

15 February 2018

## PanAust Quarterly Report for the three months to 31 December 2017

### Highlights

- Outstanding annual safety performance reflects PanAust’s commitment to Zero Harm**
  - PanAust Group achieved an annual total recordable injury frequency rate (TRIFR) of 0.83 per million hours worked; a 28 per cent improvement on the Company’s 2016 performance
  - A lost time injury frequency rate (LTIFR) of 0.08 was achieved
- Strong fourth quarter production and cost performance at PanAust’s Operations in Laos**
  - The Phu Kham Copper-Gold Operation produced 23,394 tonnes (t) of copper in concentrate at a C1<sup>i</sup> cost of US\$1.11/lb after precious metal credits from 19,982 ounces (oz) of gold and 152,146oz silver. An all-in sustaining cost<sup>ii</sup> (AISC) of US\$1.73/lb copper was realised.
  - A new quarterly copper recovery record of 83.3 per cent was achieved at Phu Kham.
  - The Ban Houayxai Gold-Silver Operation recorded production of 26,266oz of gold and 154,106oz of silver at a C1 cost of US\$827/oz after silver credits. An AISC of US\$1,117/oz gold was achieved.
- On the back of an annual copper recovery record of 81.5 per cent (2016: 79.9 per cent), the Phu Kham Operation achieved a new annual production record of 90,363t copper in concentrate.
- Highlighting PanAust’s commitment to continued safety outcomes, the second annual Logistics Safety Days were held at the Ban Thouay and Thakhek logistics hubs in October.
- In October, the first intake of Trades Training Apprenticeship Program apprentices completed the final assessments required to receive an Australian Trade Certificate III in their chosen trade. A graduation ceremony for the 34 apprentices – five of whom were women – was held in Vientiane in December. All graduates have since transitioned into full-time trades positions at the Company’s Lao Operations.
- The annual Caterpillar contamination control audit of the Lao Operations’ mobile maintenance workshops and associated warehouse facilities was completed in October; both facilities retained their 5-star accreditations (the fifth consecutive year for Ban Houayxai and fourth for Phu Kham) and are two of only four worldwide to have achieved the rating.



## Business overview

PanAust is pleased to report that the Company ended 2017 in a strong position on the back of improved metals prices, record copper production at its Phu Kham Copper-Gold Operation, and ongoing vigilance to maintain a lean cost structure.

PanAust Managing Director, Dr Fred Hess spoke of the Company's 2017 performance.

"In 2017, it was PanAust's people – aligned to our Vision and Values and corporate strategy – who continued to push our Company *Way Ahead*.

"Keeping our people safe is a duty that every leader in our Company believes in and takes seriously. We demonstrate this by year-on-year improving the challenging safety targets we set for ourselves.

"At year end, PanAust's 12-month rolling total recordable injury frequency rate was 0.83. Not only is this better than industry averages, it is also a 28 per cent improvement on the Company's 2016 result," Dr Hess explained.

"Phu Kham and Ban Houayxai achieved a number of annual production records. The Ban Houayxai process plant achieved record availability (96.8 per cent) and operating time (95.8 per cent), and the Operations combined ex-pit movements were 70.6Mt.

"In October, the annual Caterpillar contamination control audits were conducted on the Company's mobile maintenance workshops and associated warehouse facilities. Pleasingly, both Operations retained their 5-star ratings; the fifth consecutive year for Ban Houayxai and the fourth for Phu Kham.

"These achievements, along with the highest ever copper in concentrate production at Phu Kham (90,393t), highlights that the value generated by the Company's Operations in Laos continue to provide a platform from which we can grow the business.

"The Frieda River Copper-Gold Project in Papua New Guinea represents PanAust's long-term strategic growth opportunity. In 2017, we made significant strides towards making the Project a reality through identifying opportunities to significantly increase the value of the Project, decrease capital expenditure, and reduce its overall risk profile. We will continue to evaluate these opportunities in 2018," Dr Hess said.

Looking to the year ahead, PanAust will look to further strengthen the relationships that have become integral to the Company's success, and are synonymous with how it conducts itself where ever it operates.

"The common currency of PanAust's success is the strength of its relationships; relationships with our employees, communities, host governments, suppliers, peers, and partners. These relationship depend on trust and consistent transparent communication. This is what pushes PanAust *Way Ahead* and will continue to do so throughout 2018," Dr Hess added.

## Operations overview

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

Production of copper in concentrate at the Phu Kham Copper-Gold Operation totalled 23,394t during the quarter. A C1 cost of US\$1.11/lb copper was realised.

