

16 December 2015

PanAust Quarterly Report for the three months to 30 June 2015

Highlights

- Half-year point reached with both the Phu Kham and Ban Houayxai Operations delivering budgeted or greater than expected production outcomes at below budget cost outcomes.
- The Phu Kham Copper-Gold Operation in Laos produced 17,997 tonnes (t) of copper in concentrate in the June quarter at a C1ⁱ cost of US\$1.54/lb after precious metal credits from 20,699 ounces (oz) gold and 111,385oz silver; all-in sustaining costsⁱⁱ (AISC) were US\$1.95/lb copper.
- The Ban Houayxai Gold-Silver Operation in Laos produced 30,727oz gold at a C1 cost of US\$530/oz after silver credit; AISC were US\$716/oz.
- On 2 April, PanAust announced that it had received a letter from the Company's largest shareholder, Guangdong Rising Assets Management (GRAM, a Chinese state-owned entity) announcing its intention to make an unconditional, off-market takeover offer to acquire all of the shares of PanAust that it did not already own at a cash price of A\$1.71 per share. On 8 May, the offer was raised to A\$1.85 per share, which the Independent PanAust Directors unanimously recommended PanAust shareholders accept.
- PanAust released to the Australian Securities Exchange (ASX) its Business Review and Sustainability Report for 2014, which achieved a Global Reporting Initiative rating of 'G4 Core' (one of only two Australian mining companies to meet that standard).
- PanAust was removed from the official list of the ASX on 12 June.
- GRAM's stated intention is to maintain the management team of PanAust, the Company's strategic path and operational, governance and sustainability standards.
- The feasibility study for the Frieda River Copper-Gold Project in Papua New Guinea (PNG) remains on track for submission to the Government of PNG in early 2016.

2013 WINNER
PROJECT DEVELOPMENT
OF THE YEAR



2013 WINNER
SUSTAINABILITY LEADERSHIP
2010/2011 WINNERS
BEST COMMUNITY DEVELOPMENT



2011
LAO PDR LABOUR ORDER CLASS 1
BEST RURAL DEVELOPMENT



2011 WINNER
SOCIAL/COMMUNITY PRESENTED BY
ETHICAL INVESTOR



Operations overview

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

Copper in concentrate production for the September quarter was 17,997t at a C1 cash cost of US\$1.54/lb copper.

Table 1

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 June 2015	6 months to 30 June 2015
Copper in concentrate	t	17,997	39,143
Gold in concentrate	oz	20,699	50,443
Silver in concentrate	oz	111,385	272,724
C1 cost after precious metal credits	US\$/lb Cu	1.54	1.28
AISC	US\$/lb Cu	1.95	1.71

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

Production performance

Total material mined at Phu Kham during the quarter was 13.4 million tonnes (Mt) with 4.7Mt of ore processed. The average copper head grade was 0.51 per cent and gold and silver head grades were 0.29grams/t (g/t) and 1.81g/t respectively. Copper recovery averaged 75 per cent for the quarter.

Quarterly pay-metal in concentrate sales totalled 18,054t of copper, 21,215oz of gold and 113,175oz of silver.

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

Ban Houayxai produced 30,727oz gold in doré at an average C1 cost of US\$530/oz after silver credits.

Table 2

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 June 2015	6 months to 30 June 2015
Gold poured	oz	30,727	55,257
Silver poured	oz	274,601	535,869
C1 cost after precious metal credits	US\$/oz	530	596
AISC	US\$/oz	716	783

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

Production performance

Total material mined at Ban Houayxai during the quarter was 3 million tonnes (Mt). A total of 1.3Mt of ore was processed; 30 per cent above the Operation's nameplate capacity.

Sales during the quarter totalled 30,487oz gold and 273,836oz silver.

Predevelopment and exploration projects overview

PanAust's strategy is to maximise returns from its producing assets in Laos while advancing the Frieda River Copper-Gold Project feasibility study in PNG. Frieda River remains the focus for delivering a long-term source of production for the Company. Significant resources continued to be deployed during the June 2015 quarter to advance the study.

Frieda River has the potential to sustain the PanAust business for at least a further 20 years from first production and offers the opportunity for organic growth beyond the initial mid-size starter project that focuses on the Horse-Ivaal-Trukai (HIT) deposit. The full value of Frieda River is expected to be realised through the development of the nearby Nena, Koki and Ekwai deposits, which together provide the potential for expanding production and extending mine life.

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

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

The Frieda River Project team remained in place throughout the quarter and continued advancing the Frieda River feasibility study including undertaking geotechnical analysis and engineering studies relating to mining, ore processing, waste rock storage, logistics and power.

Ongoing positive engagement with the Government of PNG and communities continued to foster host-country support for the Project's long-term presence within PNG.

