

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 31 DECEMBER 2016



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HIGHLIGHTS

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

- Gold production for Quarter was 4.4% lower than previous Quarter, and sales revenue decreased by 7.0%
- Operating costs of US\$725 per ounce Au equivalent for Quarter were 0.6% higher than previous Quarter
- Dredging currently in coarse, high grade material which results in reduced throughput but increased recovery percentage

BUSINESS DEVELOPMENT

- Negotiations continuing with Dominican Government for permission to import suitable high grade concentrate to blend with lower grade Las Lagunas concentrate, and to establish a precious metals Processing Facility on completion of the Las Lagunas project in Q3 2019, utilising the existing Albion/CIL plant and infrastructure
- Actively pursuing opportunities to source suitable refractory concentrate for blending and for processing at the proposed Facility
- Negotiations progressing on possible participation in 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)	173,369	181,116	-4.3%	730,320
Average head grade (g/t)				
Gold	3.89	3.91	-0.5%	3.92
Silver	38.8	38.9	-0.4%	39.14
Recovery (%)				
Gold	50.6	50.5	0.2%	49.95
Silver	26.2	25.9	1.1%	25.75
Production (oz)				
Gold	10,977	11,488	-4.4%	46,021
Silver	56,558	58,435	-3.2%	236,284
Sales (oz)				
Gold	10,610	11,320	-6.3%	45,359
Silver	57,434	56,709	1.3%	230,574
Sales (US\$m)	13.9	14.9	-7.0%	55.7
Sales (A\$m)*	18.5	19.6	-5.8%	75.2

* Based on average exchange rate for the Quarter.

Gold production for the December 2016 Quarter was 4.4% lower than the previous Quarter, and doré sales decreased by 7.0% to US\$13.9 million.

OPERATING COSTS

	December Quarter		Previous Quarter	
	US\$ ('000)	US\$/oz (Gold Equiv. Production)	US\$ ('000)	US\$/oz (Gold Equiv. Production)
Tailings Reclaim	480	41	362	30
Processing Consumables	2,382	203	2,986	247
Salaries	1,515	130	1,273	105
Grid Power	1,713	146	1,711	142
Processing Fuel	115	10	114	9
Spares, Repairs & Maintenance	1,384	118	1,276	106
Site & Camp Costs	561	48	595	49
Office Overheads	267	23	263	22
Insurance	70	6	139	12
TOTAL OPERATING COSTS (C1 Cash Costs)	8,486	725	8,719	721

Notes: Gold equivalent production 11,741oz for the Quarter, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US\$8.5 million down 2.3% on previous Quarter.

Operating Costs of US\$725 per ounce Au equivalent production up 0.6% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 13,336 tonnes per week was below the 14,830 tonnes per week target due to ultrafine grinding limitations with coarse feed.

The balance of the Las Lagunas Indicated Resource at 31 December 2016 was 2.165 million tonnes at 3.6g/t gold and 38.8g/t silver.

CASH BALANCE

Available Group funds as at 31 December 2016 were US\$5.5 million (A\$7.5 million).

FINANCE**Project Loan – Las Lagunas**

On 9 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”).

The amount of the outstanding project loan from ALCIP as at 31 December 2016 was US\$6.3 million.

ALCIP will be repaid by six quarterly instalments of approximately US\$1.1 million commencing 31 March 2017 with the final payment on 30 June 2018, six months ahead of the contractual repayment date.

The loan may be repaid earlier without penalty.

The interest rate is 7%pa plus LIBOR.

Redeemable Preference Shares

PanTerra Gold Limited (“PGL”) 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 Company has redeemed US\$1.4 million of the RPS with the balance to be redeemed in accordance with the following schedule:

	US\$
31 March 2017	700,000
30 June 2017	700,000
30 September 2017	700,000
31 December 2017	1,300,000
31 March 2018	1,300,000
30 June 2018	1,300,000
30 September 2018	1,300,000
31 December 2018	<u>1,300,000</u>
	<u>8,600,000</u>

The effective interest rate is 7%pa plus LIBOR, plus 0.9% royalty on net gold sales.

BanReservas

Dominican Government-owned BanReservas has provided US\$7.5 million of unsecured loans to the Las Lagunas project. These loans are subordinated to ALCIP but provision has been made in a recent Variation to the Facilities Agreement to repay the Bank in accordance with the following schedule:

20 July 2017	US\$1,000,000
20 January 2018	US\$1,250,000
20 July 2018	US\$1,500,000
20 January 2019	US\$1,750,000
15 July 2019	US\$2,000,000

The interest rate is approximately 8.5%pa.

Shareholder Loans

Certain Shareholders have provided loans totalling A\$3.3 million to PanTerra Gold Limited.

These unsecured loans are subordinated to the Las Lagunas project loan from ALCIP which has prohibited repayment before 15 July 2019.

The interest rate is 12.0%pa.

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).

It was a volatile quarter for gold, with the spot price opening at ~US\$1,312 per ounce and finishing at ~US\$1,145 per ounce at the end of December 2016, with a period low of ~US\$1,125 on 20 December 2016.

The hedge commitments at the beginning of the quarter were 22,742oz over the next 12 months at an average price of US\$1,280 per ounce. The Company continued to deliver into the hedge over the quarter, eliminating the very early positions that were placed sub US\$1,075 in the original MKS placement.