**Table 1**

Phu Kham Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Dec 2017	12 months to 31 Dec 2017
Copper in concentrate	t	23,394	90,363
Gold in concentrate	oz	19,982	76,055
Silver in concentrate	oz	152,146	587,641
C1 cost after precious metal credits	US\$/lb Cu	1.11	1.18
AISC	US\$/lb Cu	1.73	1.68

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

### Phu Kham production performance

The Operation mined 13.8 million tonnes (Mt) of material and processed 4.7Mt of ore.

Copper, gold and silver head grades averaged 0.62 per cent, 0.25 grams/t (g/t) and 2.35g/t respectively. An overall copper recovery rate of 83 per cent was realised.

Quarterly pay-metal in concentrate sales totalled 24,453t of copper, 20,599oz of gold and 160,440oz of silver.

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

The Ban Houayxai Gold-Silver Operation poured 26,266oz of gold and 154,106oz of silver in doré during the December 2017 quarter. A C1 cost of US\$827/oz gold was achieved.

**Table 2**

Ban Houayxai Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 31 Dec 2017	12 months to 31 Dec 2017
Gold poured	oz	26,266	116,475
Silver poured	oz	154,106	789,735
C1 cost after precious metal credits	US\$/oz	827	618
AISC	US\$/oz	1,117	817

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 3.7Mt with 1.2Mt of ore processed.

The process plant achieved a new annual record for availability of 96.8 per cent. A new annual record for operating time of 95.8 per cent was 0.5 per cent above the previous best in 2016.

Gold and silver head grades were 0.87g/t and 7.9g/t respectively, while gold recovery averaged 78.3 per cent. Payable gold and silver in doré sold during the quarter totalled 25,347oz and 163,972oz respectively.

## **Pre-development 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.

PanAust continues to liaise with PNG authorities on the Frieda River Project following lodgement of a Special Mining Lease (SML) application and Environmental Impact Statement (EIS) with the Mineral Resources Authority (MRA) of Papua New Guinea and Conservation and Environment Protection Authority (CEPA) of PNG, respectively in 2016.

The overall approval and permitting process for the SML application and other permits and approvals is now being coordinated by a government appointed State Negotiating Team, chaired by the Department of Mineral Policy and Geohazards Management.

PanAust is investigating opportunities to increase the value of the Project and access alternative development pathways to decrease capital expenditure and reduce the overall Project risk profile. Study work to investigate these opportunities continued throughout the quarter, and indicate several potential pathways for value enhancement. The outcomes of this work will inform a decision as to whether an update to the Project's SML application will be made.

### **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 213 square-kilometre contract area in the Sagaing Region of northern Myanmar. The Exploration Licences comprise three tenement blocks: Hel Chain, Pin Hin Hka and Nam Awl. WRCL has applied for additional exploration licences in the same Region.

Also in Myanmar, PanAust has a farm-in agreement with Metro Mining Limited (an Australian ASX-listed company) for the Mahar San Exploration Project.

Field work at the WRCL Exploration Licences in the Sagaing Region, and diamond drilling at the Mahar San Project are scheduled to resume during the March 2018 quarter.

Through the Company's association with the International Investors for Mineral Development Association (IIMDA), PanAust met with the Myanmar State Counsellor, Aung San Suu Kyi in December 2017 to discuss concerns about the protracted approval processes for granting new exploration licences in the country.

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

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

In January 2018, PanAust announced it was commencing a process for the sale of the Inca de Oro Project and nearby Carmen deposit.

## Sustainability

For PanAust, success requires excellence not only in the physical production of copper and gold but across all aspects of the business including safety, environmental management, community relationships and government engagement. The Company continues to find that pursuing business and sustainability outcomes in a complementary manner is mutually beneficial; success in one area facilitates excellence in the other.

### Logistics Safety Days

PanAust's safety culture does not stop at its Operations. Community safety programs reinforce that the Company cares about its employees and their families, and that safety is a core Value of how the Company operates.

The second annual Logistics Safety Days were held at the Ban Thouay and Thakhek logistics hubs in October. The events bring together logistics personnel and their families for a day of fun while promoting the Company's safety culture. The nature of logistics work (operating on public roads to move large quantities of concentrate and supplies) and the risks associated with those activities – including fatigue – and how family members can help reduce those risks were discussed.



*Left: Two children with their helmet prize for participating in the children's safety quiz at the Thakhek Logistics Safety Day, October 2017*

### Trades Training apprentices graduate

The Company's first intake of trades training apprentices completed the final week-long assessments required to graduate from PanAust's Trades Training Apprenticeship Program in October 2017.

The assessments represented the culmination of five years of hard work from each of the 34 determined apprentices – five of whom were women – who received an Australian Certificate III trade qualification in one of the following fields: mobile mechanical and electrical, fixed plant mechanical and electrical, or welding and fabrication.