Inca de Oro Copper-Gold Project, Chile (PanAust 61.06 per cent)

PanAust completed a feasibility study on the Inca de Oro Project in 2014. A number of commercial matters that could have a material impact on the viability of the Project are yet to be resolved with stakeholders. No site activities have been undertaken during the 2015 year or are planned prior to agreeing satisfactory commercial arrangements for the Project.

Sustainability

PanAust's success is founded on the combination of operational excellence and commitment to sustainable business outcomes. Over the course of the Company's development from junior explorer to mid-tier international copper and gold producer, wherever it operates, PanAust has applied leading-practice governance, government and community engagement, environmental management, health and safety, and employee engagement and development.

In progressing the Frieda River Copper-Gold Project in PNG, PanAust will leverage its award-winning sustainability practices to ensure the development of a world-class mining operation that will contribute to the host country's long-term growth and prosperity.

Safety

As at 30 June, 12-month rolling averages for PanAust's key safety performance indicators were trending below (that is, better than) 2015 targets:

- Total recordable injury frequency rate, 0.72 (target: 1.35)
- Lost time injury frequency rate, 0.22 (target: 0.23)

Community development

In the vicinity of Phu Kham and Ban Houayxai in Laos, PanAust continued to support a range of capacity-building projects in local communities focusing on the key development areas of education, healthcare, agricultural development, small-business development (including microfinance) and infrastructure.

Stakeholder engagement

The PNG Minerals Resource Authority Director and officials visited the Frieda River Project site and engaged in positive discussions with landowner representatives. Both parties expressed strong support for the Project.

A PNG delegation led by the Governor of East Sepik Province, Sir Michael Somare, and Members of Parliament from the Sepik and Morobe regions travelled to Laos to visit key PanAust sites: the Phu Kham and the Ban Houayxai Operations as well as the Trades Training facility in Vientiane. The delegation was particularly interested in PanAust's tailings storage facilities, and water quality management and monitoring systems.

PanAust Group production and sales statistics June 2015 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 30 June 2015	6months to 30 June 2015
Total material mined	t	13,358,509	27,553,782
Copper-gold ore mined	t	3,937,282	9,113,837
Ore milled	t	4,708,840	9,408,482
Copper head grade	%	0.51	0.54
Gold head grade	g/t	0.29	0.33
Silver head grade	g/t	1.81	2.07
Concentrate produced	dmt	79,262.94	171,408.03
Copper in concentrate	t	17,996.65	39,142.83
Gold in concentrate	oz	20,698.58	50,443.19
Silver in concentrate	oz	111,384.72	272,723.63
Copper recovery	%	75.37	76.87
Concentrate sales	dmt	82,460.91	172,151.84
Payable copper in concentrate sold	t	18,054.04	38,064.11
Payable gold in concentrate sold	oz	21,215	49,193
Payable silver in concentrate sold	oz	113,175	264,878
Ban Houayxai Gold-Silver Operation			
Total material mined	t	3,046,272	6,136,813
Gold-silver ore mined	t	1,355,782	2,701,717
Ore milled	t	1,273,264	2,485,271
Gold head grade	g/t	0.90	0.83
Silver head grade	g/t	11.61	11.42
Gold in doré	oz	30,727	55,257
Silver in doré	oz	274,601	535,869
Gold recovery	%	83.12	82.48
Payable gold in doré sold	oz	30,487	54,236
Payable silver in doré sold	oz	273,836	530,472

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 June 2015	6 months to 30 June 2015
Mining cost	0.74	0.66
Deferred mining and inventory adjustments capitalised	0.09	0.02
Processing cost	0.71	0.65
General and administration (site support)	0.18	0.17
Total on-site operating costs	1.72	1.50
Transport handling and marketing	0.21	0.24
Concentrate treatment and refining	0.32	0.32
Total off-site operating costs	2.25	2.05
Deduct precious metal credits	(0.71)	(0.78)
Total direct operating costs (C1 cost)	1.54	1.28
Royalty	0.17	0.16
Sustaining capital (includes TSF)	0.10	0.09
Corporate support and shared services costs	0.09	0.09
Lease principal and interest charges	0.13	0.12
Deferred mining and inventory adjustment capitalised	(0.09)	(0.02)
All-in sustaining costs	1.95	1.71

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 June 2015	6 months to 30 June 2015
Mining cost	194	248
Deferred mining and inventory adjustments capitalised	21	15
Processing cost	373	391
General and administration (site support)	69	80
Total on-site operating costs	658	735
Total off-site operating costs (freight, refining)	18	19
Deduct silver credit	(146)	(158)
Total direct operating costs (C1 cost)	530	596
Royalty	80	82
Sustaining capital (includes TSF)	45	26
Corporate support and shared services costs	38	45
Lease principal and interest charges	43	48
Deferred mining and inventory adjustment capitalised	(21)	(15)
All-in sustaining costs	716	783

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

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