

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 30 JUNE 2018

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HIGHLIGHTS

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

- Gold production for Quarter was 29.4% higher than previous Quarter, and sales revenue was 21.3% higher than the previous Quarter
- Operating costs of US\$666 per ounce Au equivalent for Quarter, a 19.0% decrease on the previous Quarter
- Doré sales for Quarter were US\$14.9 million and operating costs were US\$7.7 million
- Operating profit for the project was US\$7.1 million for the Quarter.

LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

PRODUCTION

| | June Quarter | Previous Quarter | Variance vs Previous Quarter | YTD |
|--------------------------|--------------|------------------|------------------------------|---------|
| Plant Throughput (t) | 161,589 | 134,190 | 20.4% | 295,779 |
| Average head grade (g/t) | | | | |
| Gold | 4.25 | 3.85 | 10.4% | 4.07 |
| Silver | 41.4 | 38.5 | 7.5% | 40.0 |
| Recovery (%) | | | | |
| Gold | 51.8 | 53.3 | -2.7% | 52.6 |
| Silver | 14.1 | 22.6 | -37.6% | 17.8 |
| Production (oz) | | | | |
| Gold | 11,430 | 8,833 | 29.4% | 20,263 |
| Silver | 27,009 | 37,524 | -28.0% | 64,533 |
| Sales (oz) | | | | |
| Gold | 11,269 | 9,011 | 25.1% | 20,280 |
| Silver | 22,498 | 42,889 | -47.5% | 65,387 |
| Sales (US\$m) | 14.9 | 12.3 | 21.3% | 27.2 |
| Sales (A\$m)* | 19.8 | 15.6 | 27.1% | 35.4 |

* Based on average exchange rate for the Quarter.

Gold production for the June 2018 Quarter was 29.4% higher than the previous Quarter, and doré sales increased by 21.3% to US\$14.9 million.

OPERATING COSTS

| | June Quarter | | Previous Quarter | |
|--|--------------|----------------------------------|------------------|----------------------------------|
| | US\$ ('000) | US\$/oz (Gold Equiv. Production) | US\$ ('000) | US\$/oz (Gold Equiv. Production) |
| Tailings Reclaim | 401 | 35 | 567 | 59 |
| Processing Consumables | 2,174 | 188 | 2,035 | 212 |
| Salaries | 1,485 | 128 | 1,459 | 152 |
| Grid Power | 1,782 | 154 | 1,695 | 177 |
| Processing Fuel | 118 | 10 | 39 | 4 |
| Spares, Repairs & Maintenance | 966 | 84 | 1,256 | 131 |
| Site & Camp Costs | 425 | 37 | 455 | 47 |
| Office Overheads | 184 | 16 | 216 | 23 |
| Insurance | 165 | 14 | 138 | 14 |
| TOTAL OPERATING COSTS (C1 Cash Costs) | 7,697 | 666 | 7,860 | 819 |

Notes: Gold equivalent production 11,573 oz for the Quarter, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US\$7.7 million down 2.0% on previous Quarter.

Operating Costs of US\$666 per ounce Au equivalent production down 19.0% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 12,430 tonnes per week was below the 13,439 tonnes per week target for 2018.

CASH BALANCE

Available Group funds as at 30 June 2018 were US\$8.3 million (A\$11.2 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 30 June 2018 was US\$1,504,224 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\$7.4 million of the RPS with the balance to be redeemed in accordance with the following schedule:

| | US\$ |
|-------------------|------------------|
| 30 September 2018 | 1,300,000 |
| 31 December 2018 | <u>1,300,000</u> |
| | <u>2,600,000</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 remaining loan at 27 July 2018, in accordance with the following schedule:

| | US\$ |
|-----------------|-------------|
| 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 delivered all outstanding hedged ounces during the quarter, with 5,272oz delivered into the hedge by the end of May at an average price of \$1,292/oz.

The spot price for the quarter opened at ~US\$1,341 per ounce and finished at ~US\$1,250 per ounce, with a period high of ~US\$1,351 on 18 April 2018.

