

15 May 2017

PanAust Quarterly Report for the three months to 31 March 2017

Highlights

- **Excellent safety outcomes with the PanAust Group recording 21 months without a lost time injury (LTI) as of 31 March 2017.**
 - 12-month rolling safety indicators: lost time injury frequency rate (LTIFR) 0.00 and total recordable injury frequency rate (TRIFR) 1.21.
- **Solid safety, production and cost outcomes.**
 - The Phu Kham Copper-Gold Operation produced 22,751 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.15/lb after precious metal credits from 19,790 ounces (oz) gold and 139,644oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.63/lb copper was achieved.
 - The Ban Houayxai Gold-Silver Operation recorded production of 34,486oz gold and 221,229oz silver at a C1 cost of US\$465/oz after silver credits. An AISC of US\$575/oz gold was achieved.
- In February, a Feasibility Study Addendum Report for the Frieda River Copper-Gold Project in Papua New Guinea (PNG) was completed and delivered to the Company's joint venture partner and independent reviewer, Behre Dolbear Australia (BDA).
- In March, PanAust's Lao-registered subsidiary Phu Bia Mining (PBM) was presented with a Lao Labour Order Medal in recognition of the Company's upgrade of road No. 12 in the Khammouane Province, Laos. The upgrade highlights the Company's contribution to broader socio-economic development in Laos.



Business overview

PanAust is pleased to report that both the Phu Kham Copper-Gold and Ban Houayxai Gold-Silver Operations in Laos recorded solid safety, production and costs metrics during the March 2017 quarter, building on the stellar operational and cost performances achieved in 2016.

PanAust's short and long-term success hinges on its ability to achieve business objectives while keeping its workforce safe. The Company's dedicated approach to safety is underpinned by its Zero Harm philosophy, whereby all workplace incidents and injuries are considered preventable.

PanAust Managing Director, Dr Fred Hess said he was pleased with the Company's strong start to the year, noting the Company's formidable performance indicated PanAust was on track to achieve another record-breaking year.

"During the March quarter, the PanAust Group recorded more than 21 months LTI free. This achievement represents more than 22.5 million hours worked without an LTI. It demonstrates that as a Company, PanAust is determined to continually improve its safety performance across its entire workforce," Dr Hess said.

Dr Hess said he was equally delighted with the cost performance of the Lao Operations during the quarter.

"The cost outcomes achieved at Phu Kham and Ban Houayxai can be attributed to higher metal production and lower total operating costs. At Ban Houayxai, below budget cost outcomes were achieved against a lower realised gold price.

"This strong cost performance enhances our pursuit of the Company's corporate strategy: to maximise the returns from our producing assets while advancing projects that offer potential to sustain and grow the business in the long term," Dr Hess added.

PanAust continues to explore its 2,600 square-kilometre Contract Area in Laos.

"During the quarter, drilling at Pha Piang and Phu Dok On in the Company's Contract Area in Laos commenced. The exploration targets were identified during an airborne geophysical magnetic survey conducted in April 2016," Dr Hess noted.

While the outlook for commodity prices is brighter than in recent years, PanAust views this cautiously.

"We choose to push ourselves and strive for excellence. The way ahead for PanAust in 2017 will be to focus on and further refine elements of our business that are within our control – safety, production, cost performance and strategic growth opportunities," Dr Hess said.

Operations overview

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

The Operation produced above budget metal in concentrate for copper (22,751t) and gold (19,790t) during the quarter. Higher feed grades, improved mineralogy and enhanced flotation circuit performance contributed to above budget copper recovery. A below budget C1 cost of US\$1.15/lb copper was achieved.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Mar 2017
Copper in concentrate	t	22,751
Gold in concentrate	oz	19,790
Silver in concentrate	oz	139,644
C1 cost after precious metal credits	US\$/lb Cu	1.15
AISC	US\$/lb Cu	1.63

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

Phu Kham production performance

A total of 14.5 million tonnes (Mt) of material was mined at Phu Kham during the quarter, and 4.4Mt of ore was processed. The average copper head grade was 0.63 per cent, and gold and silver head grades were 0.27grams/t (g/t) and 2.43g/t respectively.