In December, the apprentices transitioned into full-time trade roles with the Company's fixed plant maintenance and mobile maintenance teams in Laos.



*Left: Trades Training apprentices celebrate their success at a ceremony for their graduation held at the Landmark Hotel in Vientiane, December*

## **Government engagement**

PanAust General Manager External Affairs and Site Support, in his role as Chairman of the International Investors for Mineral Development Association (IIMDA), led representatives from the Association in a discussion with Myanmar State Counsellor, Aung San Suu Kyi in December.

Measures to improve transparency in the mining sector were discussed, including the availability of data and providing public access to resource agreements. The Association stressed the role that responsible resource sector investment could play in developing Myanmar's economy, while the State Counsellor underlined the importance of early, ongoing engagement with local communities.



*Left: Members of the International Investors for Mineral Development Association (IIMDA) including Chairman and PanAust General Manager External Affairs and Site Support, Richard Taylor with Myanmar State Counsellor, Aung San Suu Kyi, December*

## PanAust Group production and sales statistics for the December 2017 quarter

**Table 3**

<b>Phu Kham Copper-Gold Operation</b>	<b>Units</b>	<b>3 months to 31 Dec 2017</b>	<b>12 months to 31 Dec 2017</b>
Total material mined	t	13,849,115	55,461,395
Copper-gold ore mined	t	4,663,109	19,019,089
Ore milled	t	4,555,427	18,526,071
Copper head grade	%	0.62	0.60
Gold head grade	g/t	0.25	0.25
Silver head grade	g/t	2.35	2.33
Concentrate produced	dmt	99,866	387,867
Copper in concentrate	t	23,394	90,363
Gold in concentrate	oz	19,982	76,055
Silver in concentrate	oz	152,146	587,641
Copper recovery	%	83.30	81.53
Concentrate sales	dmt	104,948	370,987
Payable copper in concentrate sold	t	24,453	85,882
Payable gold in concentrate sold	oz	20,599	74,167
Payable silver in concentrate sold	oz	160,440	591,523
<b>Ban Houayxai Gold-Silver Operation</b>		<b>3 months to 31 Dec 2017</b>	<b>12 months to 31 Dec 2017</b>
Total material mined	t	3,711,395	14,716,905
Gold-silver ore mined	t	1,391,885	5,279,701
Ore milled	t	1,212,037	4,977,144
Gold head grade	g/t	0.87	0.89
Silver head grade	g/t	7.99	9.27
Gold in doré	oz	26,266	116,475
Silver in doré	oz	154,106	789,735
Gold recovery	%	78.29	80.85
Payable gold in doré sold	oz	25,357	118,240
Payable silver in doré sold	oz	163,972	825,107

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 Dec 2017	12 months to 31 Dec 2017
Mining cost	0.52	0.55
Deferred mining and inventory adjustments capitalised	-0.01	0.01
Processing cost	0.53	0.55
General and administration (site support)	0.14	0.14
<b>Total on-site operating costs</b>	<b>1.19</b>	<b>1.25</b>
Transport handling and marketing	0.20	0.20
Concentrate treatment and refining	0.26	0.27
<b>Total off-site operating costs</b>	<b>1.64</b>	<b>1.71</b>
Deduct precious metal credits	-0.53	-0.53
<b>Total direct operating costs (C1 cost)</b>	<b>1.11</b>	<b>1.18</b>
Royalty	0.20	0.18
Sustaining capital (includes TSF)	0.16	0.14
Rehabilitation and closure	0.02	0.02
Corporate support and shared services costs	0.14	0.10
Lease principal and interest charges	0.08	0.07
Deferred mining and inventory adjustment capitalised	0.01	-0.01
<b>All-in sustaining costs</b>	<b>1.73</b>	<b>1.68</b>

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 Dec 2017	12 months to 31 Dec 2017
Mining cost	349	283
Deferred mining and inventory adjustments capitalised	-5	4
Processing cost	496	362
General and administration (site support)	91	82
<b>Total on-site operating costs</b>	<b>931</b>	<b>731</b>
Total off-site operating costs (freight, refining)	7	6
Deduct silver credit	-110	-120
<b>Total direct operating costs (C1 cost)</b>	<b>827</b>	<b>618</b>
Royalty	84	83
Sustaining capital (includes TSF)	109	49
Rehabilitation and closure	-1	1
Corporate support and shared services costs	53	41
Lease principal and interest charges	40	29
Deferred mining and inventory adjustment capitalised	5	-4
<b>All-in sustaining costs</b>	<b>1,117</b>	<b>817</b>

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

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<sup>i</sup> 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

<sup>ii</sup> 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