

ASX Announcement

PANTERRA GOLD LIMITED QUARTERLY REPORT TO 30 JUNE 2019

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LAS LAGUNAS GOLD/SILVER PROJECT, DOMINICAN REPUBLIC

HIGHLIGHTS FOR THE QUARTER

- Gold production – up 32.4% on previous Quarter
- Sales revenue – up 26.9% on previous Quarter
- Operating costs – US\$736 per ounce Au equivalent, down 15.5% on previous Quarter
- Doré sales – US\$12.4 million
- Operating costs – US\$7.0 million
- Operating profit – US\$5.4 million

PRODUCTION

	June Quarter	Previous Quarter	Variance vs Previous Quarter	YTD
Plant Throughput (t)	149,585	94,579	58.2%	244,164
Average head grade (g/t)				
Gold	3.53	4.05	-12.8%	3.73
Silver	38.9	67.9	-42.7%	50.1
Recovery (%)				
Gold	53.5	55.8	-4.2%	54.4
Silver	16.0	14.0	14.3%	15.2
Production (oz)				
Gold	9,083	6,863	32.4%	15,946
Silver	29,109	19,609	48.4%	48,717
Sales (oz)				
Gold	9,169	7,225	26.9%	16,393
Silver	29,617	22,529	31.5%	52,145
Sales (US\$m)	12.4	9.7	28.6%	22.1
Sales (A\$m)*	17.7	13.6	30.8%	31.3

* Based on average exchange rate for the Quarter.

Gold production was 32.4% higher than the previous Quarter, and doré sales increased by 28.6% to US\$12.4 million.

OPERATING COSTS

	June Quarter		Previous Quarter	
	US\$ ('000)	US\$/oz (Gold Equiv. Production)	US\$ ('000)	US\$/oz (Gold Equiv. Production)
Tailings Reclaim	496	52	375	50
Processing Consumables	1,958	205	1,263	168
Salaries	1,166	122	1,256	167
Grid Power	1,764	184	1,513	201
Processing Fuel	167	17	79	10
Spares, Repairs & Maintenance	769	80	1,441	191
Site & Camp Costs	381	40	348	46
Office Overheads	192	20	129	17
Insurance	149	16	149	20
TOTAL OPERATING COSTS (C1 Cash Costs)	7,042	736	6,553	870

Notes: Gold equivalent production – 9,569 oz, based on 74oz silver equalling one ounce gold.

Total Operating Costs (C1 Cash Costs) of US\$7.0 million up 7.5% on previous Quarter.

Operating Costs of US\$736 per ounce Au equivalent production down 15.4% on previous Quarter.

PLANT THROUGHPUT

Average plant throughput of 11,507 tonnes per week was close to the 12,000 tonnes per week target for 2019.

FINANCE**BANRESERVAS**

Dominican Government-owned BanReservas provided US\$7.5 million of unsecured loans to the Las Lagunas project in December 2010. The final loan balance of US\$2.0 million was repaid as scheduled on 15 July 2019.

SHAREHOLDER LOANS

Certain Shareholders have provided loans totalling A\$3.2 million to PanTerra Gold Limited in 2012. These unsecured loans were repaid on 15 July 2019.

CASH POSITION

Available Group funds as at 30 June 2019 were US\$7.7 million (A\$11.0 million).

An additional US\$1.0 million is on deposit with the project's power supplier as a performance bond and will be returned to the Company on completion of the Las Lagunas project in December 2019.

SALE OF PLANT

Plans are being advanced to commence dismantling the plant in January 2020 with saleable items to be stored on site prior to disposal.

Some components may be retained for use on a potential future project, depending on the prospectivity when reviewed in Q1 2020.

CLAIM AGAINST DOMINICAN GOVERNMENT

The Company has submitted a formal Claim to the Dominican Government for costs relating to its failure at the commencement of the project, to provide a suitable site for constructing a dam for the storage of tailings from the Las Lagunas Albion/CIL plant after processing. The provision of the dam site was an obligation of the Government under the Special Contract with the Company's subsidiary, EnviroGold (Las Lagunas) Limited ("EVGLL").

The inability to construct a new storage dam resulted in the processed tailings having to be re-deposited into the same storage facility from which they were mined, and also prohibited blending of the feed to the flotation circuit, which resulted in additional direct costs and inefficiencies in the operation of the plant.

The Claim was prepared by independent consultants and will probably result in a formal dispute with the Government and subsequent arbitration in Washington DC under the rules of the ICSID.

The Claim for costs to 31 December 2018 is for US\$15.22 million, and claimable costs will continue to be incurred to the end of operations in December 2019 and during project closure in 2020.

BUSINESS DEVELOPMENT

CHINA

During the Quarter, meetings were held with one of the two Chinese gold mining companies showing serious interest in the application of the Albion process for oxidising of refractory concentrate.

The outcome of these meetings is that PanTerra Gold Technologies Pty Ltd (“PGT”) has submitted a non-binding Memorandum of Understanding (“MOU”) to the mining company setting out in detail the intent of the parties to conduct feasibility studies of the proposed joint construction of a 75,000 tpa Albion/CIL plant in NW China which would process high-grade (45g/t Au) arsenopyrite concentrate purchased from the mining company.

Prior to commencement of a six month prefeasibility study, senior technical staff of the mining company intend to visit the Ararat Albion/CIL plant in Armenia in the company of representatives of Glencore Technology, which holds the Albion Oxidation process patents.

The visit is aimed at confirming the 95% to 97% recovery of gold from the refractory concentrate being processed at the Armenian plant, and testing the neutralisation of arsenic in the plant tailings.

The visit is expected to take place in September 2019.

The Company has not been able to reach agreement with the other Chinese mining company on a purchase price for concentrate that would ensure the viability of a proposed wholly-owned Albion/CIL plant in SW China, and negotiations on this concept have been discontinued.

PGT has an agreement with Glencore Technology that grants PGT and its nominated partners exclusive rights to utilise the Albion technology in China for a minimum period of 10 years from 2018.

CUBA

The PanTerra Gold Group was selected in October 2018 by the Cuban Government’s mining company, GeoMinera S.A., as its proposed joint venture partner for the development of their La Demajagua refractory gold deposit on the Isle of Youth in Southwest Cuba.

PanTerra Gold’s involvement in the project is dependent on approval of the proposed joint venture agreement by the Cuban Government’s Committee for Foreign Investment. Drafting of the joint venture agreement is well advanced and is expected to be formalised within the next two months.

The first stage of the proposed project is planned as an open pit mining operation for eight years, followed by a second stage underground operation for around 10 years. The deposit has been extensively drilled (>50,000m) but will require further exploration for both the open pit and underground targets to define JORC compliant resources. Both stages will require successful Definitive Feasibility Studies to be undertaken prior to development.

If the project proceeds, PanTerra Gold Technologies Pty Ltd will design and construct a 50,000 tpa Albion/CIL processing plant for the joint venture on a turnkey basis aimed at producing approximately 60,000 oz Au per year from the arsenopyrite concentrate that would be produced by the mine during the period of open pit operations.

PanTerra Gold has completed a detailed Preliminary Economic Assessment (“PEA”) for Stage 1 of the project which has indicated its technical and commercial viability.

Despite the positive PEA, the project will be difficult to structure, with US sanctions limiting the availability of project financing and the equity contribution by GeoMinera being limited to the agreed value of the ore body.

POTENTIAL OF ALBION/CIL PROCESS

Despite the disappointing financial performance of the Las Lagunas project, due primarily to the poor gold recovery from the low-grade (10g/t Au) metallurgically complex concentrate that has been 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 as is occurring at the Ararat project in Armenia.

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