of US$93.3 million, which is in excess of the current carrying value.

14. TRADE & OTHER PAYABLES (CURRENT)

	30 JUNE 2014	31 DEC 2013
	US$	US$
Trade creditors		
Other corporations	3,570,137	2,134,286
Director related entities	88,948	45,991
Accruals	1,813,885	2,180,343
	5,472,970	**4,360,620**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

15. PROVISIONS (CURRENT)

	30 JUNE 2014 US$	31 DEC 2013 US$
Employee benefits	**1,128,909**	**781,076**
Movements:		
Carrying amount at the start of the period	781,076	548,312
Provisions recognised during the period	347,833	390,511
Amounts paid/written back during the year	-	(157,747)
Carrying amount at the end of the period	1,128,909	781,076

16. LOANS & BORROWINGS (CURRENT)

	30 JUNE 2014 US$	31 DEC 2013 US$
Macquarie Bank loan facility	23,500,000	28,200,000
BanReservas line of credit	5,850,000	5,850,000
Shareholder loans	3,098,378	2,829,339
Finance lease	577,981	782,231
	33,026,359	**37,661,570**

17. PROVISIONS (NON-CURRENT)

	30 JUNE 2014 US$	31 DEC 2013 US$
Site restoration and rehabilitation	**205,400**	**196,064**
Movements:		
Carrying amount at the start of the year	196,064	178,240
Provisions recognised during the year	9,336	17,824
Carrying amount at the end of the year	**205,400**	**196,064**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

18. LOANS & BORROWINGS (NON-CURRENT)

		30 JUNE 2014 US$	31 DEC 2013 US$
Macquarie Bank facility loan	(a)	16,299,071	14,602,087
BanReservas project loan		2,500,000	2,500,000
CAMIF redeemable preference shares		9,991,231	9,734,970
Finance lease		66,155	198,560
		28,856,457	**27,035,617**

(a) The total carrying amount of the MBL loan facility (as described in note 4) was estimated at 30 June 2014 as US$39.8 million [December 2013: US$42.8 million] using the effective interest rate method. The annual effective interest rate is calculated at 23.1% after all of the components of the loan as described in note 4 have been fair valued.

The total carrying amount of the loan is calculated as follows:

	CURRENT US$	NON-CURRENT US$
Scheduled quarterly repayments	23,500,000	6,500,000
Cumulative effective interest rate adjustments (PPP)	-	2,657,552
Cumulative effective interest rate adjustments (Royalty)	-	7,141,519
	23,500,000	16,299,071

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	30 JUNE 2014 US$	31 DEC 2013 US$
19. CONTRIBUTED EQUITY		
(A) PAID UP CAPITAL		
Ordinary shares fully paid	73,884,074	73,279,730
Non-redeemable preference shares	3	3
	73,884,077	**73,279,733**

	30 JUNE 2014		31 DEC 2013	
	NO. OF SHARES	US$	NO. OF SHARES	US$
(B) MOVEMENTS IN ORDINARY SHARES ON ISSUE				
Beginning of the financial period	769,414,346	73,279,733	722,627,081	70,074,188
Issued at nil consideration (employee performance rights)	3,116,666	-	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
Issued at A$10.0 cents (US$ - 8.8 cents) (share based payment)	750,000	65,948	-	-
Issued at A$ 3.5 cents (US$ - 3.25 cents) (share based payment)	16,563,725	538,396	-	-
Capital Raising Costs	-	-	-	(314,515)
Balance at the End of Period	**789,844,737**	**73,884,077**	**769,414,346**	**73,279,733**

(C) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

20. RESERVES

Foreign currency translation reserve

Exchange differences arising on translation of the Australian Parent Entity (PanTerra Gold Limited) and Australian Subsidiary (EnviroGold Technologies Pty Ltd) and the Canadian subsidiary (Novus Gold Corp) are taken to the foreign currency translation reserve.

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 PanTerra Gold Limited from a non-renounceable rights issue in January 2010;
iv) Options granted under the terms of shareholder loan agreements

Fair value of options granted in items i) and ii) is independently determined using the Black Scholes option valuation methodology which takes into account the risk free interest rate and share price volatility.

