

03 August 2017

PanAust Quarterly Report for the three months to 30 June 2017

Continued high-performance production outcomes

Highlights

- **Strong safety performance for the June quarter.**
 - 12-month rolling safety indicators: total recordable injury frequency rate (TRIFR) 1.36 per million hours worked and lost time injury frequency rate (LTIFR) 0.08.
- **Outstanding production and cost performance outcomes achieved at PanAust’s Operations in Laos:**
 - The Phu Kham Copper-Gold Operation produced 24,209 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.05/lb after precious metal credits from 20,609 ounces (oz) of gold and 167,932oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.46/lb copper was achieved.
 - The Ban Houayxai Gold-Silver Operation recorded production of 30,577oz of gold and 190,451oz of silver at a C1 cost of US\$586/oz after silver credits. An AISC of US\$777/oz gold was achieved.
- During May, Phu Kham celebrated nine-years of successful production; Ban Houayxai celebrated its five-year production anniversary in April.
- The annual International Finance Corporation (IFC) audit of the Lao operations’ compliance with the IFC Performance Standards on Social and Environmental Sustainability was completed during the quarter. The draft audit report – received in June – stated no critical findings were identified. Feedback from IFC auditors confirmed that the 2017 audit was the Company’s best performance in nine years.
- In May, 12 journalists from major Lao media organisations visited the Phu Kham and Ban Houayxai Operations and surrounding communities. Building on previous such visits, the media tour aimed to increase journalists’ understanding of the mining sector in Laos, and demonstrate how the Company engages with communities and the environment.
- The Myanmar Minister of Environmental Conservation and Forestry and other officials visited Brisbane and attended a briefing by PanAust at The University of Queensland to learn of the Company’s leading sustainability credentials.



- PanAust published its *2016 Business Review & Sustainability Report*, the Company's eleventh consecutive annual report in relation to material non-financial risks. The independently assured Report was prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines, including the Mining and Metals Supplement.

Business overview

As the first half of 2017 draws to a close, PanAust notes strong performances across key business metrics. These outcomes highlight the strength of PanAust's culture, people and systems and the Company's drive to remain *Way Ahead*.

During the June quarter, Phu Kham – PanAust's flagship operation – celebrated its nine-year anniversary, having commenced production in May 2008. The Company's award winning Ban Houayxai Operation celebrated five-years of continuous production in April.

PanAust Managing Director, Dr Fred Hess explains the significance of these milestones, noting the Operations successful and continuous production is a vital component of PanAust's success story.

"The significant cash flow generated by the Phu Kham and Ban Houayxai Operations has supported PanAust's growth and accelerated our transition from a junior explorer to a successful mid-tier copper and gold producer.

"PanAust's overarching corporate strategy is to consistently meet performance targets at our existing operations, while pursuing long-term growth by discovery, acquisition and development. The Lao operations will remain essential as we look to grow and secure the business in the long-term," Dr Hess said.

Reflecting this commitment to business growth, in May PanAust was honoured to be named as a 2017 Miners Innovation Award finalist. Presented at the 2017 Austmine Mining Innovation Conference and Exhibition in Perth, the Award nomination recognised an inventive solution developed by PanAust, in conjunction with Global Bucket Solutions, to simplify the maintenance of its primary excavator fleet in Laos.

"Developing innovative ways to continuously improve efficiency and reduce the cost of our existing operations, assets and work practices, is essential for PanAust if we are to remain *Way Ahead*," Dr Hess added.

In the second half of 2017, PanAust will focus on delivering exceptional full-year business outcomes and value to its stakeholders by pursuing its 'whole-of-business' philosophy.

"To deliver another strong year in 2017, PanAust will continue to demonstrate our commitment to excellence and leading practice in all our business endeavours, including health and safety outcomes, operating activities, community development initiatives, environmental stewardship and employee engagement," Dr Hess said.

Operations overview

Phu Kham Copper-Gold Operation, Laos (PanAust 90 per cent)

A new quarterly record for copper in concentrate production of 24,209t was achieved at Phu Kham during quarter. The previous record (23,286t) was set during the June 2016 quarter. A favourable C1 cost of US\$1.05/lb copper was achieved.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Jun 2017	6 months to 30 Jun 2017
Copper in concentrate	t	24,209	46,960
Gold in concentrate	oz	20,609	40,399
Silver in concentrate	oz	167,932	307,576
C1 cost after precious metal credits	US\$/lb Cu	1.05	1.09
AISC	US\$/lb Cu	1.46	1.53

Further details of the production and cost performances are contained in Tables 3 and 4 of this report

Phu Kham production performance

A total of 13.8 million tonnes (Mt) of material was mined at Phu Kham during the quarter and 4.6Mt of ore was processed.

