

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 31 DECEMBER 2017

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HIGHLIGHTS

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

- Gold production for Quarter was 2.3% higher than previous Quarter, and sales revenue was 4.8% higher than the previous Quarter
- Operating costs of US\$665 per ounce Au equivalent for Quarter, a 9.8% decrease on the previous Quarter
- Doré sales for Quarter were US\$13.7 million and operating costs were US\$7.8 million
- Operating profit for the project was US\$5.9 million for the Quarter, and US\$21.7 million for the Year to Date which is in line with budget.

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

	December Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	163,628	158,664	3.1%	667,910
Average head grade (g/t)				
Gold	3.94	3.94	0.0%	3.89
Silver	38.8	38.5	0.8%	38.47
Recovery (%)				
Gold	52.5	53.0	-1.0%	51.4
Silver	20.6	14.4	43.3%	18.6
Production (oz)				
Gold	10,874	10,630	2.3%	42,998
Silver	42,191	28,056	50.4%	153,713
Sales (oz)				
Gold	10,479	10,464	0.1%	42,838
Silver	40,170	25,045	60.4%	15,416
Sales (US\$m)	13.7	13.1	4.8%	54.6
Sales (A\$m)*	17.9	16.6	7.5%	71.0

* Based on average exchange rate for the Quarter.

Gold production for the December 2017 Quarter was 2.3% higher than the previous Quarter, and doré sales increased by 4.8% to US\$13.7 million.

OPERATING COSTS

	December Quarter		Previous Quarter	
	US\$ ('000)	US\$/oz (Gold Equiv. Production)	US\$ ('000)	US\$/oz (Gold Equiv. Production)
Tailings Reclaim	385	33	359	34
Processing Consumables	2,064	176	2,086	194
Salaries	1,249	106	1,672	155
Grid Power	1,783	152	1,715	159
Processing Fuel	83	7	53	5
Spares, Repairs & Maintenance	909	77	1,093	101
Site & Camp Costs	528	45	558	52
Office Overheads	356	31	231	21
Insurance	447	38	169	16
TOTAL OPERATING COSTS (C1 Cash Costs)	7,804	665	7,936	737

Notes: Gold equivalent production 11,022oz for the Quarter, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US\$7.8 million down 1.7% on previous Quarter.

Operating Costs of US\$665 per ounce Au equivalent production down 9.8% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 12,587 tonnes per week was below the 13,439 tonnes per week target for 2017.

CASH BALANCE

Available Group funds as at 31 December 2017 were US\$4.1 million (A\$5.3 million).

An additional US\$1.0 million is on deposit with the project's power supplier as a performance bond, and US\$1.0 million is in an escrow account with CAMIF 1. Both amounts should be returned to the Company on completion of the Las Lagunas project.

FINANCE**PROJECT LOAN – LAS LAGUNAS**

The outstanding secured project loan from ALCIP Capital LLC ("ALCIP") as at 31 December 2017 was US\$3,008,447 which is being reduced by US\$752,112 per quarter, with the final payment scheduled for 31 December 2018.

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\$4.8 million of the RPS with the balance to be redeemed in accordance with the following schedule:

	US\$
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>5,200,000</u>

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 Variation to the Facilities Agreement to repay the balance of the loan in accordance with the following schedule:

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

SHAREHOLDER LOANS

Certain Shareholders have provided loans totalling A\$3.2 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.

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 (PAMP).

The spot price for the quarter opened at ~US\$1,283 per ounce and finished at ~US\$1,291 per ounce, with a period high of ~US\$1,303 on 16 October 2017.

The hedge commitment at the end of the quarter was 12,800oz at an average price of US\$1,278 per ounce, with 7,832oz delivered into the hedge over the period.

A total of 2,623oz were also sold into the spot market during the quarter to take advantage of higher prices when possible.

BUSINESS DEVELOPMENT

The Company has been unable to gain traction with the Ministry of Energy and Mines in the Dominican Republic for its proposal to continue operating the Las Lagunas process plant based on imported concentrate, after completion of the current tailings retreatment project in Q3 2019.

The Company has been frustrated by the lack of enthusiasm or engagement by the Government on the proposal for the past two years, and has decided that, unless there is a marked change in demonstrated support for the proposal in the near term, the concept will be abandoned.

In any event, priority will now be given to the following strategies:

- investigation of opportunities to introduce the Albion oxidation process for refractory ores in China will be intensified;
- opportunities identified for possible joint ventures with several mining companies holding refractory ore bodies within the Iberian Pyrite Belt of Portugal and Spain are being progressed, with the aim of constructing at least one process plant within this region.

Despite the disappointing financial performance of the Las Lagunas project due primarily to the poor gold recovery (63%) from the low-grade (10g/t Au) metallurgically complex concentrate that is able to be produced from the refractory tailings, the Company is confident that a clean concentrate from mined sulphide ore will normally have a gold grade in excess of 40g/t with +90% recovery.

This occurs at a Russian mining company's Albion/CIL plant located in Armenia, and has been replicated on a number of concentrates tested at the Company's pilot plant in the Dominican Republic.

PanTerra Gold has built up significant intellectual property in relation to the utilisation of the Albion oxidation process and will persevere with its objective of establishing a profitable business based on extraction of gold from refractory ores.