

03 August 2018

PanAust Quarterly Report for the three months to 30 June 2018

Highlights

- **Solid 12-month rolling safety performance**
 - Total recordable injury frequency rate (TRIFR) – 0.89
 - Lost time injury frequency rate (LTIFR) – 0.07
- **Strong quarterly production and cost outcomes achieved**
 - The Phu Kham Copper-Gold Operation produced 21,201 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.24/lb after precious metal credits from 18,598 ounces (oz) of gold and 144,709oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.71/lb copper was realised.
 - The Ban Houayxai Gold-Silver Operation recorded production of 30,866oz of gold and 177,976oz of silver at a C1 cost of US\$677/oz after silver credits. An AISC of US\$853/oz gold was achieved.
- **Growth**
 - On 6 July, PanAust announced it had secured three new Exploration Licences in Myanmar. The Licences were the first awarded under Republic of the Union of Myanmar’s new minerals regulations.
 - Work continued on an updated feasibility study and Environmental Impact Statement for the Frieda River Copper-Gold Project, based on a shared-use infrastructure model that aligns with Papua New Guinea’s national development plans.
- **Sustainability**
 - On 11 May, the Company honoured its employees who made an outstanding contribution to the Company in 2017 at its ninth annual employee awards ceremony in Laos.

2018 WINNER
ASEAN OSHNET
EXCELLENCE AWARD
OHS MANAGEMENT



2017
LAO PDR LABOUR ORDER MEDAL
2011
LAO PDR LABOUR ORDER
MEDAL CLASS 1
POVERTY REDUCTION



2015 WINNER
AUSTRALIAN CLIMATE
LEADERSHIP AWARDS
MOST PROFITABLE CARBON
REDUCTION ACTIVITY



2013 WINNER
PROJECT
DEVELOPMENT
OF THE YEAR



2013 WINNER
SUSTAINABILITY LEADERSHIP
2010/11 WINNERS
BEST COMMUNITY
DEVELOPMENT



Business overview

PanAust recorded strong performance across the business in the June 2018 quarter.

In May, PanAust celebrated the tenth anniversary of its Phu Kham Copper-Gold Operation and the sixth anniversary of the Ban Houayxai Gold-Silver Operation in Laos. The Company was honoured to celebrate the milestone with the Government of Laos, suppliers, customers and employees at events in Laos during the month.

PanAust Managing Director, Dr Fred Hess spoke about how the stellar production of the Company's Operations underpins PanAust's success.

"The significant cash flow Phu Kham and Ban Houayxai generate support PanAust's strategic objective to maximise returns from the Operation while advancing projects that offer the potential to sustain and grow the business in the long-term. The importance of our Lao Operations cannot be overstated.

"Importantly, PanAust's dedication to achieving operational excellence at its Operations, through the pursuit of cost-efficient business methodologies and practices, has enabled the Company to make a significant, positive, and lasting contribution to the Government and people of Laos," Dr Hess said.

Showcasing its commitment to pursuing growth opportunities, on 6 July, PanAust announced it had secured three new Exploration Licences in Myanmar.

"The Company is pleased to have secured new ground in Myanmar, a country that represents a major focus for PanAust's growth strategy," Dr Hess said.

"High operational standards, coupled with strong support for the socio-economic development of our host communities, has proven to be a recipe for success in Laos. This operational model will provide a template for how the Company's exploration program in Myanmar will be pursued.

"We look forward to working with the Government of Myanmar, host communities and in-country stakeholders to advance our activities in Myanmar," Dr Hess added.

PanAust will focus on delivering exceptional full-year outcomes in the second half of 2018 while continuing to pursue growth opportunities.

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 21,201t during the quarter. A C1 cost of US\$1.24/lb copper was realised.

Table 1

Phu Kham Copper-Gold Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Jun 2018	6 months to 30 Jun 2018
Copper in concentrate	t	21,201	40,660
Gold in concentrate	oz	18,598	34,556
Silver in concentrate	oz	144,709	268,746
C1 cost after precious metal credits	US\$/lb Cu	1.24	1.32
AISC	US\$/lb Cu	1.71	1.79

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 13.4 million tonnes (Mt) of expit material was mined during the quarter which included 5.5Mt of copper-gold ore.

Copper, gold and silver head grades averaged 0.54 per cent, 0.25 grams/t (g/t) and 2.32g/t respectively. An overall copper recovery rate of more than 81 per cent was realised.