Copper, gold and silver head grades averaged 0.64 per cent, 0.27grams/t (g/t) and 2.56g/t respectively. An overall copper recovery rate of more than 81 per cent was realised.

Quarterly pay-metal in concentrate sales totalled 25,777t of copper, 23,071oz of gold and 189,442oz of silver.

Ban Houayxai Gold-Silver Operation, Laos (PanAust 90 per cent)

An increase in mill throughput, higher gold and silver head grades and higher silver recovery at Ban Houayxai saw the Operation pour above budget gold in doré (30,577oz) and silver in doré (190,451oz) during the quarter. A C1 cost of US\$586/oz gold was achieved.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Jun 2017	6 months to 30 Jun 2017
Gold poured	oz	30,577	65,064
Silver poured	oz	190,451	411,680
C1 cost after precious metal credits	US\$/oz	586	522
AISC	US\$/oz	777	670

Further details of the production and cost performances are contained in Tables 3 and 5 of this report

Ban Houayxai production performance

Total material mined at Ban Houayxai during the quarter totalled 3.9Mt with 1.2Mt of ore processed.

The average gold and silver head grades achieved were 0.94g/t and 8.99g/t respectively, and gold recovery averaged 82 per cent.

Payable gold and silver in doré sold during the quarter totalled 31,967oz and 189,135oz respectively.

Predevelopment and exploration projects overview

Frieda River Copper-Gold Project, Papua New Guinea (PanAust 80 per cent)

In Papua New Guinea, PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project. Joint venture partner, Highlands Pacific holds the remaining 20 per cent.

The Special Mining Lease (SML) application and Environmental Impact Statement (EIS) for the Frieda River Project continue to be considered by the Mineral Resources Authority of Papua New Guinea and Conservation and Environment Protection Authority (CEPA) of PNG, respectively.

PanAust is evaluating value enhancement opportunities that support the development of the Frieda River Project. These activities incorporate information received after the SML lodgement and principally relate to the enabling infrastructure required to develop the Project.

At the Frieda River site, the construction of new site facilities at the airstrip was completed during the quarter. All site staff, with the exception of a small caretaking team, have moved to the new facilities. This arrangement will reduce the ongoing site operations expenditure.

Myanmar Exploration Licences, Myanmar (PanAust 80 per cent)

In Myanmar, PanAust holds an 80 per cent interest in Wuntho Resources Company Limited (WRCL) and has established a joint venture with Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company which holds the remaining 20 per cent of WRCL.

The joint venture holds three Exploration Licences within a 600 square-kilometre contracted area in the Sagaing Region of northern Myanmar. The Exploration Licences comprise three tenement blocks: Hel Chain, Pin Hin Hka and Nam Awl.

Processing and interpretation of field data collected from the Myanmar Exploration Licences is ongoing.

Inca de Oro Copper-Gold Project, Chile (PanAust 66 per cent)

PanAust completed a feasibility study on the Inca de Oro Project in 2014. No material site activities are currently being undertaken or planned.

Sustainability

At PanAust, economic and sustainable business outcomes are pursued in a complementary manner. Excellence in one area underpins, encourages and facilitates outstanding performance in the other.

Public reporting of sustainability performance

In May, PanAust announced the release of its *2016 Business Review & Sustainability Report*. The independently assured Report was prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines, including the Mining and Metals Supplement.

The production and public release of the Report – PanAust’s second as a private Company and eleventh in total – demonstrates PanAust’s commitment to identifying and managing material risks and public reporting transparency.

The 2016 Report provides a comprehensive and balanced overview of PanAust’s performance during the calendar year, addressing important topics that contribute to the Company’s ongoing success. The Report is structured around six core business elements: economic performance, governance, social performance, environmental performance, health and safety performance, and employees.

PanAust’s *2016 Business Review & Sustainability Report* is accessible via the [Annual Reports](#) page on the Company’s website.

Safety: Logistics emergency response teams

In June, emergency response teams (ERT) were introduced at the Company’s logistics hubs at Ban Thouay and Thakhek. Comprised of personnel from fire and emergency services (FES) teams, doctors and volunteer logistics staff, the ERTs will respond to safety incidents along the haulage and transportation routes in Laos.

Each team is equipped with specially designed trailers carrying medical equipment, the ‘jaws of life’, spill containment equipment and remote scene lighting which can be rapidly deployed in the event of an emergency. The trailers were manufactured by the Company’s Trades Training apprentices.

FES personnel will train the volunteer logistics ERT in the use of fire extinguishers and in first aid, as well as assist doctors administer medical treatment if required, and conduct routine fire and safety inspections at the logistics hubs.