Overall copper recovery averaged more than 82 per cent for the quarter.

Quarterly pay-metal in concentrate sales totalled 18,717t of copper, 16,221oz of gold and 127,332oz of silver.

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

Ban Houayxai achieved above budget precious metal production for gold in doré (34,486oz) and silver in doré (221,229oz) during the quarter, for an average C1 cost of US\$465/oz after silver credits.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Mar 2017
Gold poured	oz	34,486
Silver poured	oz	221,229
C1 cost after precious metal credits	US\$/oz	465
AISC	US\$/oz	575

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

Ban Houayxai production performance

The Operation achieved an ex-pit quarterly production record for total material mined of 3.6Mt. The previous record of 3.4Mt was set during the September quarter 2016.

The average head grades for gold and silver were 0.95g/t and 9.23g/t respectively.

Gold recovery averaged more than 84 per cent, and a total of 1.3Mt of ore was processed. Sales for the quarter totalled 36,710oz gold and 252,165oz silver.

Predevelopment and exploration projects overview

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

PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project in PNG with joint venture partner Highlands Pacific holding the remaining 20 per cent.

Highlands Pacific have disputed the position that the lodgement of the application for a Special Mining Lease (SML), announced by PanAust on 24 June 2016, triggered an obligation for them to fund their share of joint venture expenditure relating to the period post the SML lodgement. The dispute is now the subject of mediation. PanAust continues to fund joint venture expenditure in the absence of any contribution from Highlands.

In February, PanAust completed and delivered a Feasibility Study Addendum Report for the Project to its joint venture partners and independent reviewer, BDA. The Addendum incorporates data from the 2016 Ekwai and Koki geological, geotechnical and metallurgical work programs and subsequent technical work. The Mineral Resource and Ore Reserves were updated during the work program.

At the Frieda River site, construction projects associated with moving site facilities to the airstrip continued throughout the quarter. Moving site facilities to the Frieda River airstrip will reduce the Project's reliance on helicopters for the transportation of people and goods to the current Base Camp.

Work was completed on the Exploration Access Track (EAT) with the construction contractor's equipment being demobilised at the end of March. The EAT provides an overland route between the marine offload facility and the Frieda River airstrip.

Myanmar Exploration Licences, Myanmar (PanAust 80 per cent)

Following approval by the Government of Myanmar Cabinet and President's Office, PanAust was granted three Exploration Licences in Myanmar. The Exploration Licences comprise three tenement blocks – Hel Chain, Pin Hin Hka and Nam Awl.

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. WRCL owns 100 per cent of the rights to the areas covered by the Exploration Licences.

In December 2016, the Company announced the expansion of its Myanmar exploration program through a farm-in agreement with Metro Mining Limited over the Mahar San Exploration Project in the Sagaing Region. An initial 1,171 metre scout drilling program encompassing 10 diamond drill holes was completed during the March 2017 quarter.

Inca de Oro Copper-Gold Project, Chile (PanAust 62 per cent)

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

Sustainability

PanAust is part of a global industry that has a role to play in improving the standard of living for current and future generations through meeting the global demand for copper and precious metals in a responsible manner.

PanAust recognises that successfully integrating leading-practice principles of corporate governance, stakeholder engagement, health and safety and employee engagement into strategic plans and operational activities in locations where it operates, is essential for the Company's ongoing success as a business that delivers value to its stakeholders.

Safety

PanAust's commitment to health and safety is built on the Zero Harm philosophy whereby all workplace incidents are considered preventable.

As of 31 March 2017, the PanAust Group recorded 21 months without an LTI, equating to 22.5 million hours worked without a lost time injury. The achievement is indicative of PanAust's commitment to Zero Harm and highlights the Company is determined to continually improve its safety performance across its entire workforce.