There was a correction in the gold price on 4 October 2016 which saw the spot price of gold fall by over US\$60 per ounce over a two day period. The gold price continued to fall and closed at ~US\$1,180 per ounce at the end of November 2016, resulting in a significant "in the money" position for the hedge facility.

The Company capitalised on the positive value of the hedge book on 6 December 2016, and restructured the facility by closing out 23,313oz at an average price of US\$1,304, and simultaneously replaced the hedge book with 14,985 ounces for delivery between 31 January 2017 and 15 September 2017 at an average price of US\$1,178. The close out resulted in a US\$2.9m payment to

the Company, of which US\$2.25m was used to reduce project debt (refer ASX announcement dated 7 December 2016).

The Company continued to deliver into the hedge for the remainder of the quarter and closed the reporting period with 12,779oz committed at an average price of US\$1,179.

The gold price has increased post the reporting period and the hedging facility has been refreshed to 21,126oz at an average price of US\$1,187 per ounce as at 19 January 2017.

Maturity	Nett Volume (AU ozs)	Price (WAv) (USD/oz)
28-Feb-17	-371.570	1,174.8967
28-Feb-17	-1,222.000	1,179.6073
31-Mar-17	-1,665.000	1,176.2473
28-Apr-17	-1,665.000	1,177.2502
26-May-17	-1,665.000	1,178.2531
30-Jun-17	-1,665.000	1,179.5067
30-Jun-17	-1,000.000	1,193.3828
28-Jul-17	-1,665.000	1,180.8118
31-Jul-17	-1,000.000	1,193.1997
31-Aug-17	-1,665.000	1,182.0738
31-Aug-17	-1,000.000	1,201.2933
15-Sep-17	-1,665.000	1,182.6306
29-Sep-17	-1,000.000	1,204.9317
13-Oct-17	-1,000.000	1,209.7613
31-Oct-17	-2,000.000	1,212.1355
Total (Sold)	-20,248.570	1,187.8569

BUSINESS DEVELOPMENT

Precious Metals Processing Facility – Dominican Republic

Negotiations with the Ministry of Energy and Mining, and the Ministry of Environment are ongoing and based on encouraging discussions to date the Group is seeking approval for:

- i) early importation of high grade (~50g/t Au) refractory concentrate sourced from pyrite ore (low arsenic content) to blend with low grade pyrite concentrate (11g/t Au) produced from the Las Lagunas tailings.

It is anticipated that the Government will require payment of a 25% share of additional operating profits generated from imported concentrate as will apply to the current Las Lagunas project after recovery of the cost of its Albion/CIL plant;

- ii) future importation of high grade concentrate produced from both pyrite and arsenopyrite ore for feed to the proposed precious metals Processing

Facility to be established when the current tailings retreatment project is completed in Q3 2019.

It is possible there will be some resistance to the importation of concentrate with high arsenic content even though the Albion oxidation process converts arsenic to ferric arsenate which is inert and non-soluble, and any tailings would comply with World Bank deposition standards.

China

Negotiations are advanced on the terms of a binding Memorandum of Understanding (MOU) for the possible participation of PanTerra Gold Technologies Pty Ltd (“PGT”), a wholly-owned subsidiary of PanTerra Gold Limited, in the development of an Albion/CIL plant adjacent to the Nalin underground gold mine in Guangxi Province:

- PGT expect to be invited around Q4 2017 to participate to a maximum 49% interest in a joint venture (“JV”) with China National Gold (“CNG”) to develop the proposed 50,000tpa Albion/CIL plant following a feasibility study to be conducted by CNG with input from PGT technical staff;
- the feasibility study will include metallurgical testwork on the Nalin refractory ore that will be mined and sold to the JV by Guangxi Gold Company (“GGC”), a CNG subsidiary which owns the Nalin mine;
- infrastructure including tailings storage will be provided to the JV by GGC;
- the proposed plant will include crushing, grinding, flotation, Albion oxidation, CIL, and elution circuits, and is targeted to produce approximately 45,000oz Au per year, commencing Q1 2019;
- a preliminary plant design and financial model for a 10 year project life prepared by PGT indicates a capital cost of approximately US\$50 million and an IRR of around 25% on total project equity of US\$15 million;
- the proposed project will be substantially de-risked by the time PGT would make a decision on participation;
- any costs for input to the feasibility study by PGT technical staff will accrue as equity in the project if PGT participates in the proposed JV.

Cuba

The Company has held preliminary 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.

Unfortunately, EMID has recently advised that sale and export of concentrate is their least preferred option for the Damajagua development and as a consequence is no longer considered a feed prospect for the Las Lagunas plant.

PGT has advised EMID that as an alternative it is prepared to investigate the viability of constructing and operating a 50,000tpa Albion/CIL processing plant

adjacent to the Damajagua mine when it opens, either in a joint venture arrangement or in its own right.

EXPLORATION

The Company has decided to relinquish both its La Paciencia (7150ha) and La Perseverancia (9000ha) concessions in the Dominican Republic after making the corporate decision to focus on processing refractory ore produced by others or in joint venture arrangements, rather than acting as a greenfield explorer.

The Company has not been able to attract farm-in arrangements for the concessions.

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 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 experience and 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.