Quarterly pay-metal in concentrate sales totalled 21,183t of copper, 18,902oz of gold and 148,348oz of silver.

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

The Ban Houayxai Gold-Silver Operation poured 30,866oz of gold and 177,976oz of silver in doré during the June quarter. A C1 cost of US\$677/oz gold was realised.

Table 2

Ban Houayxai Gold-Silver Operation <i>Production summary (100% equity basis)</i>	Units	3 months to 30 Jun 2018	6 months to 30 Jun 2018
Gold poured	oz	30,866	52,831
Silver poured	oz	177,976	314,811
C1 cost after precious metal credits	US\$/oz	677	767
AISC	US\$/oz	853	998

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

Ban Houayxai production performance

A new quarterly record of 4.2Mt of total material mined was achieved at Ban Houayxai during the quarter. The previous best of 3.8Mt was recorded in the June quarter 2017. Mined material included 1.1Mt of gold-silver ore. Over 1.3Mt of ore was processed.

Gold and silver head grades averaged 0.88g/t and 7.98g/t respectively. A gold recovery percentage of over 84 was achieved.

Payable gold and silver in doré sold during the quarter totalled 34,218oz and 189,793oz respectively.

Pre-development and exploration projects overview

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

In Papua New Guinea (PNG), PanAust holds an 80 per cent interest in the Frieda River Copper-Gold Project.

PanAust has revised the scope of the Project to integrate with the Government of PNG's development strategy plan. The revised scope supports a mine life in excess of 30 years and greater extraction of the extensive Mineral Resource by leveraging third-party shared-use infrastructure.

The new Project scope comprises:

- a long-life, large-scale open-pit copper-gold mine to extract the Horse-Ivaal-Trukai, Ekwai and Koki (HITEK) mineral deposits
- a conventional comminution and flotation process plant treating in excess of 40Mtpa of ore
- transport of high-quality copper-gold concentrate via a 320 kilometre buried pipeline to the Vanimo Ocean Port for export to custom smelters
- peak annual metal in concentrate production of 290,000t copper and 360,000oz gold
- subaqueous storage and containment of mine waste rock and tailings within a large integrated storage facility (ISF)
- a land-based logistics and infrastructure corridor connecting the mine to the Vanimo Ocean Port
- low-cost renewable energy from a hydroelectric power facility supplied by water from the ISF reservoir.

Hydroelectric power will assist PNG meet its target of 100 per cent renewable energy supply by 2050. The hydroelectric facility will operate beyond the life of the Project, supplying surplus power to the Sepik region which currently lacks both substantial generating capacity and a transmission grid.

To leverage the infrastructure established for the Project, opportunities have been identified to further extend the mine life and extract copper and gold from the Nena deposit.

PanAust expects to complete the feasibility study and associated Environmental Impact Statement (EIS) by the December quarter 2018, prior to lodging amendments to the 2016 Special Mining Lease (SML) application and associated permits, subject to Joint Venture approval.

Arbitration proceedings with Frieda River joint venture partner Highlands Pacific continued during the quarter.

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.

On 6 July, PanAust announced it had secured three new Exploration Licences in Myanmar, following approval by the Government of the Republic of the Union of Myanmar on 21 June. The Licences are the first awarded under the Myanmar Union Government's new minerals regulations.

The Exploration Licences comprise the Ton Kyaung, Taung Kong and Naugphat blocks. Together, the blocks represent a 562 square-kilometre area in the highly prospective Wuntho Massif region. The Licences complement those granted in 2016 which marked PanAust's first venture into Myanmar.

The 2016 Licences cover a 213 square-kilometres 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.

During the quarter, PanAust withdrew from the farm-in agreement with Metro Mining Limited (an Australian ASX-listed company) over the Mahar San Exploration Project.

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 are 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

PanAust is committed to ensuring its presence positively impacts host communities and countries in which it operates. The Company achieves this by meeting the demand for resources in a socially responsible way, by ensuring traditional rights and values are supported, and respecting cultural heritage.

Employee engagement: PanAust's ninth annual Employee Awards

On 11 May, PanAust held its annual Employee Awards ceremony at the Crowne Plaza in Vientiane.

Now in its ninth year, PanAust's annual Employee Awards program celebrates and rewards employees for their outstanding contribution to workplace safety, production, cost performance, sustainability, leadership, teamwork, training and innovation on a team and individual basis.

The program celebrates employees who embody the Company's Vision and Values, and promotes individual initiative and collective teamwork as complimentary pathways to achieving business success.