The Ban Thouay emergency response team standing in front of an emergency response trailer at the Ban Thouay logistics hub, Laos

Employee engagement: PanAust’s Eighth Annual Employee Awards

PanAust recognises that its employees make a significant contribution to workplace safety, and operational, sustainable and innovative business outcomes.

Now in its eighth year, PanAust’s Employee Awards Program showcases individuals and teams who have made outstanding contributions to the business. The awards reinforce the Company’s Vision and Values

and promote individual and collective teamwork as complimentary pathways to achieving superior business outcomes.

Following a rigorous nomination and selection process, this year's Employee Awards recipients were announced at a gala event held at the Crowne Plaza in Vientiane, Laos on 12 May 2017.



PanAust's 8th Annual Employee Award winners and runners up celebrate their success at a gala event held at the Crowne Plaza in Vientiane, Laos

PanAust Group production and sales statistics for the June 2017 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 30 Jun 2017	6 months to 30 Jun 2017
Total material mined	t	13,841,211	28,330,576
Copper-gold ore mined	t	4,683,871	9,952,002
Ore milled	t	4,628,505	9,040,301
Copper head grade	%	0.64	0.64
Gold head grade	g/t	0.27	0.27
Silver head grade	g/t	2.56	2.49
Concentrate produced	dmt	104,897	201,450
Copper in concentrate	t	24,209	46,960
Gold in concentrate	oz	20,609	40,399
Silver in concentrate	oz	167,932	307,576
Copper recovery	%	81.2	81.7
Concentrate sales	dmt	111,995	192,027
Payable copper in concentrate sold	t	25,777	44,494
Payable gold in concentrate sold	oz	23,071	39,292
Payable silver in concentrate sold	oz	189,442	316,773
Ban Houayxai Gold-Silver Operation		3 months to 30 Jun 2017	6 months to 30 Jun 2017
Total material mined	t	3,863,078	7,479,644
Gold-silver ore mined	t	1,287,706	2,645,747
Ore milled	t	1,242,794	2,541,534
Gold head grade	g/t	0.94	0.94
Silver head grade	g/t	8.99	9.11
Gold in doré	oz	30,577	65,064
Silver in doré	oz	190,451	411,680
Gold recovery	%	82.41	83.46
Payable gold in doré sold	oz	31,967	68,677
Payable silver in doré sold	oz	189,135	441,300

Cumulative data may incorporate post reporting period adjustments to prior periods

Table 4

Phu Kham Copper-gold Operation production costs US\$/lb copper	3 months to 30 Jun 2017	6 months to 30 Jun 2017
Mining cost	0.53	0.53
Deferred mining and inventory adjustments capitalised	0.00	-0.02
Processing cost	0.50	0.53
General and administration (site support)	0.13	0.13
Total on-site operating costs	1.16	1.17
Transport handling and marketing	0.18	0.19
Concentrate treatment and refining	0.27	0.27
Total off-site operating costs	1.61	1.63
Deduct precious metal credits	-0.56	-0.54
Total direct operating costs (C1 cost)	1.05	1.09
Royalty	0.17	0.17
Sustaining capital (includes TSF)	0.09	0.12
Rehabilitation and closure	0.00	0.01
Corporate support and shared services costs	0.08	0.08
Lease principal and interest charges	0.07	0.05
Deferred mining and inventory adjustment capitalised	0.00	0.02
All-in sustaining costs	1.46	1.53

Notes: costs are based on payable copper in concentrate produced; may include minor computational discrepancies due to rounding

Table 5

Ban Houayxai Gold-Silver Operation production costs US\$/oz gold	3 months to 30 Jun 2017	6 months to 30 Jun 2017
Mining cost	282	248
Deferred mining and inventory adjustments capitalised	-21	5
Processing cost	349	306
General and administration (site support)	73	68
Total on-site operating costs	683	628
Total off-site operating costs (freight, refining)	5	5
Deduct silver credit	-102	-111
Total direct operating costs (C1 cost)	586	522
Royalty	81	81
Sustaining capital (includes TSF)	21	17
Rehabilitation and closure	2	1
Corporate support and shared services costs	38	34
Lease principal and interest charges	28	19
Deferred mining and inventory adjustment capitalised	21	-5
All-in sustaining costs	777	670

Notes: costs are based on payable copper in concentrate produced; may include minor computational discrepancies due to rounding

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ⁱ Brook Hunt convention for the reporting of direct costs comprising: mine site, product transportation and freight, treatment and refining charges and marketing costs; based on payable metal content after by-product credits

ⁱⁱ AISC reported are the C1 cost plus royalties, allocated corporate support charges, shared services costs, sustaining capital; lease principal and interest charges; and deferred mining and inventory adjustments capitalised