

01 August 2019

PanAust quarterly activities report for the three months to 30 June 2019

Highlights

- **Outstanding Group safety performance recorded**
 - Total recordable injury frequency rate (TRIFR) – 0.15
 - Lost time injury frequency rate (LTIFR) – 0.00
- **Solid production and cost performance outcomes achieved**
 - The Phu Kham Copper-Gold Operation produced 17,863 tonnes (t) of copper in concentrate at a C1ⁱ cost of US\$1.16/lb after precious metal credits from 16,455 ounces (oz) of gold and 95,161oz silver. An all-in sustaining costⁱⁱ (AISC) of US\$1.78/lb copper was realised.
 - The Ban Houayxai Gold-Silver Operation recorded production of 26,392oz of gold and 184,889oz of silver at a C1 cost of US\$714/oz after silver credits. An AISC of US\$879/oz gold was achieved.
- **Growth**
 - In April, representatives from Papua New Guinea’s (PNG) Conservation & Environmental Protection Authority (CEPA) and Mineral Resources Authority (MRA) along with PanAust Country Manager delivered copies of the Sepik Development Project Environmental Impact Statement (EIS) to both West and East Sepik provincial Governments, several local-level Governments and to the seven near-Project communities.
 - Phase one of the scout drilling program of the Company’s Wuntho prospects was completed during the June quarter.
- **Sustainability**
 - In PNG, work was completed on four significant infrastructure projects in the Company’s near-Project communities.
 - In a celebration of the contribution its employees make to the business, PanAust held its 10th Annual Employee Awards at the Phu Kham Copper-Gold Operation 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



Executive Chairman's overview

PanAust is pleased to report that it has recorded above budget production and cost outcomes during the June quarter 2019. Importantly, these outcomes were achieved on the back of a quarter-on-quarter improvement to its already stellar health and safety performance.

The Company set a new record TRIFR of 0.22 during the March quarter 2019. It was at the time the lowest rate PanAust had recorded since records began in 2008. Determined not to become complacent with regard to safety, the Company has further improved on its record, achieving a 0.15 TRIFR as at 30 June 2019.

PanAust Executive Chairman, Dr Qun Yang spoke about the Company's commitment to safety and its all-inclusive approach to business success.

"At PanAust, we continue to reap the benefits from our holistic approach to the business of mining. This style has become synonymous with PanAust and is not only keeping our employees and communities safe, it facilitates above budget production and cost outcomes and enables us to provide a better future for people living in communities close to where we operate. It also provides a template for how we intend to do business in jurisdictions we intend to enter, including PNG," Dr Yang said.

In May, PanAust was honoured to receive the 'Miners Innovation Award' at Austmine's '2019 Mining Innovation Conference and Exhibition' in Brisbane. The award recognised an inventive solution, conceived and implemented by the Company's logistics team, to backload diesel to its Phu Kham Copper-Gold Operation in Laos.

"The diesel backloading initiative – six years in the making – is further testament to how cost, production and sustainability outcomes are mutually supportive. The Award would not have been realised if it was not for the tireless efforts of a dedicated cross-functional team in Laos. I want to thank everyone involved in the project and for helping achieve this great honour for our Company," Dr Yang added.

Also in May, the Company hosted a delegation of senior leaders from the State Owned Assets Supervisor and Administration Commission of the Guangdong Provincial Government, its shareholder Guangdong Rising Assets Management and manager, Nonfemet at its Operations in Laos.

"Our honoured guests were very impressed with our outstanding start to 2019, prudent cost saving initiatives and production outcomes. The Company's strong health, safety and environmental reputation – both in Laos and internationally – was also recognised during the visit. The delegation reaffirmed the importance of these elements to our operating philosophy," Dr Yang concluded.

As the Company heads into the second half of 2019, PanAust's strategic focus will be firmly fixed on achieving exceptional full-year outcomes.

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 17,863t during the June quarter. A C1 cost of US\$1.16/lb copper was realised.

Table 1

| Phu Kham Copper-Gold Operation <i>Production summary (100% equity basis)</i> | Units | Three months to 30 Jun 2019 | Six months to 30 Jun 2019 |
|---|------------|--------------------------------|------------------------------|
| Copper in concentrate | t | 17,863 | 37,682 |
| Gold in concentrate | oz | 16,455 | 35,859 |
| Silver in concentrate | oz | 95,161 | 210,953 |
| C1 cost after precious metal credits | US\$/lb Cu | 1.16 | 1.15 |
| AISC | US\$/lb Cu | 1.78 | 1.63 |

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

Phu Kham production performance

More than 10.8 million tonnes (Mt) of ex-pit material was mined during the quarter which included 4.1Mt of copper-gold ore.

Copper, gold and silver head grades averaged 0.43 per cent, 0.19 grams/t (g/t) and 1.47g/t respectively. An overall copper recovery rate of 80 per cent was achieved.

