



# ASX Announcement

**ASX: PGI**

## PANTERRA GOLD LIMITED QUARTERLY REPORT TO 30 JUNE 2014

*PanTerra Gold is an Australian mining company producing gold and silver from refractory ore in the Dominican Republic.*

*The Company's near term focus will be on the application of its technical expertise to stranded refractory deposits in the Americas.*

### COMPANY FOCUS

Continuing modification and optimisation of PanTerra Gold's first Albion/CIL process plant for the treatment of refractory ore, which is installed at its Las Lagunas gold/silver project in the Dominican Republic. The Company's aim is to achieve steady state production of around 55,000 oz Au and 500,000 oz Ag per year, by the end of 2014.

### OVERVIEW

PanTerra Gold has continued to face challenges in undertaking the world's first application of the Albion process for the oxidation of refractory ores containing precious metals. Modifications to the Las Lagunas plant recommended following a major performance review in December 2013 by the technology provider, Xstrata Technology ("Xstrata"), continued during the quarter and were completed in July 2014.

The Company's original concept was to trial the process in the extraction of gold and silver from the high grade refractory tailings at Las Lagunas before establishing a business model based on the application of the technology to stranded mid-sized refractory deposits, which are extensive and spread worldwide.

The recovery of gold and silver from tailings generated by previous mining operations can be problematic due to difficulty in accurately determining resources, and the variability in grades and mineralogy. Despite this, the Las Lagunas deposit, with an original JORC indicated resource of 5.137mt of tailings grading 3.8g/t gold and 38.6g/t silver, was considered a good target for the Company's first Albion project as a consequence of reliability of the resource definition, and the minimal mining costs and risks.

Drilling the tailings, which were generated by old workings of the Pueblo Viejo mine, resulted in resource estimates which reconciled with mine records of their deposition in the Government-owned tailings dam.

Pilot plant test work undertaken by Xstrata indicated a robust financial model for the project at 70% gold recovery, which has not been achieved since commissioning commenced in mid-2012.

The original business model will still be pursued by the Company as it moves forward after resolving the technical issues identified following construction completion of the Las Lagunas plant.

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## GOING FORWARD

With the final major modification recommended by Xstrata for the process plant coming on-line on 30 July 2014 (an additional Albion reactor to increase residence time), and the expectation of revised production targets being achieved in the next two quarters, the Company is planning for the next stage of its development with a reasonable level of confidence.

On one front, it is seeking to extend the life of the Las Lagunas project beyond mid-2019 by importing concentrated refractory ore amenable to gold extraction through the existing plant.

The Company has identified a number of potential acquisitions and joint venture opportunities in the Americas and will continue its investigations and commercial negotiations to ensure continuity of the Las Lagunas project.

The current focus is on a specific proven refractory deposit in North America which is known to produce a high-grade concentrate that has been subjected to Albion test work and demonstrated a 90% gold recovery.

Commercial benefits of importing concentrate to Las Lagunas for processing include the written-down plant value, existing environmental permits, a trained low-cost labour force, 15 years of tailings dam capacity, and an on-site limestone quarry. These benefits will more than offset the cost of transport of concentrate from a mine site within the region.

On a second front, negotiations have commenced with Xstrata to reinstate an arrangement previously in place that would permit PanTerra Gold to introduce the Albion technology and the extensive associated operational IP that the Company has developed, to sections of the Chinese gold mining sector.

Preliminary discussions have commenced with two Chinese companies showing interest in buying into the Las Lagunas project which would then serve as a base for the transfer of hard-won experience in the design and operation of the Albion/CIL process, and the potential realisation of value for shareholders.

If production trends are positive over the next few months as expected, and subject to market conditions and investor demand, the Company intends to issue Senior Secured Notes to clients of a mandated US Investment Bank, to replace existing group debt. The Notes would be paid out on maturity in five years allowing the Company to build up cash reserves in the near term that could be applied to new projects.

In these circumstances, the Company also intends to use a portion of the excess cash reserves to undertake a share buyback scheme that could progressively reduce the impact of excessive dilution that has occurred over the past few years as a result of Las Lagunas commissioning problems, and reduced revenues.

**PRODUCTION JUNE 2014 QUARTER**

PLANT THROUGHPUT		174,866	t
AVERAGE HEAD GRADE	GOLD	3.5	g/t
	SILVER	37.5	g/t
FLOTATION RECOVERY	GOLD	73.6	%
	SILVER	74.2	%
OXIDATION		53.4	%
CIL RECOVERY	GOLD	54.3	%
	SILVER	40.8	%
OVERALL RECOVERY	GOLD	40.0	%
	SILVER	30.3	%
GOLD PRODUCTION		7.9	oz (000's)
SILVER PRODUCTION		63.9	oz (000's)
SALES		10.8	US\$ Million

**PRODUCTION GUIDANCE SEPTEMBER 2014 QUARTER**

PLANT THROUGHPUT		178,580	t
AVERAGE HEAD GRADE	GOLD	3.7	g/t
	SILVER	38.6	g/t
FLOTATION RECOVERY	GOLD	77.9	%
	SILVER	77.1	%
OXIDATION		58.0	%
CIL RECOVERY	GOLD	60.5	%
	SILVER	54.1	%
OVERALL RECOVERY	GOLD	47.1	%
	SILVER	41.7	%
GOLD PRODUCTION		10.0	oz (000's)
SILVER PRODUCTION		92.0	oz (000's)
SALES		14.9	US\$ Million