Safety: In the March quarter 2017, the PanAust Group has achieved over 21 months without a lost time injury

Commitment to Lao localisation

In February, a graduation ceremony to recognise the completion of the Lao Supervisory Development Program was held at the Crowne Plaza Hotel in Vientiane, Laos. Now in its seventh year, the Program targets high-potential employees and focuses on developing their leadership skills with regard to human

relations within the workplace: planning and strategy, managing performance, problem solving, communication and negotiation.

In 2016, PanAust achieved 91 per cent localisation in Laos, with the promotion of a number of Lao-national employees to trade roles through to management positions. The Program is integral to the continued success of the Company's commitment to Lao localisation.



Lao-national employee development: Supervisory Skills Development Program graduates at a ceremony held in Vientiane to mark their successful completion of the Program

Recognising commitment to Lao socio-economic development

On 23 March, PanAust's Lao-registered subsidiary, PBM was presented with a Lao Labour Order Medal in recognition of the Company's upgrade of road No. 12 in the Khammouane Province, Laos.

Khammouane Province Vice-Governor, Mr Bounmy Phimmasone presented the Medal to PBM Logistics Supervisor, Mr Vanhxay Vangkouthao at a special ceremony held at the Khammouane Provincial Administration Office.

The upgrade of road No. 12, a major road on PBM's concentrate haulage route, has significantly improved traffic conditions in the Boualapha District in Khammouane Province. The upgrade highlights the Company's contribution to, and promotion of, broader socio-economic development in Laos.



Left: Vice-Governor of Khammouane Province, Mr Bounmy Phimmasone (right) presents the Lao Labour Order Medal on behalf to PBM Logistics Supervisor, Mr Vanhxay Vangkouthao at the Khammouane Provincial Administration Office, 23 March 2017

PanAust Group production and sales statistics March 2017 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 31 Mar 2017
Total material mined	t	14,489,365
Copper-gold ore mined	t	5,268,131
Ore milled	t	4,411,796
Copper head grade	%	0.63
Gold head grade	g/t	0.27
Silver head grade	g/t	2.43
Concentrate produced	dmt	96,552
Copper in concentrate	t	22,751
Gold in concentrate	oz	19,790
Silver in concentrate	oz	139,644
Copper recovery	%	82.2
Concentrate sales	dmt	80,033
Payable copper in concentrate sold	t	18,717
Payable gold in concentrate sold	oz	16,221
Payable silver in concentrate sold	oz	127,332
Ban Houayxai Gold-Silver Operation		3 months to 31 Mar 2017
Total material mined	t	3,616,565
Gold-silver ore mined	t	1,358,042
Ore milled	t	1,298,740
Gold head grade	g/t	0.95
Silver head grade	g/t	9.23
Gold in doré	oz	34,486
Silver in doré	oz	221,229
Gold recovery	%	84.4
Payable gold in doré sold	oz	36,710
Payable silver in doré sold	oz	252,165

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 31 Mar 2017
Mining cost	0.52
Deferred mining and inventory adjustments capitalised	-0.04
Processing cost	0.55
General and administration (site support)	0.12
Total on-site operating costs	1.17
Transport handling and marketing	0.21
Concentrate treatment and refining	0.28
Total off-site operating costs	1.66
Deduct precious metal credits	-0.51
Total direct operating costs (C1 cost)	1.15
Royalty	0.17
Sustaining capital (includes TSF)	0.15
Rehabilitation and closure	0.02
Corporate support and shared services costs	0.08
Lease principal and interest charges	0.03
Deferred mining and inventory adjustment capitalised	0.04
All-in sustaining costs	1.63

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 31 Mar 2017
Mining cost	218
Deferred mining and inventory adjustments capitalised	28
Processing cost	268
General and administration (site support)	63
Total on-site operating costs	578
Total off-site operating costs (freight, refining)	6
Deduct silver credit	-119
Total direct operating costs (C1 cost)	465
Royalty	80
Sustaining capital (includes TSF)	14
Rehabilitation and closure	1
Corporate support and shared services costs	31
Lease principal and interest charges	12
Deferred mining and inventory adjustment capitalised	-28
All-in sustaining costs	575

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