Quarterly concentrate sales totalled 18,221t of copper, 17,091oz of gold and 107,519oz of silver.

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

The Ban Houayxai Gold-Silver Operation poured 26,392oz of gold and 184,889oz of silver in doré during the June quarter. A C1 cost of US\$714/oz gold was realised.

Table 2

| Ban Houayxai Gold-Silver Operation <i>Production summary (100% equity basis)</i> | Units | Three months to 30 Jun 2019 | Six months to 30 Jun 2019 |
|---|---------|--------------------------------|------------------------------|
| Gold poured | oz | 26,392 | 59,512 |
| Silver poured | oz | 184,889 | 438,520 |
| C1 cost after precious metal credits | US\$/oz | 714 | 598 |
| AISC | US\$/oz | 879 | 749 |

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

Ban Houayxai production performance

The Operation mined more than 3.5Mt of ex-pit material during the quarter. Mined material included more than 1.3Mt of gold-silver ore. Over 1.2Mt of ore was processed.

Gold and silver head grades averaged 0.82g/t and 8.70g/t respectively. A gold recovery percentage of over 78 per cent was achieved.

Gold and silver in doré sold during the quarter totalled 30,335oz and 214,968oz respectively.

Pre-development and exploration projects overview

Frieda River Project, PNG (PanAust 100 per cent)

Through its wholly-owned subsidiary, Frieda River Limited, PanAust owns the world-class Frieda River Project.

In December 2018, PanAust announced a new pathway for the Project which focused on the development of shared-use infrastructure that will support, and in turn be supported by, a hydroelectric facility and mine operation – the Sepik Development Project. A Feasibility Study and Environmental Impact Statement (EIS) for the Project were completed and lodged with PNG authorities in the same month.

The Sepik Development Project contemplates four interdependent projects that together will create a new economic corridor across the West and East Sepik Provinces: the Sepik Infrastructure Project, the Frieda River Hydroelectric Project, the Frieda River Copper-Gold Project, and the Sepik Power Grid Project.

In April, representatives from PNG's Conservation & Environmental Protection Authority (CEPA) and Mineral Resources Authority (MRA) and PanAust's Country Manager delivered copies of the Sepik Development Project EIS to West and East Sepik provincial Governments, several local-level Governments and the seven near-Project communities.

Exploration Licences, Myanmar (PanAust 90 per cent)

In Myanmar, PanAust holds a 90 per cent interest in Wuntho Resources Company Limited (WRCL) with joint venture partner Myanmar Energy Resources Group International Company Limited (MERG), a Myanmar-based company which holds the remaining 10 per cent of WRCL.

WRCL holds tenements covering roughly 775 square-kilometres in the Sagaing region of Myanmar and has applied for additional Exploration Licences in the same Region.

Phase one of the scout drilling program at the Company's Wuntho prospects in Myanmar was completed in April. Analysis of the drill cores, photography, logging, cuttings and samples collected progressed during May and June.

KTL Copper-Gold Project, Laos (PanAust 90 per cent)

Prefeasibility study work progressed during the June quarter, with process plant location, pit optimisation, infrastructure and tailings storage facility (TSF) locations reviewed. Environmental and social impact assessment scoping studies commenced.

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.

Sustainability

PanAust is committed to ensuring its presence positively impacts the host communities and countries in which it operates. The Company's way of doing business, the PanAust Way, is a modern approach to mining that measures success not merely by production volumes but equally by the sustainability of its interaction with its people, hosts communities and government and the environment.

PanAust celebrates the contribution its employees make to business success.

On 8 May, the winners and runners up of PanAust's annual Employee Awards were announced at a ceremony held at the Company's Phu Kham Copper-Gold Operation in Laos.

Now in its tenth year, the Employee Awards Program rewards employees for their outstanding contributions to safety, sustainability and production. The Awards promote a clear link to business goals and the Company's Vision and Values and foster a culture of continuous business, professional and individual improvement.

For her exceptional performance during the 2018 and her significant contribution to the Company's success while at all times behaving in a way that reflects the PanAust's values, Transport Team Leader, Earlee Boualong was named 'Employee of the Year'. The Significant Incident Management Team from Ban Houayxai and the Technical Support and Services Team from Brisbane received joint 'Team of the Year' Awards.



Above: The 10th Annual Employee Awards winners and runners up celebrate their success at the Award's ceremony held at the Phu Kham Copper-Gold Operations in Laos, 8 May 2019

Community projects in PNG

In the June quarter, PanAust completed the construction of four facilities in its near-Project communities in PNG.

A double classroom at the primary school in Ok Isai and a classroom in the Amaromin elementary school were completed and opened on 18 April and 15 June respectively. Two aid posts, one in Wameimin 1 and the other in Wabia, were opened on the 15 and 29 of June. Work continues on two additional aid posts in the near-Project communities.