**PRODUCTION GUIDANCE DECEMBER 2014 QUARTER**

PLANT THROUGHPUT		198,720	t
AVERAGE HEAD GRADE	GOLD	3.7	g/t
	SILVER	38.6	g/t
FLOTATION RECOVERY	GOLD	79.0	%
	SILVER	78.0	%
OXIDATION		70.0	%
CIL RECOVERY	GOLD	71.0	%
	SILVER	65.0	%
OVERALL RECOVERY	GOLD	56.1	%
	SILVER	50.7	%
GOLD PRODUCTION		13.0	oz (000's)
SILVER PRODUCTION		125.0	oz (000's)
SALES		19.5	US\$ Million

The original pilot plant test work by Xstrata indicated an overall recovery of 70.1% for gold and 62.3% for silver from the Las Lagunas tailings, so production improvement over guidance for the December 2014 quarter may be possible in the future with further plant optimisation.

**OPERATING COSTS JUNE 2014 QUARTER**

C1 CASH COSTS <sup>(i)</sup>	976	US\$/oz gold equivalent <sup>(ii)</sup>
C1 COSTS GUIDANCE SEPTEMBER QUARTER	718	US\$/oz gold equivalent
C1 COSTS GUIDANCE DECEMBER QUARTER	529	US\$/oz gold equivalent
CASH ON HAND	4.1	US\$ Million
INVENTORY – GOLD EQUIVALENT IN CIRCUIT	1,900	oz
– GOLD EQUIVALENT IN TRANSIT	Nil	oz

Note: (i) C1 Cash Cost represents the costs for mining, processing, refining, site administration and general expenses, and movements for precious metals in circuit. It does not include costs of capital works, royalties, or depreciation and amortisation.  
(ii) Gold equivalent ounces are calculated by adding 1/60<sup>th</sup> of silver ounces to gold ounces produced.

**PRODUCTION HIGHLIGHTS & ISSUES JUNE 2014 QUARTER**

- Highest quarterly gold production to date.
- Plant throughput was 99% of target for the quarter.
- Gold grade 6.6% below target for the quarter. Grade is expected to increase in Q3/Q4 as dredging moves more centrally and deeper into the tailings resource.
- Flotation performance below expectation but has been shown to correlate with grade and is therefore also expected to improve in Q3/Q4.
- On 28 May 2014 bypass voltage regulators on the main incoming power supply failed, and until 21 June 2014, when replacements were installed, built-in protection from power surges tripped the plant on numerous occasions, impacting on throughput and recovery.
- The Albion process and hence CIL recovery continued to perform below expectation. The additional Albion tank, which came on line on 30 July 2014, will provide a 20% increase in residence time and improve oxidation.

**PLANT IMPROVEMENTS JUNE 2014 QUARTER**

- Feed thickener installed to reduce variability in density delivered to flotation circuit.
- Insulation of Albion reactors completed in accordance with Xstrata Technologies recommendation.
- Sixth Albion reactor under construction in accordance with Xstrata Technologies recommendation.
- Mechanical upgrades to dredges.

**PLANNED PLANT IMPROVEMENTS SEPTEMBER 2014 QUARTER**

- Completion and commissioning sixth Albion reactor.
- Elution circuit upgrade.

**BALANCE OF LAS LAGUNAS RESOURCE**

- 3.8 million tonnes at 3.8g/t gold and 38.6g/t silver.

**FINANCE**

- Macquarie Bank's project loan was reduced by US\$3.5 million to US\$30.0 million.
- Capital expenditure on modifications to the Las Lagunas process plant was US\$1.5 million.

**HEDGING**

- 94,698 oz gold remains hedged at US\$1283 per oz.
- Silver unhedged.

**SHARE ISSUES**

- 16,563,725 shares issued to the Central American Mezzanine Infrastructure Fund ("CAMIF") at A\$0.035 each in lieu of US\$535,000 dividend on Redeemable Preference Shares.
- 500,000 shares issued under PanTerra Gold Limited's Performance Rights Plan granted to a senior manager, at no cost.
- Total shares on issue at 30 June 2014: 789,844,737.

**DIRECTORS/MANAGEMENT/CONSULTANTS**

- Craig Ricato appointed as non-executive Director.
- New General Manager, Francisco Fimbres, recruited for Las Lagunas project (commencement 11 August 2014).
- Engagement of consultant, Dr David Dreisinger B.A.Sc., Ph.D., P. Eng., Professor of Hydrometallurgy, University of British Columbia, and leading expert on oxidation of refractory ores.

## EXPLORATION

### Granted Tenements

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

### Tenement Application

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

The Company has been waiting for over two years for this renewal application to be granted, and despite repeated assurances from the Dominican Department of Mines, this has not yet occurred.

As the La Perseverancia concession is at this time, the most prospective of the Company's areas, an exploration team will not be assembled until the scale of future activity and probability of success is increased with the grant of this concession.

Base case environmental and social studies for the three concessions is currently being carried out by a consulting group, and expected to be completed in August 2014.

Exploration costs for the Quarter were US\$1,755.

**End**

### 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.*