PanAust recognises that one of its key strengths is its people. In recognising its employees and their accomplishments, the Company acknowledges the influence their achievements continue to have on the Company's ongoing success.



Above: PanAust's 9th annual Employee Award winners and runners up celebrate their success at a gala ceremony held at the Crown Plaza in Vientiane, Laos

Sustainable growth: New Exploration Licences in Myanmar

On 6 July, PanAust announced it had secured three new Exploration Licences in Myanmar following approval by the Government of the Republic of the Union of Myanmar on 21 June. The Licences are the first awarded under the Myanmar Union Government's new minerals regulations.

In Myanmar, PanAust is in a position to help position the mining industry as a positive contributor to the country's development. In progressing its mining operations in Myanmar, PanAust will leverage its award-winning sustainability practices to ensure the Company's activities contribute to the nation's long-term growth and prosperity.



Above: PanAust Managing Director, Dr Fred Hess receives Exploration Licences from Union Minister for Natural Resources and Environmental Conservation, H.E. U Ohn Win at an official signing ceremony in Myanmar's capital, Naypyitaw, 5 July 2018

PanAust Group production and sales statistics for the June 2018 quarter

Table 3

Phu Kham Copper-Gold Operation	Units	3 months to 30 Jun 2018	6 months to 30 Jun 2018
Total material mined	t	13,428,133	27,452,842
Copper-gold ore mined	t	5,540,202	10,364,856
Process plant available time	%	97.3	96.4
Process plant operating time	%	96.9	96.0
Ore milled	t	4,855,563	9,564,637
Copper head grade	%	0.54	0.53
Gold head grade	g/t	0.25	0.23
Silver head grade	g/t	2.32	2.17
Concentrate produced	dmt	91,020	173,983
Copper in concentrate	t	21,201	40,660
Gold in concentrate	oz	18,598	34,556
Silver in concentrate	oz	144,709	268,746
Copper recovery	%	81.11	80.95
Concentrate sales	dmt	91,544	177,791
Payable copper in concentrate sold	t	21,183	41,289
Payable gold in concentrate sold	oz	18,902	35,413
Payable silver in concentrate sold	oz	148,348	299,249
Ban Houayxai Gold-Silver Operation	Units	3 months to 30 Jun 2018	6 months to 30 Jun 2018
Total material mined	t	4,221,566	8,042,419
Gold-silver ore mined	t	1,143,366	2,579,707
Process plant available time	%	96.4	97.1
Process plant operating time	%	95.4	96.4
Ore milled	t	1,308,395	2,618,882
Gold head grade	g/t	0.88	0.78
Silver head grade	g/t	7.98	7.29
Gold in doré	oz	30,866	52,831
Silver in doré	oz	177,976	314,811
Gold recovery	%	84.06	80.64
Payable gold in doré sold	oz	34,218	55,689
Payable silver in doré sold	oz	189,793	324,124

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 2018	6 months to 30 Jun 2018
Mining cost	0.70	0.71
Deferred mining and inventory adjustments capitalised	-0.05	-0.03
Processing cost	0.56	0.60
General and administration (site support)	0.16	0.16
Total on-site operating costs	1.38	1.44
Transport handling and marketing	0.19	0.20
Concentrate treatment and refining	0.23	0.24
Total off-site operating costs	1.80	1.88
Deduct precious metal credits	-0.57	-0.56
Total direct operating costs (C1 cost)	1.24	1.32
Royalty	0.20	0.19
Sustaining capital (includes TSF)	0.14	0.14
Rehabilitation and closure	0.00	0.00
Corporate support and shared services costs	0.09	0.10
Lease principal and interest charges	0.00	0.00
Deferred mining and inventory adjustment capitalised	0.05	0.03
All-in sustaining costs	1.71	1.79

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 2018	6 months to 30 Jun 2018
Mining cost	335	385
Deferred mining and inventory adjustments capitalised	-9	-8
Processing cost	345	381
General and administration (site support)	92	101
Total on-site operating costs	763	858
Total off-site operating costs (freight, refining)	6	6
Deduct silver credit	-92	-97
Total direct operating costs (C1 cost)	677	767
Royalty	84	85
Sustaining capital (includes TSF)	42	92
Rehabilitation and closure	0	1
Corporate support and shared services costs	41	44
Lease principal and interest charges	0	0
Deferred mining and inventory adjustment capitalised	9	8
All-in sustaining costs	853	998

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