BUSINESS DEVELOPMENT

CHINA

Negotiations with China National Gold (“CNG”) are continuing with regard to the possibility of jointly establishing a centralised 65,000tpa Albion/CIL plant in Shaanxi Province to treat high-grade arsenopyrite concentrate supplied from CNG mines in the region.

A plant, if developed, will demonstrate the Albion technology’s ability to significantly improve on recoveries from existing pyrometallurgical operations in addition to neutralising and rendering inert, arsenic contained in the concentrate. This could result in the widespread application of the process for this type of ore in China where environmental standards are improving, and roasters are being decommissioned.

Metallurgical test work on concentrate samples supplied by CNG has been undertaken at the Company’s Albion/CIL pilot plant in the Dominican Republic during the Quarter, with recoveries in excess of 92% from the highly refractory concentrate which exceeds ≈50g/t Au.

IBERIAN PENINSULA

The Iberian Peninsula contains a number of known gold deposits situated within two major mineralised zones, namely the Iberian Pyrite belt, which runs along southern Spain and Portugal, and the Iberian Gold Belt which covers northern Spain and Portugal.

The mineralisation in these two zones tends to be refractory and predominantly arsenic, with existing mines producing relatively low value concentrates for sale to overseas roasters rather than high value doré production. The region is reported to have a number of undeveloped resources in the 500,000 to 2 million oz Au range, making them ideally suited for the Albion Process and the standard 50,000 tonnes per annum plant concept developed by the PanTerra Gold Group.

Road transportation routes within Portugal and Spain are extensive and well developed, and being part of the EU there are no cross border restrictions on transport of concentrate, which opens up further opportunity for the development of smaller resources that cannot justify a standalone plant.

The Company has identified opportunities for possible joint ventures with several mining companies holding refractory ore bodies within Portugal and Spain, and these are being progressed with the aim of constructing a process plant within this region that could involve the relocation of the Las Lagunas plant.

Process Plant for Salave Gold Project, Spain

PanTerra Gold Technologies Pty Ltd (“PGT”), has signed a Co-operation Agreement with TSX-V listed Black Dragon Gold Corp. (“BDG”), acknowledging that:

- BDG’s wholly-owned subsidiary, Exploraciones Mineras del Cantabrico’s (“EMC”) proposes to develop an underground mine at its Salave gold deposit in the autonomous community of Asturias, Spain.
- EMC plans to produce between 50,000tpa and 60,000tpa of refractory concentrate grading approximately 45g/t Au for a minimum of 10 years from an NI43-101 reported resource of 6.822 million tonnes of ore grading 4.51g/t Au (measured and indicated) at a 2.0g/t cut-off.
- PGT proposes to construct and operate an Albion/CIL processing plant in Spain to extract gold in the form of doré bars from the Salave concentrate, with the aim of producing approximately 75,000oz Au per year.

The Co-operation Agreement is non-binding but is a fair reflection of the intentions of both parties.

To advance the processing project, PGT has already undertaken the following activities:

- Tested typical concentrate produced from drill cores from Salave at its facilities in the Dominican Republic and recovered +95% of contained gold;
- Established a preliminary design for the proposed processing plant together with estimates of capital and operating costs;
- Signed a Technology Agreement with Glencore Technologies Pty Ltd permitting PGT to utilise Glencore’s patented Albion oxidation process on the Salave concentrate;
- Engaged an experienced Spanish metallurgist, Emilio Hormaeche Bigorra, as its local Technical Director who will be responsible for identifying a suitable site for the plant and associated tailings dam (probably in southern Spain), and progressing permitting.

PGT will complete a Bankable Feasibility Study for the processing of Salave concentrate following additional drill core becoming available from EMC for further test work.

Both BDG and PGT intend to advance their respective projects as quickly as possible and at the appropriate time may enter into commercial arrangements between the two companies.

In anticipation of this occurring, PGT is assessing two prospective sites in Spain for the construction of an Albion/CIL plant for gold extraction from Salave concentrate.

POTENTIAL OF ALBION/CIL PROCESS

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.