The provision of infrastructure to improve health and education outcomes are focus areas for the Company's community development plans. The plans aim to make a meaningful contribution to building long-term community capacity and empower people to determine and progress their own development priorities now and beyond the life of the Company's Operations.



Above: A ceremony commemorating the opening of a double classroom at the Ok Isai primary school – a PanAust-sponsored infrastructure project

PanAust Group production and sales statistics for the June quarter 2019

Table 3

| Phu Kham Copper-Gold Operation | Units | Three months to 30 Jun 2019 | Six months to 30 Jun 2019 |
|------------------------------------|-------|--------------------------------|------------------------------|
| Total material mined | t | 10,822,752 | 23,042,256 |
| Copper-gold ore mined | t | 4,142,783 | 9,310,665 |
| Process plant available time | % | 97.0 | 95.8 |
| Process plant operating time | % | 96.6 | 95.4 |
| Ore milled | t | 5,223,551 | 10,045,762 |
| Copper head grade | % | 0.43 | 0.47 |
| Gold head grade | g/t | 0.19 | 0.22 |
| Silver head grade | g/t | 1.47 | 1.63 |
| Concentrate produced | dmt | 75,477 | 159,826 |
| Copper in concentrate | t | 17,863 | 37,682 |
| Gold in concentrate | oz | 16,455 | 35,859 |
| Silver in concentrate | oz | 95,161 | 210,953 |
| Copper recovery | % | 79.86 | 80.66 |
| Concentrate sales | dmt | 77,925 | 162,930 |
| Copper in concentrate sold | t | 18,221 | 38,022 |
| Gold in concentrate sold | oz | 17,091 | 38,263 |
| Silver in concentrate sold | oz | 107,519 | 231,206 |
| Ban Houayxai Gold-Silver Operation | Units | Three months to 30 Jun 2019 | Six months to 30 Jun 2019 |
| Total material mined | t | 3,577,475 | 6,829,948 |
| Gold-silver ore mined | t | 1,304,623 | 2,359,211 |
| Process plant available time | % | 96.3 | 97.1 |
| Process plant operating time | % | 94.5 | 95.8 |
| Ore milled | t | 1,224,732 | 2,517,249 |
| Gold head grade | g/t | 0.82 | 0.89 |
| Silver head grade | g/t | 8.70 | 9.89 |
| Gold in doré | oz | 26,392 | 59,512 |
| Silver in doré | oz | 184,889 | 438,520 |
| Gold recovery | % | 78.56 | 81.15 |
| Gold in doré sold | oz | 30,335 | 58,514 |
| Silver in doré sold | oz | 214,968 | 432,563 |

Cumulative data may incorporate post reporting period adjustments to prior periods

Table 4

| Phu Kham Copper-gold Operation production costs US\$/lb copper | Three months to 30 Jun 2019 | Six months to 30 Jun 2019 |
|---|--------------------------------|------------------------------|
| Mining cost | 0.78 | 0.71 |
| Deferred mining and inventory adjustments capitalised | -0.30 | -0.16 |
| Processing cost | 0.68 | 0.64 |
| General and administration (site support) | 0.18 | 0.17 |
| Total on-site operating costs | 1.34 | 1.37 |
| Transport handling and marketing | 0.20 | 0.20 |
| Concentrate treatment and refining | 0.21 | 0.22 |
| Total off-site operating costs | 1.75 | 1.79 |
| Deduct precious metal credits | -0.59 | -0.64 |
| Total direct operating costs (C1 cost) | 1.16 | 1.15 |
| Royalty | 0.17 | 0.18 |
| Sustaining capital (includes TSF) | 0.05 | 0.06 |
| Rehabilitation and closure | 0.00 | 0.00 |
| Corporate support and shared services costs | 0.08 | 0.08 |
| Lease principal and interest charges | 0.01 | 0.01 |
| Deferred mining and inventory adjustment capitalised | 0.30 | 0.16 |
| All-in sustaining costs | 1.78 | 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 | Three months to 30 Jun 2019 | Six months to 30 Jun 2019 |
|---|--------------------------------|------------------------------|
| Mining cost | 328 | 290 |
| Deferred mining and inventory adjustments capitalised | 9 | 8 |
| Processing cost | 382 | 321 |
| General and administration (site support) | 93 | 83 |
| Total on-site operating costs | 813 | 703 |
| Total off-site operating costs (freight, refining) | 7 | 8 |
| Deduct silver credit | -105 | -113 |
| Total direct operating costs (C1 cost) | 714 | 598 |
| Royalty | 85 | 86 |
| Sustaining capital (includes TSF) | 46 | 42 |
| Rehabilitation and closure | 3 | 1 |
| Corporate support and shared services costs | 38 | 30 |
| Lease principal and interest charges | 2 | 1 |
| Deferred mining and inventory adjustment capitalised | -9 | -8 |
| All-in sustaining costs | 879 | 749 |

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