Performance rights reserve

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

Equity reserve

The Equity reserve of $11,773,880 is a consequence of the Consolidated Entity acquiring 30% of the shares in EnviroGold (Las Lagunas) from Grimston World Inc. on 3 December 2010. The increase in ownership from 70% to 100% has been accounted for as an equity transaction.

21. COMMITMENTS FOR EXPENDITURE

	30 JUNE 2014 US$	**31 DEC 2013 US$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:	124,018	128,238
Within one year	4,400	8,105
Total lease commitments	**128,418**	**136,343**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

22. LITIGATION AND CONTINGENT LIABILITIES

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 lower court had awarded damages equal to the balance of a three year employment term (US$475,000) and shares in PanTerra Gold Limited to the value of $250,000.

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 appealed against the above decision to the Supreme Court of Justice. The hearing was held on 14 May 2014 with the Court's decision expected in the next six months.

A security bond of US$1.6 million has been lodged with the Labor Court and will remain in place until this matter has been finalised. Seguros Banreservas has underwritten the bond after payment by EVGLL of 50% of the bond amount (US$852,820). The bond amount is included as a prepayment in the financial statements and accrues interest on a quarterly basis (see note 10).

EVGLL v Gruas Liriano

EVGLL filed a lawsuit in the Dominican Republic against crane operator, Gruas Liriano, for damages caused to one of its dredges. The amount claimed is approximately US$1.9 million being the out of pocket costs of recovering the damaged dredge, the costs of a replacement dredge (including shipping), and compensation for loss of revenue as a direct result of the loss of the dredge. Gruas Liriano has lodged a counter-claim against EVGLL for unpaid invoices to the value of approximately US$38,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	30 JUNE 2014 US$	31 DEC 2013 US$

23. EARNINGS PER SHARE

	30 JUNE 2014 US$	31 DEC 2013 US$
Earnings reconciliation		
(Loss) / profit for the period	(5,965,812)	524,733
Basic and diluted earnings	(5,965,812)	524,733
Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic loss per share	772,830,718	736,050,938
Effect of share options on issue not yet vested	-	3,056,699
Weighted average number of ordinary shares used in calculating diluted loss per share	772,830,718	739,107,637
Earnings per share	**Cents**	**Cents**
Basic (loss)/earnings per share	(0.77)	0.07
Diluted (loss)/earnings per share	(0.77)	0.07

24. 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 30 June 2014:

	CARRYING AMOUNT US$	FAIR VALUE US$	DISCOUNT RATE US$
Macquarie Bank facility loan	39,799,071	44,855,270	13%

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2014

25. EVENTS SUBSEQUENT TO REPORTING DATE

- During July 2014 PanTerra Gold Limited issued 32,396,429 Ordinary Shares at A$0.035 by placement to a number of shareholders to raise A$1.13 million (US$1.06 million).

- A significant upgrade to the Las Lagunas Albion/CIL process plant, being the commissioning of an additional Albion reactor, was completed on 5 August 2014 with subsequent improvement in gold and silver recoveries.

DIRECTOR'S DECLARATION

FOR THE HALF-YEAR ENDED 30 JUNE 2014

In accordance with a resolution for the Directors of PanTerra Gold Limited, I state that:

1. In the opinion of the Directors:

   a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the financial position as at 30 June 2014 and the performance of the half year ending on that date of the consolidated entity; and

      ii. Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting,* the Corporations Regulations 2001 and other mandatory professional requirements; and

   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to S303(5)(a) of the Corporations Act 2001.

On behalf of the Board,

Brian Johnson
Executive Chairman
29 August 2014

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 REVIEW REPORT

To the members of PanTerra Gold Limited.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PanTerra Gold Limited, which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position as at 30 June 2014, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PanTerra Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PanTerra Gold Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 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 and rectifying production issues to reach targeted production. These conditions, along with other matters as set out in Note 1, 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.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 29 August 2014